



A Component Unit of Montgomery County, Maryland



# Comprehensive Annual Financial Report

For the Fiscal Year Ended on June 30, 2017



**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, 2017**

Issued by  
Finance Department  
Gail Willison, Chief Financial Officer  
Eugenia Pascual, Controller



**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  
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Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO





November 1, 2017

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 ending June 30, 2017. 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 is the responsibility of the management of the Commission. To the best of our knowledge and belief, the data is accurate in all material respects, presented in a manner designed to fairly state the financial position and state of operations of the Commission. Further, all necessary disclosures have been included to allow 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 sub-fund financial statements. The Statistical section offers, 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 Fund, Opportunity Housing Fund, Public Fund, Single Family Fund, and the Multifamily Fund. In addition, 17 Low-Income Housing Tax Credit partnerships (LIHTC) and two Limited Liability Companies (LLC’s) are consolidated and presented as discrete 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 were enacted to establish a broader housing mission for the County and restructure HAMC into the Housing Opportunities Commission of Montgomery County, Maryland (HOC). HOC is Montgomery County’s designated Public Housing Authority (PHA) and Housing Finance Agency (HFA). HOC’s governing body 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 funds for Commission activities are dwelling rental income from Commission-owned properties, interest on mortgage and construction loans earned by the Single Family and Multifamily mortgage loan programs, as well as Housing Assistance Payments and Public Housing Capital Fund and Operating subsidy funded by the U.S. Department of Housing and Urban Development (HUD).

The Commission’s mission 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.

## **Local Economy**

As reported in the July 2017 “Montgomery County Quarterly Economic Indicators Report”, the County’s economy experienced mixed economic performance during the second quarter of this year compared to the same period in 2016. Employment measured by the survey of households increased by 2.2 percent. The unemployment rate remained at 3.3 percent, unchanged from the second quarter of 2016. However, residential construction was mixed, with a decrease in construction of multifamily homes down 32.2 percent and an increase in construction of single family units up 10.0 percent. Sales of existing homes declined 2.5 percent but median prices were up 3.9 percent during the second quarter, compared to the second quarter of last year. Furthermore, rental vacancy rates in the county stood at 6.3 percent in April 2017, a decrease from 6.4 percent in 2016 but indicating a slightly tighter local rental market than the national vacancy rate of 7.0 percent in the first quarter of 2017.

Although the data for the second quarter indicate a mixed economic performance, the data from July 2016 to June 2017 indicate that the county experienced some economic growth, particularly in employment, home sales and median prices.

## **Rental and Homeownership Market**

At the regional level, the Washington Metropolitan area economy continues to improve and has yielded an apartment rental market that continues to be stronger than most of the nation. Indicators of strong regional economic performance include:

- Comparatively low unemployment, at both state and national levels (3.3% in Montgomery County and 4.1% in Maryland compared to the national average of 4.4% in June 2017);
- Continued employment growth (gaining 106,700 jobs in Maryland since January 2015);
- Rising regional housing prices. According to the S&P/Case-Shiller Home Price Index, prices for the Washington region increased 3.6 percent in May over the previous 12-month period. For FY 2017, median home prices increased in Montgomery County 3.8 percent.

***HOC Housing Path:*** In early FY 2016, HOC launched HOC Housing Path, effectively re-imagining wait list management, designed to extend greater access to people in need of affordable housing while improving operational efficiency. Unlike the previous wait list, HOC Housing Path allows customers to complete one application and be considered for every HOC program for which they may be potentially eligible. The electronic wait list ensures data remain accurate by keeping the list perpetually open and providing applicants with online access to update their information. As of August 2017, nearly 32,100 households affirmed their need for affordable housing by applying to the HOC Housing Path wait list. HOC Housing Path connects customers with Housing Choice Vouchers, opportunity and tax-credit housing, as well as Project-Based Vouchers. After just one year of operation, HOC has seen its lease call-up success rate increase by 32 percentage points—representing a tremendous step forward in operational efficiency, increasing our ability to serve housing needs in the county. Furthermore, HOC has made a commitment to use technology to extend enrichment and supportive services to applicants on the HOC Housing Path wait list where possible, fulfilling its promise to broaden available programs. By ensuring that applicant contact information is annually updated, HOC can quickly connect families in need to available affordable housing units and supportive services.

***Housing Choice Voucher and Public Housing Operating Subsidy:*** As of July 1, 2017, HOC manages a baseline total of 7,174 vouchers. Federal funding for rental assistance programs has been increasingly uncertain in recent years. In FY 2017, delays to the federal budget process and proposed reductions to the Housing Choice Voucher program forced HOC to postpone the issuance of vouchers to new families on the wait list. Facing proposed cuts again at the federal level for FY 2018, it remains critically important that HOC continue to advance solutions that 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 December 2015, all 669 Scattered Site Public Housing units had been converted to VPC One Corporation (VPC One) or VPC Two Corporation (VPC Two) ownership within the Opportunity Housing portfolio, with an additional ten units joining this group in 2016. A total of 677 units underwent comprehensive interior and exterior renovations over the course of two years and were completed in July 2017. The final two units occupied by disabled residents are slated to undergo in-place renovations at a later date. With completion of the 677 units, almost 43 percent of the scattered site unit portfolio is now fully renovated to a new higher standard, including energy efficiency improvements that will reduce utility costs for residents.

HOC is poised to complete the conversion of its multifamily Public Housing units to project-based subsidies through the Rental Assistance Demonstration (RAD) program. RAD converts multifamily Public Housing Operating and Capital Fund grants to Section 8 Project-Based subsidy. Additionally, RAD allows HOC to transfer these properties into ownership entities to access private capital for the purpose of rehabilitating or redeveloping the properties.

HOC has completed the RAD conversion of nine of its eleven multifamily Public Housing properties with all units slated for full conversion by April 2018. At that time, the units' deep affordability will be preserved through the use of Project-Based Vouchers (PBV) or Project-Based Rental Assistance (PBRA) subsidy – both forms of Federal Section 8 subsidy.

In converting HOC's Public Housing properties to more stable funding streams, HOC is working to finalize the sale of the final seven units available in the Tobytown community through HUD's former Turnkey III Public Housing Homeownership program. The Turnkey III program was designed to reduce barriers to homeownership among low-income households, but HUD has slowly phased out the program since 1999. When a PHA converts less than its entire Public Housing portfolio under RAD, HUD generally requires that a portion of its Public Housing dollars remain available for maintenance of any Public Housing units left behind. In anticipation of this disposition, HOC has undertaken capital improvements to the common property as well as the seven HOC-owned units.

Upon conclusion of these initiatives in FY 2018, HOC will have left the Federal Public Housing program in favor of not only more stable subsidy, but also a financial model that promotes improved cost management and sustainability. HOC continues to refine operations with respect to Federal housing programs to ensure strong financial performance, the efficient delivery of services as well as full compliance with program regulations.

**Property Management and Property Maintenance:** In 2017, HOC continued to focus on improving customer service and increasing leasing efforts through changes to our Property Management and Property Maintenance divisions. Property Management continued significant lease-up efforts while HOC undertook major renovation and redevelopment at numerous properties across the county. As renovations on the RAD 6 properties (six former Public Housing multifamily properties: Ken Gar, Parkway Woods, Sandy Spring Meadows, Seneca Ridge (formerly known as Middlebrook Square), Towne Center Place, and Washington Square) neared completion at the end of calendar year 2016, staff worked to stabilize occupancy in those properties while halting leasing activity in HOC's remaining Public Housing properties—Elizabeth House and Holly Hall—before the commencement of their redevelopment as Section 8 Project Based Rental Assistance (PBRA) properties. HOC also continued its partnership with Edgewood Management Corporation, launching a robust leasing plan for VPC One and VPC Two in late 2016 and reaching 84 percent occupancy by June 2017.

In addition, Property Management set out to work with the Information Technology and Finance divisions to ensure that 50 percent of its contract-managed properties were utilizing HOC's Yardi property management software system by the end of FY 2018. In an effort to create greater transparency and ensure that granular property information is readily available, HOC will require all properties in its contract-managed portfolio to enter data directly into the Yardi system in FY 2019.

**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 FY 2017, construction and renovation continued on several of the Commission's multifamily and scattered site projects:

- **TPM Development Corporation:** TPM Development Corporation ("TPM"), an entity wholly owned and controlled by the Commission, owned three (3) separate properties: Timberlawn Crescent ("Timberlawn"), a 107-unit apartment community; Pomander Court ("Pomander"), 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. The work involved replacing the structurally deficient decks, as well as the interconnected building envelope systems (e.g., siding and windows), repairing drainage issues on site, replacing exterior railing and painting the buildings. This work has been completed.

In October 2014, the Commission prepaid the then outstanding tax-exempt bond loan for TPM. Subsequently, on May 6, 2015, the Commission approved a final development plan and authorized interim funding from the \$90 Million Real Estate Line of Credit (the "RELOC") with PNC Bank, N.A. to complete the interior renovations at both Timberlawn and Pomander (the "Properties"). The Commission also approved the selection of Hamel Builders for the renovation of Timberlawn and CBP Constructors for the renovation of Pomander. The interior unit renovations of the Properties started in June 2015 and were completed by the end of September 2016. Additional exterior renovations were completed in the summer of 2017. On December 7, 2016, the Commission approved a Financing Plan for the properties, and on September 14, 2017, HOC closed on a single permanent mortgage loan in the amount of \$20 million from the Federal Financing Bank and insured through the FHA Risk Share program. To facilitate the transaction, ownership of the Properties was transferred from TPM Development Corporation to Timberlawn Pomander Properties, LLC, a newly formed entity, wholly owned and controlled by the Commission. The mortgage proceeds will be used to repay all renovation funds drawn on the RELOC and the MPDU Property Acquisition Fund, and to complete renovation of the clubhouse and remaining exterior renovation work at Timberlawn. The 59 scattered MPDUs remain owned by TPM Development Corporation and will be unencumbered with any mortgage debt.

- **Arcola Towers & Waverly House:** Arcola Towers is a senior housing apartment community originally constructed in 1971 and located at 1135 University Boulevard West, near the intersection of University Boulevard 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 one bedroom/one bathroom units.

Waverly House is a senior housing apartment community 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 157 units in which 149 are one-bedroom units and eight (8) two-bedroom units are currently used for offices.

In December of 2015, HOC successfully closed on the real estate, tax credit equity and FHA Risk Share loans for Arcola Towers and Waverly House. Both communities have now converted from Public Housing to Project-Based Rental Assistance (PBRA) contracts under the Rental Assistance Demonstration (RAD) program. The communities have a total of 298 units and serve low-income senior citizens and people with disabilities.

The financing used approximately \$35 million in short-term and long-term bonds for the acquisition and rehabilitation of both senior communities. The planned renovations at both communities total \$24 million and will enhance the lives of our senior population and these assets. Arcola Towers and Waverly House also benefit from a combined \$23 million in equity raised from the sale of Low Income Housing Tax Credits (LIHTC) by the property's investors Boston Capital and R4 Capital, respectively. HOC is the managing general partner in both LIHTC ownership entities. The PBRA contracts will provide federal subsidies for all of the units at Arcola Towers and 144 units at Waverly House. The remaining 13 units at Waverly House will be restricted to households earning 60% or less of the Area Median Income, in accordance with the LIHTC program. Unit renovations began at Arcola Towers in February 2016 and as of the end of September 2017, construction was 99% completed with all residential units complete. Full lease-up of the newly-renovated units was also completed at the end of July 2017. Final closeout work to the common areas, including renovation to the kitchen and HVAC rooftop units will wrap up in early October 2017. Waverly House's renovations started in March 2016 and by the end of September 2017, construction was completed for 131 of 157 units (approximately 83 percent) with 84 percent occupancy. The projected completion date for all renovations to Waverly House is October 2017.

- **Alexander House:** Alexander House is an existing 16-story, 312-unit (305 post renovation) mixed-income multifamily building located in downtown Silver Spring, Maryland. The building offers studios, one bedroom and two bedroom units. Forty percent of the property is income restricted for households earning up to 60% of the Area Median Income. On July 23, 2015, the Montgomery County Planning Department approved the Administrative Site Plan Amendment that will incorporate necessary changes to enhance and support the Elizabeth Square redevelopment plan which includes major renovations at Alexander House.

On January 8, 2016, HOC closed a tax-exempt interim loan with BB&T Bank in the amount of \$20.59 million for Alexander House. A final development plan with a budget of \$120 million was approved by the Commission on October 5, 2016. This plan includes the sale of 122 affordable housing units to a Low Income Housing Tax Credit (LIHTC) limited partnership with 183 units to be retained and offered as market rate units. The renovation of 58 units in Phase I was completed, of which 26 units are set aside as affordable units in accordance with the LIHTC program. There still remains one new Uniform Federal Accessibility Standards (UFAS) unit converted from existing community space currently under renovation due to design issues to meet UFAS requirements. The general contractor has also completed 47 units in Phase II, of which 23 units are set aside as affordable units, with remaining 11 units to be completed and delivered by middle of October 2017. Initial pre-walk to assess the existing condition for Phase III units has commenced and on-going. The current breezeway (Phase A) has been demolished to be converted into the main lobby area, property management office, and mailboxes. Phase A of the amenity space is to be completed by March 2018 with overall renovation for the property to be completed by September 2018.

The renovation work will be completed using proceeds from the issuance of tax-exempt bonds plus LIHTC proceeds from the syndication of low income housing tax credits for the affordable housing portion. Once completed and placed in service, the permanent loan will be funded from the Federal Financing Bank loan pursuant to the FHA Risk Share/Federal Financing Bank program.

- Chevy Chase Lake (The Lindley):** Chevy Chase Lake Apartments consisted of five two-story garden style apartment buildings. The property was built in the 1950s and moderately renovated in 2005. The site is being redeveloped because the units were functionally obsolete and lacked modern amenities, but more importantly, the Montgomery County Planning Commission conveyed additional density on the site during its master planning process, enabling the creation of additional housing units. In 2016, a portion of the land was sold to Eakin-Youngentob and Associates (EYA) for the development of 62 townhomes. HOC, working with EYA, is developing the remaining portion of the site into The Lindley—an 11-story structure with 200 units that include affordable housing, workforce housing, and market rate units. Plans also include an underground garage and a walkway that connects the neighborhood park with the future site of the Purple Line Metro station. Construction commenced on November 8, 2016 and is expected to be completed in December 2018. The foundation work and base structure of the first floor was completed in September 2017 and pour of the second floor slab is underway as of the end of September 2017. The construction loan is being funded from a United Bank loan. HOC and private equity will complete the remaining construction funding with the permanent loan funded from a 100% participation loan from the Federal Financing Bank pursuant to the FHA Risk Share/Federal Financing Bank loan program.
- Tobytown:** Tobytown is a small homeownership community in Potomac. In 1972, capitalizing on HUD's Public Housing Turnkey III Homeownership (Turnkey III) program, the 15 existing units in poor condition were demolished and HOC developed 26 replacement units. Currently, 19 units have completed their homeownership transaction; 7 units remain under a homebuyer's agreement, with an HOC maintenance ownership interest until the homeownership transaction is complete. Full homeownership disposition is expected to occur by the end of calendar year 2017. The Commission approved selection of a general contractor for renovation work to the seven units in June 2017. Renovation of the units will begin in October 2017 and are projected to be completed by early December 2017. Renovations to exterior common areas are being completed in two phases: Phase One included paving the parking area and bringing the accessible parking spots up to code, storm water drainage upgrades, sidewalk repairs, and exterior clubhouse ramp redesign. Phase One was completed in January 2017. Phase Two includes the renovation to the Tobytown community center, as well as installation of new common area playground equipment. Installation of the new playground equipment is expected to be completed in November 2018 and improvements to the community center are awaiting permits but are projected to be completed by March 2018. All upgrades will utilize funds from HUD's Public Housing Capital Fund.
- Greenhills Apartments:** Greenhills is a 78-unit, mixed-income, townhome-style apartment community in Damascus. On August 30, 2017, HOC issued \$12 million of tax-exempt bonds to fund a mortgage loan on the property. On September 28, 2017, HOC secured syndication of 4% LIHTC and closed a \$12 million tax-exempt mortgage loan for redevelopment of the property which will convert to a permanent loan upon completion of the renovation. Proceeds of the loan were used to repay the existing \$4.30 million outstanding loan funded by BB&T. The mortgage and permanent loan will be insured under the FHA Risk Share program in accordance with the FHA agreement with HOC. HOC staff negotiated the limited partnership agreement with PNC Real Estate Tax Credit Capital Institutional Fund 64 LLC, the purchaser of the LIHTCs. Redevelopment of the property includes restriction of 70% of the units (55 units) to households at 60% of area median income or below. A Request for Proposal (RFP) was issued June 16, 2016 seeking contracting services to perform the renovations and was awarded to Hamel Builders. The scope of the renovation will involve exterior work to include the replacement of siding, gutters, windows, roof and decks; interior work will include kitchen and bathroom upgrades; new fixtures and energy efficient lighting; and new HVAC units and water heaters. Renovation completion is projected to occur by November 1, 2018.



- **Victory Crossing:** Victory Crossing is a 105-unit, new construction, affordable senior community in the White Oak area of Silver Spring, MD. HOC entered into a grant agreement to fund the placement of 39 Project-Based Vouchers created by the conversion of some of HOC's existing Public Housing-funded units via the RAD program. The grant agreement was revised in May 2016 to reflect an increase from \$1.8 million to \$2.25 million due to a recent regulatory change in the cost of the mortgage insurance premium and lower projected interest rate at closing. Despite the increase, Victory Crossing remains a cost effective RAD relocation project with each unit costing approximately \$58,000. Construction commenced in November 2016 and is anticipated to be completed by February 2018.
- **VPC One & Two Corporation:** In June 2013, the Commission approved the renovation of 669 former Public Housing scattered site units that the Agency transitioned out of the Public Housing program via Section 18 Disposition. Ownership of the properties was transferred to two entities: VPC One Corporation (VPC One), consisting of 390 units; and, VPC Two Corporation (VPC Two), consisting of 279 units. The Commission approved a total development budget for the project of \$41,500,000 of which VPC One was allocated \$24,100,000 and VPC Two was allocated \$17,400,000. The scope of the renovations includes new roofs, siding, gutters, windows, exterior and interior doors, mechanical system upgrades, new kitchen and bath fixtures, appliances, cabinets, flooring, and wall paint. Renovations to vacant units were completed in 2016. In-place renovations started in the summer of 2016 and unit renovations were completed by late July 2017. To aid in its RAD conversion, the Commission purchased 10 additional units into these two properties, bringing the total units owned by the corporations to 679. The renovations at 677 units are 100% complete. The remaining two units are occupied by persons with disabilities; therefore, funds were escrowed for interior renovations at a later date.

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

- **900 Thayer:** HOC acquired a fully entitled half-acre site in downtown Silver Spring in 2016. Originally designed as a market rate rental property, 900 Thayer will be a 124-unit, mixed-income rental property of one- and two-bedroom units and will act as the receiving site for the subsidy associated with the 96 units at Holly Hall being converted from Public Housing to Project-Based Section 8 via the RAD program. Funding of the construction is being provided from various Commission sources. The permanent loan will be funded from proceeds from the syndication of LIHTC, proceeds from the sale of tax-exempt bonds, conventional with mortgage insurance provided by FHA in accordance with FHA's Risk Sharing agreement with HOC. On September 7, 2016, the Commission approved the selection of CBG Building Company as general contractor. The Commission approved the Final Development Plan on August 9, 2017 and on September 6, 2017, the Commission approved the construction budget and plan with funding authorized from various Commission funding sources. Building permits are expected to be issued in October construction commencing shortly thereafter with completion in the first half of 2019.
- **Elizabeth House III & IV:** Elizabeth House is one of the 11 Public Housing properties approved for conversion to project-based subsidy under the HUD's RAD program. On August 13, 2013, the Commission approved the submission of 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 1966. 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 and FPP, the entire site is known as Elizabeth Square. On July 23, 2015, a Preliminary Plan for the redevelopment of Elizabeth Square was approved by Montgomery County Planning Department.

The preliminary plan approved a proposed mixed-use project consisting of three buildings: the new, senior-housing focused Elizabeth House III building, the new, multifamily Elizabeth House IV building, and the renovated Alexander House which will include 122 affordable units and 183 market rate units. Elizabeth House III will be the first phase of new construction planned to begin in 2017 and be completed in mid-2019. HOC anticipates selection and Commission approval of a general contractor for the Elizabeth House III project in October 2017. Staff is preparing an application for LIHTC to be submitted in October 2017, with R4 as the tax credit syndicator. Construction of Elizabeth House IV is projected to start in 2023.

Elizabeth Square will deliver an over 127,000 square foot state of the art recreational and public use facility that will be the focal point of the square, including the new South County Regional Recreation and Aquatic Center and the Senior Resource Center/Primary Care Facility to be operated by Holy Cross Hospital. Together, the Elizabeth Square development represents a significant investment by HOC and the County inside the beltway, a mere walk from the Silver Spring Red Line Metro station.

- **Brooke Park:** On October 2, 2013, the Commission approved the acquisition of the Brooke Park Apartments and the assumption of a contract between the County's Department of Housing and Community Affairs (DHCA) in accordance with the right of first refusal. Built in the 1950s, Brooke Park consists of 18 units, nine (9) 1-bedroom units and nine (9) 2-bedroom units. The property was approximately 50% occupied and in need of renovation. HOC seeks to redevelop the property to extend its useful life for at least another 20 years. As of September 2017, HOC staff has been engaging the County to start the process of revising the preliminary plan to preserve the units for occupancy. An RFP for a general contractor will be issued in winter 2017/2018. As with other rehabilitation efforts, Brooke Park will be renovated to provide high quality, well designed, amenity rich, energy efficient affordable housing in Potomac that will be competitive within the rental marketplace. Funding is being provided as a loan from Montgomery County DHCA. Renovations are scheduled to be completed by December 2018.
- **Ambassador:** The Ambassador Apartments are located at the corner of Veirs Mill Road and University Boulevard in Wheaton. The building was originally constructed as a hotel but converted into a 162-unit apartment building in 1994. The Ambassador was funded with a tax-exempt loan from HOC and equity from the syndication of LIHTC—six years remain on the 30-year restriction period. The Ambassador is an aging structure in need of significant renovation. As a result of the extensive renovation needs, HOC conducted resident relocations in July 2016 into more appropriate affordable housing. HOC consulted with the Maryland Department of Housing and Community Development regarding the years remaining under the Extended Use Covenant in addition to negotiating with the owner of the retail units at the site to develop a long-term strategy. HOC staff is still working with developer Willco to finalize an agreement for the redevelopment of the site. Construction is anticipated to begin in 2019.
- **Emory Grove:** Emory Grove is being redeveloped as a part of the RAD program. All Emory Grove residents have been relocated to newly renovated homes throughout Montgomery County and the property is now vacant. It will be redeveloped into a mixed-income community that includes 40 to 60 new affordable units. HOC continues to engage the County regarding appropriate rezoning and anticipates it will be approved and all entitlements conveyed upon the property by 2020. HOC has requested that CIP funding be brought forward to the FY 2018 budget to commence demolition on the property. Construction is estimated to begin in 2022, depending on sub-market strength.

- **Westwood Tower:** Westwood Tower Apartments is a 212-unit, high-rise apartment community consisting of 169 market rate and 43 affordable units located in Bethesda. Through the County's revision of the Westbard Sector Plan, the property now has additional unused development density. Any new development would ultimately be integrated into the existing Westwood Tower. HOC is looking to acquire the building by the beginning of calendar year 2018 per the purchase option in the existing master lease agreement with Regency Centers. Later in 2018, HOC will likely develop renovation plans for the existing Westwood Tower. There is no near-term plan for any new construction.
- **Scattered Sites:** HOC owns and manages approximately 1,600 scattered site units. These units are located throughout the County, consisting mostly of townhomes and condominiums with some single family homes which HOC has purchased over the years under the County's Moderately Priced Dwelling Unit (MPDU) program. About 900 of these are in need of some level of renovation. Staff will be inspecting the units and taking inventory of required renovation needs. While some interior systems and finishes will need attention, staff will focus primarily on the exterior of these units first. Exterior improvements to the roofs, gutters, insulation, siding and windows/shutters will provide protection from water damage and tighten the seal of the homes. Making these changes along with upgrading the HVAC systems and water heaters with high efficiency units will reduce energy loss and provide cost savings to our residents. During the evaluation, staff will also assess the potential for sale of units based on specified criteria to be developed. Unit inspections are projected to be completed by November 2017 and a proposed plan will be presented to the Commission in the third quarter of FY 2018.

**HOC Academy:** HOC offers expanded customer services designed to help families and children break the cycle of inter-generational poverty. Started in 2014, HOC Academy has introduced programs that enable customers to become more self-sufficient through workforce development, training workshops and higher education opportunities.

One program offered through HOC Academy is the Fatherhood Initiative. HOC was the first public housing authority to be awarded the Fatherhood Initiative grant from the U.S. Department of Health and Human Services' Administration for Children and Families. The \$695,000 grant is renewable for five years and provides resources for classes, counseling, workforce development training and other services to fathers and their families. HOC's Fatherhood Initiative program kicked off in June 2016, graduating five cohorts totaling 83 participants by June 2017. In its inaugural year, the Fatherhood Initiative has coordinated 24/7 Dad Workshops, job preparation boot camps, and health workshops with partners such as Montgomery County's Department of Health and Human Resources, A Wider Circle, and Priority Partners.

HOC Academy has continued to expand its reach in adult and youth enrichment programming, increasing STEM (Science, Technology, Engineering and Mathematics) activities and camps, internships, as well as workforce development opportunities. STEM activities included field trips to the FIRST LEGO League competition in Washington, D.C., YMCA's annual Thingamajig Invention Conference, and the CUNY Advance Science Research in New York City. A grant from Gannett Foundation allowed HOC Academy to further expand the STEM program with the purchase of 10 new Acer Chrome books for student use. The devices offer students enhanced mobility and faster programming capabilities during HOC robotics clubs. In addition, funding from Montgomery County made possible HOC Academy's end-of-year robotics competition, where students applied their summer training to the resolution of real-world scientific problems. HOC Academy also offered robust workforce training, including an exclusive internship opportunity for HOC college students with PNC Bank, as well as a partnership with the Montgomery County Public Library to provide resources for free GED, English for Speakers of Other Languages (ESOL) classes, and other workshops and courses.

In FY 2018, HOC Academy will be relocated within the organizational structure under the Resident Services division. This will ensure all services provisioned to HOC customers and their families is comprehensively coordinated and delivered efficiently.

**Housing Opportunities Community Partners (HOCP):** In 1999, HOC formed Community Partners, a non-profit corporation that helps low-income individuals and families improve their quality of life, equip them to reach a higher level of self-sufficiency and provide them with important resources to help break the cycle of poverty. HOCP offers the following programs:

- **Housing Counseling Plus Program** provides moving cost assistance to homeless families relocating to permanent housing.
- **Driving Toward Success** helps low-income working families obtain reconditioned used vehicles at a low cost to expand their employment and educational options.
- **Career Building Blocks** program offers educational and vocational training to low-income residents in subsidized housing to improve their skills and find gainful employment.
- **Saving for a Better Tomorrow Individual Development Account (IDA)** program provides financial literacy and asset building assistance to help low-income households pursue homeownership, create small businesses and increase their post-secondary education.

HOCP had an estimated gross income of \$310,264 for FY 2017 and expenses estimated at \$220,698. The organization's budget for FY 2018 is \$330,900. HOCP held a fundraiser on September 26, 2016 to raise money to support and expand HOC self-sufficiency programming offered by HOC Academy and the Resident Services Division. The HOCP Inspire Gala raised over \$125,000 in net donations and sponsorships, allowing Community Partners to expand its reach to more households in need of enrichment programming and housing stability. In addition to its fundraising efforts, HOCP requested and received a \$20,000 Community Development Block Grant (CDBG) award to fund HOC's STEM program—providing after school robotics activities at various HOC properties in the county.

**Customer Relationship Management System:** In 2016, HOC began efforts to launch a Customer Relationship Management System (CRM) to improve customer service and better respond to questions or concerns from both customers and the public. The CRM uses technology that enables HOC to respond to inquiries, answer calls, as well as track incoming requests made by phone, email, or online, including customer contacts made at HOC offices. At the end of 2016, the design and build-out of the system were approved by the Commission and staff began analyzing and recording HOC's business processes in addition to documenting answers to frequently asked questions received from customers. In May 2017, a soft-launch of the new call center at HOC's East Deer Park location in Gaithersburg included the use of Salesforce software to track customer interactions and routing calls from HOC's main Kensington line and the old wait list call number to Call Center Specialists.

Over the course of FY 2018, HOC staff will continue to build out the data base as well as implement customer self-service portals online and at HOC Customer Service Centers (CSC) throughout the county.

## 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 Uniform Grant Requirements, the Commission is subject to an annual audit of certain federal expenditures. The expenditure of federal funds in excess of \$750,000 requires an annual audit to be performed by an independent public accounting firm. The Single Audit was performed by CliftonLarsonAllen LLP for the year ended June 30, 2017, with no material weaknesses or significant deficiencies noted in the internal control over financial reporting. The Commission did have a significant deficiency noted in internal control over compliance for 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. During the year, budget amendments for all accounts and divisions 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 19 discretely presented component units which consist of 17 LIHTC limited partnerships and 2 LLC's. 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, HOC has the right of first refusal to purchase the properties. These units are typically absorbed into the Commission's Opportunity Housing Fund and continue to provide affordable housing for the Commission's target population.

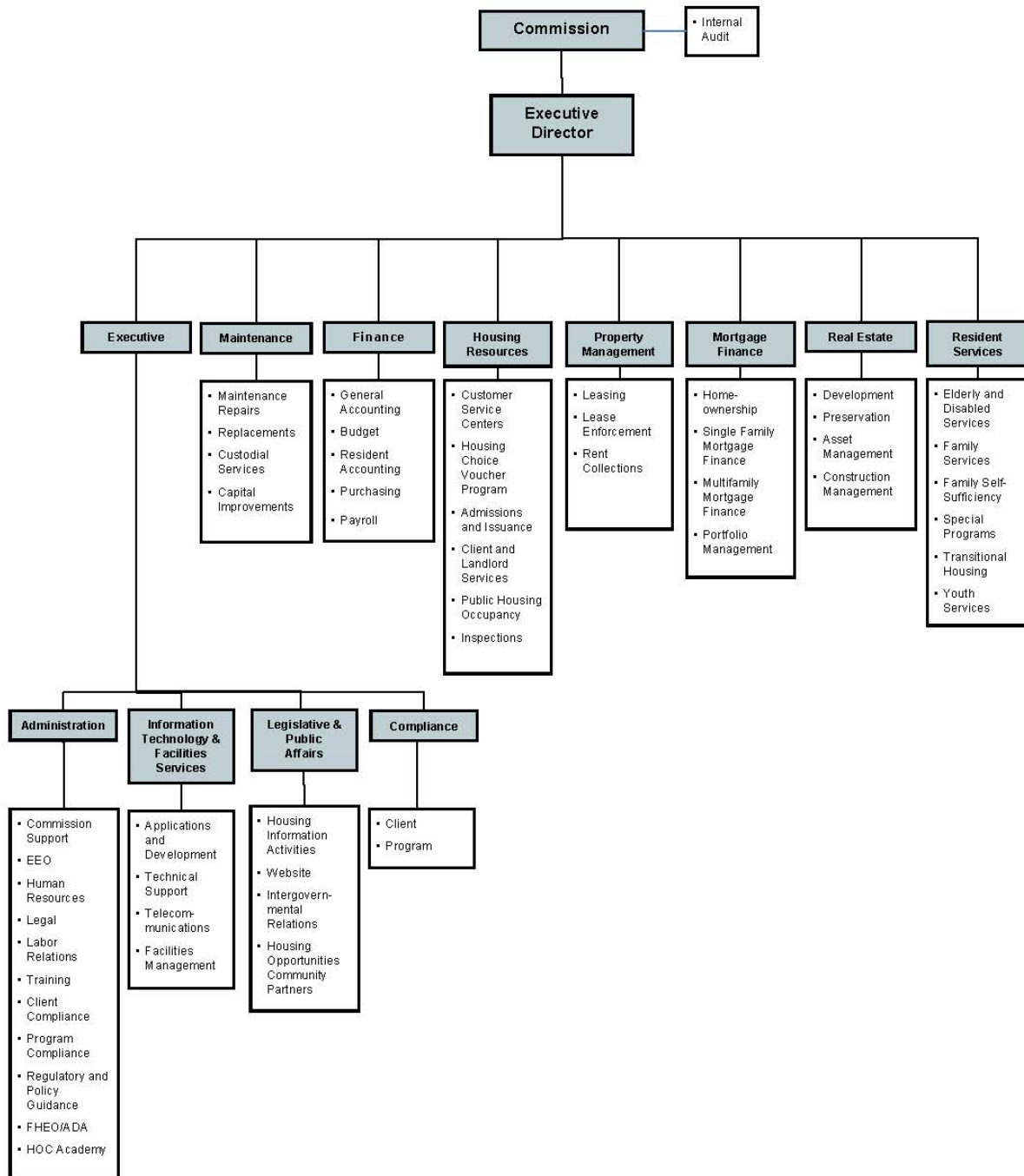
**Acknowledgements:** The preparation of this report has been accomplished by the efforts of the Finance Division in conjunction with the support of various division heads and staff throughout the Commission. We would also like to thank the Commission for their continued support and guidance throughout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

Respectfully submitted,

*Gail Goodman Willison*

Gail Willison  
Chief Financial Officer

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





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

<b>Name, Title</b>	<b>Expiration of Term</b>
<b>BOARD OF COMMISSIONERS</b>	
Jackie Simon, Chair	August, 2020
Christopher L. Hatcher, Vice Chair	August, 2019
Richard Y. Nelson, Jr., Chair Pro Tem	August, 2018
Margaret McFarland, Commissioner	August, 2019
Pamela Byrd, Commissioner	August, 2018
Linda Croom, Commissioner	August, 2017
Edgar G. Rodriguez, Commissioner	August, 2021

**SENIOR MANAGEMENT**

Stacy L. Spann, Executive Director  
Nowelle Ghahari, General Counsel

**EXECUTIVE STAFF**

Kayrine Brown, Chief Investment and Real Estate Officer  
Lynn Hayes, Director of Housing Resources  
Patrick Mattingly, Director of Human Resources  
Shauna Sorrells, Director of Legislative and Public Affairs  
Fred Swan, Director of Resident Services  
Arthur Tirsky, Chief Maintenance Officer  
Ian Williams, Chief Information Officer  
Gail Willison, Chief Financial Officer  
Vacant, Director of Property Management



## II. FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Housing Opportunities Commission of  
Montgomery County, Maryland  
Kensington, 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, 2017, 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 Montgomery Homes Limited Partnership IX, Montgomery Homes Limited Partnership X, Shady Grove Apartments Limited Partnership, Manchester Manor Apartments Limited Partnership, the Willows of Gaithersburg Associates Limited Partnership, Georgian Court Silver Spring Limited Partnership, MV Affordable Housing Associates Limited Partnership, Strathmore Court Associates Limited Partnership, Arcola Towers RAD Limited Partnership and Waverly House RAD Limited Partnership, Metropolitan of Bethesda Limited Partnership, Spring Garden One Associate Limited Partnership, Barclay One Associates Partnership, Wheaton Metro Limited Partnership, Forest Oak Towers Limited Partnership, Tanglewood and Sligo Limited Partnership, and Hampden Lane Limited Partnership, which represent 96%, (20)% and 100% respectively, of the assets, partners' equity, and revenues of the discretely presented component units. Those statements, which were prepared in accordance with the Accounting Standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. 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, 2017, 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, the Schedule of Commissions Proportionate Share of the Net Pension Liability on page 81, and the Schedule of Commission Contributions on page 82 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The sub-fund financial statements 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.

Board of Commissioners  
Housing Opportunities Commission of  
Montgomery County, Maryland

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 not 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017 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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 1, 2017



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

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, 2017. 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 increased by \$27.2 million (or 12.3%) from \$220.4 million at June 30, 2016 to \$247.6 million at June 30, 2017.
- The Commission's current ratio (ratio of current assets to current liabilities) decreased from 2.40 at June 30, 2016 to 2.27 at June 30, 2017 as a result of scheduled and early bond redemptions as well as the regular bond principal and interest payments. The drawdown of bond proceeds for RAD 6 Development Corporation (RAD 6), Arcola Towers RAD Limited Partnership (Arcola RAD LP) and Waverly House RAD Limited Partnership (Waverly RAD LP) also contributed to the decrease.
- Outstanding mortgage and construction loans receivable decreased from \$314.6 million at June 30, 2016 to approximately \$308.3 million at June 30, 2017. This is attributed to a decrease in Single Family mortgage loans receivable and was partially offset by the seller note from the sale of the Alexander House Development Corporation (Alexander House Dev. Corp.) affordable units to Alexander House Limited Partnership (Alexander House LP).
- The amount of U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payments (HAP) administered by the Commission increased by 4.5% from \$91.4 million in fiscal year 2016 to \$95.5 million in fiscal year 2017.
- During fiscal year 2017, the Multifamily Sub-Fund retired and refunded bonds in the amount of \$9.5 million which consisted of \$8.1 million from the 1996 indenture, \$0.6 million from the 2002 Multiple Purpose Bonds, \$0.2 million from the 1984 indenture, and \$0.6 million from other indentures.
- The Single Family Sub-fund issued bonds in the amount of \$33.3 million under the 1979 indenture to finance mortgage loans for qualifying first-time home buyers. During fiscal year 2017, the Single Family Sub-fund retired and refunded bonds in the amount of \$75.3 million which consisted of \$66.5 million from the 1979 indenture and \$8.8 million from the 2009 indenture.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

### **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 statement 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 HUD required all public housing authorities to implement a Central Office Cost Center (COCC). As a result, the General Sub-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 governments. 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 OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**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.

The Commission is the sole member and 100% owner of HOC at Hillandale Gateway LLC (HOC Hillandale), a Maryland limited liability company, which is addressed as a blended component unit. HOC Hillandale is an owner member of Hillandale Gateway LLC, which has a June 30 fiscal year end and is included as a discrete component unit.

The Commission is the managing member and 50% owner of CCL Multifamily LLC, a Maryland limited liability company, which is addressed as a partnership with a private foundation. CCL Multifamily LLC, in turn, owns the Lindley, a 200-unit mixed-income apartment building under construction with projected completion by January 2019. This entity has a December 31 fiscal year end and is included as a discrete component unit.

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, 2017.

**Blended Component Units**

Development Corporation – The Commission has 26 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 2017 increased by 12.3%.

Net investment in capital assets is -4.8% of the Commission's net position. These capital assets are used primarily to provide housing to low-income residents.

34.8% of the Commission's position reflects cash and investments, which are restricted as to their use. The preponderance of these restricted assets are used to finance and fund low-income housing.

70.0% of the Commission's net position is unrestricted. These non-restricted resources are used in the operations of the Commission.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

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

	2017	2016	Change (\$)	Change (%)
<b>Assets:</b>				
Current and Other Assets	\$ 386.2	\$ 423.5	\$ (37.3)	(8.8)%
Capital Assets	405.2	384.5	20.7	5.4%
Mortgage and Construction Loans Receivable	308.3	314.6	(6.3)	(2.0)%
<b>Total Assets</b>	<b>1,099.7</b>	<b>1,122.6</b>	<b>(22.9)</b>	<b>(2.0)%</b>
Deferred Outflows of Resources	17.8	16.3	1.5	9.2%
<b>Liabilities:</b>				
Current Liabilities (Including Current Portion of Long-Term Debt and Bonds Payable)	170.0	176.1	(6.1)	(3.5)%
<b>Noncurrent Liabilities:</b>				
Bonds Payable	469.8	508.5	(38.7)	(7.6)%
Other Liabilities	227.4	229.3	(1.9)	(0.8)%
<b>Total Liabilities</b>	<b>867.2</b>	<b>913.9</b>	<b>(46.7)</b>	<b>(5.1)%</b>
Deferred Inflows of Resources	2.7	4.6	(1.9)	(41.3)%
<b>Net Position</b>				
Net Investment in Capital Assets	(12.0)	(19.3)	7.3	(37.8)%
<b>Restricted for:</b>				
Debt Service	80.7	77.8	2.9	3.7%
Customer Deposits and Other	1.6	2.8	(1.2)	(42.9)%
Closing Cost Assistance Program	3.9	3.4	0.5	14.7%
Unrestricted	173.4	155.7	17.7	11.4%
<b>Total Net Position</b>	<b>\$ 247.6</b>	<b>\$ 220.4</b>	<b>\$ 27.2</b>	<b>12.3%</b>

Total assets of the Commission decreased by \$22.9 million or 2.0%, with a corresponding decrease in total liabilities of \$46.7 million or 5.1% from fiscal year 2016.

The decrease in total assets was largely due to a decrease in cash, cash equivalents and investments related to bond redemptions and scheduled amortizations of bond principal and interest as well as the drawdown of the bond proceeds for RAD 6, Arcola RAD LP and Waverly RAD LP. This decrease was partially offset by an increase in net capital assets.

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 net decrease in fair value of \$0.2 million as a net result of an increase in fair value of \$4.0 million in the Single Family Sub-fund and the Multifamily Sub-fund which was partially offset by the addition of the Chevy Chase Lake FFB Hedge and the Alexander House FFB Hedge with a combined negative fair value of \$4.2 million.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

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

	2017	2016	Change (\$)	Change (%)
<b>Operating Revenues</b>				
Dwelling Rental	\$ 68.0	\$ 68.3	\$ (0.3)	(0.4)%
Intergovernmental Grants	118.4	116.0	2.4	2.1%
Investment Income	3.8	3.5	0.3	8.6%
Unrealized Gains (Losses) on Investments	(3.5)	3.4	(6.9)	(202.9)%
Interest on Mortgages and Construction Loans Receivable	11.1	12.1	(1.0)	(8.3)%
Management Fees and Other Income	12.8	10.2	2.6	25.5%
<b>Total Operating Revenues</b>	<b>210.6</b>	<b>213.5</b>	<b>(2.9)</b>	<b>(1.4)%</b>
<b>Operating Expenses</b>				
Housing Assistance Payments	95.5	91.4	4.1	4.5%
Administration	39.4	35.6	3.8	10.7%
Maintenance	17.0	17.4	(0.4)	(2.3)%
Depreciation and Amortization	14.3	13.9	0.4	2.9%
Utilities	4.9	5.4	(0.5)	(9.3)%
Fringe Benefits	9.8	10.4	(0.6)	(5.8)%
Pension Expense	1.5	0.8	0.7	87.5%
Interest Expense	21.9	22.3	(0.4)	(1.8)%
Other Expenses	11.6	9.9	1.7	17.2%
<b>Total Operating Expenses</b>	<b>215.9</b>	<b>207.1</b>	<b>8.8</b>	<b>4.2%</b>
Operating Income (Loss)	(5.3)	6.4	(11.7)	(182.8)%
Nonoperating Revenues, Net	32.3	28.8	3.5	12.2%
Income Before Contributions	27.0	35.2	(8.2)	(23.3)%
Capital Contributions	0.2	3.4	(3.2)	(94.1)%
Change in Net Position	27.2	38.6	(11.4)	(29.5)%
Total Net Position - Beginning of Year	220.4	181.8	38.6	21.2%
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 247.6</b>	<b>\$ 220.4</b>	<b>\$ 27.2</b>	<b>12.3%</b>

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, 2017, the Commission has recorded all ABA received as income.

Intergovernmental grants increased by \$2.4 million as a result of an increase in County, State and HUD subsidies.

Unrealized losses on investments increased by \$6.9 million in FY 2017. The unrealized losses in FY 2017 were due to changes in interest rates and the investing environment.

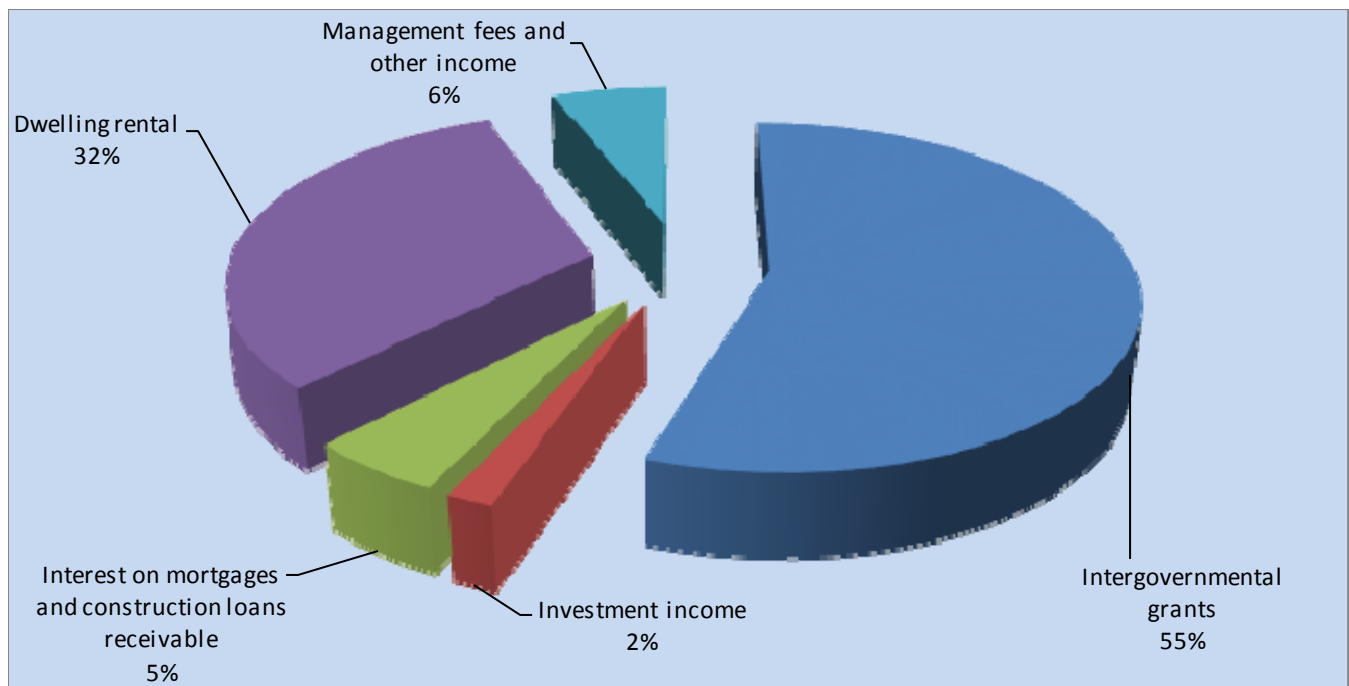
Interest on mortgages receivable decreased by \$1.0 million as a result of a decrease in the average outstanding mortgages in both the Single Family Sub-fund and the Multifamily Sub-fund.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

Management fees and other income increased by \$2.6 million mainly due to the fees received for the alternative affordable units at Pooks Hill and the recognition of deferred commitments fees related to several loans which have been paid off or refinanced.

The following chart illustrates the Commission's sources of revenue as a percentage of total revenue excluding unrealized losses on investments. The primary sources of revenue for the Commission are grants from federal, state, and local governments, and dwelling rental income.

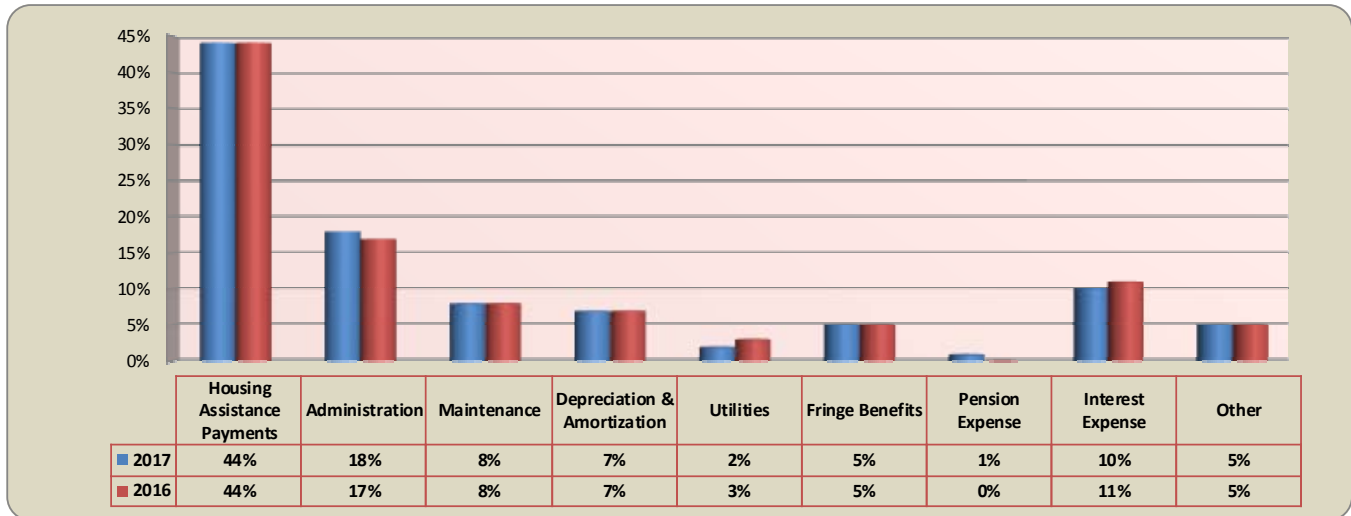
**FY 2017 SOURCES OF REVENUE**



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

The following chart is a comparison of the Commission's current and prior year operating expenses as a percentage of total expenses:

**FY 2017 OPERATING EXPENSES**



Housing Assistance Payments are the major contributor to the total operating expenses of the Commission and remain flat at 44% of the total operating expenses.

The proportionate shares of administrative expenses, maintenance, depreciation & amortization, utilities, fringe benefits, pension expense, interest expense and other expenses have not changed significantly from the prior year.

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

	2017	2016	Change (\$)	Change (%)
Property and Equipment, Net of Depreciation	\$ 395.2	\$ 374.0	\$ 21.2	5.7%
Capitalized Lease (Net of Amortization)	10.0	10.5	(0.5)	(4.8)%
<b>Total Capital Assets, Net</b>	<b>\$ 405.2</b>	<b>\$ 384.5</b>	<b>\$ 20.7</b>	<b>5.4%</b>

Real property is depreciated using the straight line method over a 40 year period. During the year, the Commission acquired assets of approximately \$33.6 million, while disposing of capital assets with a net book value of approximately \$3.9 million. The increase is largely attributable to the renovation work at VPC One Development Corporation and VPC Two Development Corporation, the RAD 6 Multifamily properties, TPM Development Corporation properties and additional pre-development expenses for Elizabeth House. This increased renovation work was partially offset by the sale of Alexander House Dev. Corp. affordable units to Alexander House LP. Note 4 (Capital Assets) provides detailed information about capital asset activity.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

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

	2017	2016	Change (\$)	Change (%)
Multifamily Bonds	\$ 301.7	\$ 311.1	\$ (9.4)	(3.0)%
Single Family Mortgage Purchase Program Bonds	210.9	253.1	(42.2)	(16.7)%
Mortgage Notes and Loans Payable	165.6	144.6	21.0	14.5%
Capitalized Lease Obligation	19.9	19.9	-	0.0%
Loans Payable to Montgomery County	62.9	66.7	(3.8)	(5.7)%
<b>Total</b>	<b>\$ 761.0</b>	<b>\$ 795.4</b>	<b>\$ (34.4)</b>	<b>(4.3)%</b>

The following are key elements of the Commission's outstanding debt as of June 30, 2017:

- As of June 30, 2017, \$301.7 million of multifamily mortgage bonds was outstanding. Sources of payments for the bonds are multifamily mortgages receivable of \$296.0 million and restricted cash, cash equivalents and investments of \$51.0 million.
- As of June 30, 2017, \$210.9 million of Single Family mortgage bonds was outstanding. Sources of payment for the bonds are Single Family mortgages receivable of \$96.0 million and restricted cash, cash equivalents and investments of \$141.9 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 8 (Bonds, Mortgage Notes, and Loans Payable) provides detailed information about long-term debt activity.



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**Economic Outlook**

The FY 2018 HOC Budget reflects the agency's intention to be nothing less than transformational in the affordable housing space, aggressively pursuing the expansion of the affordable housing supply in Montgomery County. As federal resources diminish, it is imperative that HOC continues to find innovative and efficient means to serve the county's most vulnerable families, building upon the successful repositioning of its Public Housing portfolio through the Rental Assistance Demonstration (RAD) program and other unconventional partnerships. HOC is best positioned to serve its customers through the development of Community Connected Housing, located in amenity-rich communities with access to exceptional educational, employment, and recreational opportunities that cultivate social interaction between neighbors. To do this work, the agency is focused on just three things: getting people housed, keeping people housed, and helping customers reach their fullest potential.

With these principles in mind, HOC has worked with a sense of urgency to close the affordability gap for the county's low- and moderate-income families. The rising need for affordable housing comes at a time when the County and State continue to predict revenue shortfalls, as well as slow economic and stagnant income growth. The agency recognizes that, in order to address the needs of the 13,800 families we serve and the over 32,000 individuals on our wait list, we must use every tool at our disposal to meet people where they are along the spectrum of affordable housing needs. That means building units at a range of affordability, using federal programs to provide deep rental subsidies, helping families increase their employment prospects through training and education, and helping those who are able become homeowners.

As the largest provider and developer of affordable housing in the county, it is essential that we work with partners – both public and private – to ensure we meet the current and prospective housing needs of our customers in a constrained fiscal environment.

**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 Chief Financial Officer, 10400 Detrick Avenue, Kensington, Maryland, 20895.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF NET POSITION – BUSINESS-TYPE ACTIVITIES**  
**JUNE 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Unrestricted:

Cash and Cash Equivalents	\$ 94,036,307
Advances to Component Units	22,734,161
Accounts Receivable and Other Assets, Net	26,233,731
Accrued Interest Receivable	4,614,214
Mortgage and Construction Loans Receivable, Current	38,414,299
Total Unrestricted Current Assets	186,032,712

Restricted Cash, Cash Equivalents and Investments:

Restricted Cash and Cash Equivalents	86,446,046
Restricted Short-Term Investments	3,549,391
Restricted for Current Bonds Payable	50,819,159
Restricted for Customer Deposits	3,363,083
Total Restricted Cash, Cash Equivalents and Investments	144,177,679

Total Current Assets	330,210,391
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**NONCURRENT ASSETS**

Restricted Long-Term Investments	82,362,151
Mortgage and Construction Loans Receivable, Net of Current Portion	269,948,336
Capital Assets, Net of Depreciation	395,181,959
Leased Property Under Capital Lease, Net of Amortization	9,993,899
Other Real Estate Owned	532,432
Loans Receivable from Component Units	2,275,679
Investment in Component Units	9,245,196
Total Noncurrent Assets	769,539,652

Total Assets	1,099,750,043
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**DEFERRED OUTFLOWS OF RESOURCES**

Fair Value of Hedging Derivatives	11,376,760
Employer-Related Pension Activities	6,429,816
Total Deferred Outflows of Resources	17,806,576

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF NET POSITION – BUSINESS-TYPE ACTIVITIES (CONTINUED)**  
**JUNE 30, 2017**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Current Unrestricted Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 26,559,744
Accrued Interest Payable	3,256,941
Loans Payable to Montgomery County - Current	336,099
Mortgage Notes and Loans Payable - Current	86,115,924
Capitalized Lease Obligations - Current	4,199
Total Current Unrestricted Liabilities	116,272,907
Current Liabilities Payable from Restricted Assets:	
Customer Deposits Payable	2,707,289
Accrued Interest Payable	8,155,263
Bonds Payable - Current	42,820,266
Total Current Liabilities Payable from Restricted Assets	53,682,818
Total Current Liabilities	169,955,725

**NONCURRENT LIABILITIES**

Bonds Payable	469,833,075
Mortgage Notes and Loans Payable	79,500,609
Loans Payable to Montgomery County	62,582,024
Capitalized Lease Obligations	19,941,708
Unearned Revenue	27,532,658
Escrow and Other Deposits	14,792,410
Net Pension Liability	11,681,661
Derivative Instrument	11,376,760
Total Noncurrent Liabilities	697,240,905
Total Liabilities	867,196,630

**DEFERRED INFLOWS OF RESOURCES**

Unamortized Pension Net Difference	2,712,808
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**NET POSITION**

Net Investment in Capital Assets	(12,002,563)
Restricted for:	
Debt Service	80,716,901
Customer Deposits and Other	1,629,853
Closing Cost Assistance Program	3,844,220
Unrestricted	173,458,770
Total Net Position	\$ 247,647,181

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Unrestricted:	
Cash and Cash Equivalents	\$ 9,891,921
Accounts Receivable and Other Assets	910,391
Due From Primary Government	202,786
Total Unrestricted Current Assets	11,005,098
Restricted Cash and Cash Equivalents	
Restricted Cash and Cash Equivalents	13,529,958
Customer Deposits	845,593
Total Restricted Cash and Cash Equivalents and Investments	14,375,551
Total Current Assets	25,380,649

**NONCURRENT ASSETS**

Property and Equipment, Net of Depreciation	180,978,957
Deferred Charges	659,513
Total Noncurrent Assets	181,638,470
Total Assets	\$ 207,019,119

**LIABILITIES AND PARTNERS' EQUITY**

**CURRENT LIABILITIES**

Current Unrestricted Liabilities	
Accounts Payable and Accrued Liabilities	\$ 10,436,726
Accrued Interest Payable	6,075,753
Due to Primary Government	184,549
Loans Payable to Montgomery County	65,724
Mortgage Notes and Loans Payable - Current	4,421,145
Total Current Unrestricted Liabilities	21,183,897
Current Liabilities Payable from Restricted Assets:	
Customer Deposits Payable	785,913
Total Current Liabilities Payable from Restricted Assets	785,913
Total Current Liabilities	21,969,810

**NONCURRENT LIABILITIES**

Mortgage Notes and Loans Payable	139,069,657
Loans Payable to Montgomery County	13,437,429
Deferred Revenue	7,785
Advances Due to Primary Government	21,334,981
Other Noncurrent Liabilities	4,794,351
Total Noncurrent Liabilities	178,644,203
Total Liabilities	200,614,013

**PARTNERS' EQUITY**

\$ 6,405,106

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-**  
**BUSINESS-TYPE ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

**OPERATING REVENUES**

Dwelling Rental	\$ 67,965,004
Investment Income	3,818,167
Unrealized Losses on Investments	(3,560,708)
Interest on Mortgage and Construction Loans Receivable	11,109,346
Management Fees and Other Income	12,801,771
U.S. Department of Housing and Urban Development Grants:	
Housing Assistance Payments (HAP)	92,038,041
HAP Administrative Fees	6,984,926
Other Grants	6,953,599
State and County Grants	12,511,780
Total Operating Revenues	210,621,926

**OPERATING EXPENSES**

Housing Assistance Payments	95,523,485
Administration	39,442,722
Maintenance	16,972,165
Depreciation and Amortization	14,273,372
Utilities	4,912,538
Fringe Benefits	9,766,889
Pension Expense	1,495,460
Interest Expense	21,946,813
Other Expenses	11,626,153
Total Operating Expenses	215,959,597
Operating Loss	(5,337,671)

**NONOPERATING REVENUES (EXPENSES)**

Investment Income	2,019,037
Interest on Mortgage and Construction Loans Receivable	289,597
Interest Expense	(937,167)
Gain on Sale of Assets	30,574,480
Other Grants	352,264
Total Nonoperating Income	32,298,211

Income Before Contributions 26,960,540

Capital Contributions 258,310

**CHANGE IN NET POSITION** 27,218,850

Total Net Position - Beginning of Year 220,428,331

**TOTAL NET POSITION - END OF YEAR** \$ 247,647,181

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF OPERATIONS – DISCRETELY PRESENTED COMPONENTS UNITS**  
**YEAR ENDED JUNE 30, 2017**

**OPERATING REVENUES**

Dwelling Rental	\$ 21,229,749
Management Fees and Other Income	990,271
Total Operating Revenues	<u>22,220,020</u>

**OPERATING EXPENSES**

Administration	3,858,543
Maintenance	4,821,211
Depreciation and Amortization	6,573,727
Utilities	2,242,548
Fringe Benefits	1,180,010
Interest Expense	5,864,786
Other Expenses	2,747,698
Bad Debt Expense	43,270
Total Operating Expenses	<u>27,331,793</u>

Operating Loss	<u>(5,111,773)</u>
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**NONOPERATING REVENUES**

Investment Income	49,641
Total Nonoperating Revenue	<u>49,641</u>

Loss Before Contributions and Distributions	(5,062,132)
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Capital Contributions	8,327,813
Partner Equity Distributions	<u>(179,645)</u>

**CHANGE IN PARTNERS' EQUITY**

3,086,036

Total Partners' Equity - Beginning of Year	3,433,784
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Change in Accounting Principle	<u>(114,714)</u>
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**TOTAL PARTNER'S EQUITY - END OF YEAR**

\$ 6,405,106

**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, 2017**

	<u>Business-Type Activities</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 69,500,993
Intergovernmental Revenue	118,488,346
Investment Income Received	4,008,844
Mortgage Interest Received	11,112,460
Mortgage Loan Principle Received	29,196,692
Management Fees and Other Income	54,262,324
Pension Expense	(1,495,460)
Payments to Suppliers	(61,520,158)
Payments to Employees	(84,279,445)
Interest Paid	(20,846,019)
Housing Assistance Payments	(95,523,485)
Net Cash Provided by Operating Activities	<u>22,905,092</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Advances to Component Units	(9,662,876)
Issuance of Notes Receivable	(16,266,831)
Repayment of Notes Receivable	(25,926,870)
Investments Purchased	(22,779,812)
Investment Income Received	2,019,037
Mortgage Interest Received	(1,179,126)
Net Cash Used by Investing Activities	<u>(73,796,478)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from Sale of Bonds	33,300,000
Bond Repayments	(85,008,280)
Intergovernmental Revenue	352,264
Net Cash Used by Noncapital Financing Activities	<u>(51,356,016)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments for Property, Equipment and Committed Financing Fees	(33,640,002)
Disposition of Capital Assets	7,285,244
Gain on Sale of Capital Assets	30,574,480
Proceeds from New Mortgage Notes and Loans Payable	20,515,599
Payments on Mortgage Notes and Loans Payable	17,285,048
Interest Paid on Mortgages	(937,167)
Payments on Capital Lease Obligations	(3,897)
Capital Contributions and Transfers	258,310
Net Cash Provided by Capital and Related Financing Activities	<u>41,337,615</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(60,909,787)
Cash and Cash Equivalents - Beginning of Year	<u>295,574,382</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 234,664,595</u></u>

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF CASH FLOWS – BUSINESS-TYPE ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**  
**(Continued)**

	<u>Business-Type Activities</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR TO AMOUNTS IN THE STATEMENT OF NET POSITION</b>	
Current Unrestricted Cash and Cash Equivalents	\$ 94,036,307
Restricted Cash and Cash Equivalents	86,446,046
Current Bonds Payable	50,819,159
Customer Deposits	3,363,083
Total Cash and Cash Equivalents	<u>234,664,595</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	(5,337,671)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Increase in Capital Appreciation Bonds	22,646
Depreciation and Amortization	14,273,372
Unrealized Losses on Investments	3,560,708
Pension Expense	(3,278,689)
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable and Other Assets	3,781,001
Mortgage and Construction Loans Receivables	27,991,931
Accrued Interest Receivable	1,739,630
Other Real Estate Owned	1,257,722
Deferred Charges	1,193,506
Interfund Receivable	(8,626,664)
Accounts Payable	(17,602,254)
Unearned Revenue	539,258
Accrued Interest Payable	(382,694)
Net Pension Liability	4,202,025
Escrow and Other Deposits	(428,735)
Net Cash Provided by Operating Activities	<u>\$ 22,905,092</u>

See accompanying Notes to Financial Statements.



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**COMBINING BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2017**

	12/31 MHLP IX	12/31 MHLP X	12/31 Shady Grove	12/31 Manchester	12/31 Willows	12/31 Georgian	12/31 MV Affordable	6/30 Strathmore	12/31 Arcola	12/31 Waverly
<b>Assets</b>										
<b>Current Assets</b>										
Cash and Cash Equivalents	\$ 100	\$ -	\$ 1,291,977	\$ 300,759	\$ 232,413	\$ 182,933	\$ 391,522	\$ 36,734	\$ 1,023,566	\$ 1,050,675
Accounts Receivable and Other Assets	80,567	60,626	23,962	13,862	132,059	21,661	67,975	13,521	12,274	134,365
Due From Primary Government	-	29,802	-	-	4,330	-	-	-	-	-
<b>Total Unrestricted Current Assets</b>	<b>80,667</b>	<b>90,428</b>	<b>1,315,939</b>	<b>314,621</b>	<b>368,802</b>	<b>204,594</b>	<b>459,497</b>	<b>50,255</b>	<b>1,035,840</b>	<b>1,185,040</b>
<b>Restricted Cash and Cash Equivalents</b>										
Restricted Cash and Cash Equivalents	235,021	118,726	546,347	107,145	1,041,662	541,040	263,654	170,459	1,670,194	2,546,299
Customer Deposits	49,942	28,718	59,554	22,902	146,427	109,849	50,094	24,723	40,899	49,825
<b>Total Restricted Cash and Cash Equivalents</b>	<b>284,963</b>	<b>147,444</b>	<b>605,901</b>	<b>130,047</b>	<b>1,188,089</b>	<b>650,889</b>	<b>313,748</b>	<b>195,182</b>	<b>1,711,093</b>	<b>2,596,124</b>
<b>Noncurrent Assets</b>										
Property & Equipment, Net of Depreciation	5,133,834	2,599,326	6,143,766	1,638,671	5,101,228	5,531,322	5,473,194	2,722,759	21,742,913	32,997,545
Deferred Charges	-	-	-	-	-	-	28,000	-	-	-
<b>Total Noncurrent Assets</b>	<b>5,133,834</b>	<b>2,599,326</b>	<b>6,143,766</b>	<b>1,638,671</b>	<b>5,101,228</b>	<b>5,531,322</b>	<b>5,501,194</b>	<b>2,722,759</b>	<b>21,742,913</b>	<b>32,997,545</b>
<b>Total Assets</b>	<b>\$ 5,499,464</b>	<b>\$ 2,837,198</b>	<b>\$ 8,065,606</b>	<b>\$ 2,083,339</b>	<b>\$ 6,658,119</b>	<b>\$ 6,386,805</b>	<b>\$ 6,274,439</b>	<b>\$ 2,968,196</b>	<b>\$ 24,489,846</b>	<b>\$ 36,778,709</b>
<b>Liabilities</b>										
<b>Current Unrestricted Liabilities</b>										
Accounts Payable and Accrued Liabilities	\$ 53,753	\$ 33,552	\$ 80,048	\$ 72,802	\$ 388,299	\$ 39,202	\$ 134,164	\$ 25,241	\$ 4,284,896	\$ 3,408,716
Accrued Interest Payable	29,257	14,031	22,005	7,040	-	4,148	10,577	37,297	331,059	638,316
Due To Primary Government	-	-	789	-	-	31,176	112,343	-	-	-
Loans Payable to Montgomery County	65,724	-	-	-	-	-	-	-	-	-
Mortgage Notes and Loans Payable - Current	258,401	129,247	298,969	82,536	244,564	340,046	167,134	279,570	1,388,939	-
<b>Total Unrestricted Current Liabilities</b>	<b>407,135</b>	<b>176,830</b>	<b>401,811</b>	<b>162,378</b>	<b>632,863</b>	<b>414,572</b>	<b>424,218</b>	<b>342,108</b>	<b>6,004,894</b>	<b>4,047,032</b>
<b>Current Liabilities Payable from Restricted Assets</b>										
Customer Deposits Payable	47,876	24,912	58,447	22,121	146,425	109,326	48,401	23,653	26,241	30,085
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>47,876</b>	<b>24,912</b>	<b>58,447</b>	<b>22,121</b>	<b>146,425</b>	<b>109,326</b>	<b>48,401</b>	<b>23,653</b>	<b>26,241</b>	<b>30,085</b>
<b>Noncurrent Liabilities</b>										
Mortgage Notes and Loans Payable	5,169,711	3,656,351	4,665,737	1,422,977	2,119,813	2,681,900	2,101,673	5,578,076	18,991,113	32,543,011
Loans Payable to Montgomery County	2,161,603	800,000	282,000	800,000	600,000	1,676,298	2,425,420	-	-	-
Deferred Revenue	-	-	1,800	-	3,412	2,573	-	-	-	-
Advances Due to Primary Government	3,332,403	-	-	493,560	-	-	-	3,997,448	-	-
Other Noncurrent Liabilities	-	949,006	-	321,162	378,797	325,503	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>10,663,717</b>	<b>5,405,357</b>	<b>4,949,537</b>	<b>3,037,699</b>	<b>3,102,022</b>	<b>4,686,274</b>	<b>4,527,093</b>	<b>9,575,524</b>	<b>18,991,113</b>	<b>32,543,011</b>
<b>Total Liabilities</b>	<b>11,118,728</b>	<b>5,607,099</b>	<b>5,409,795</b>	<b>3,222,198</b>	<b>3,881,310</b>	<b>5,210,172</b>	<b>4,999,712</b>	<b>9,941,285</b>	<b>25,022,248</b>	<b>36,620,128</b>
<b>Partner's Equity (Deficit)</b>	<b>(5,619,264)</b>	<b>(2,769,901)</b>	<b>2,655,811</b>	<b>(1,138,859)</b>	<b>2,776,809</b>	<b>1,176,633</b>	<b>1,274,727</b>	<b>(6,973,089)</b>	<b>(532,402)</b>	<b>158,581</b>
<b>Total Liabilities and Partner's Equity (Deficit)</b>	<b>\$ 5,499,464</b>	<b>\$ 2,837,198</b>	<b>\$ 8,065,606</b>	<b>\$ 2,083,339</b>	<b>\$ 6,658,119</b>	<b>\$ 6,386,805</b>	<b>\$ 6,274,439</b>	<b>\$ 2,968,196</b>	<b>\$ 24,489,846</b>	<b>\$ 36,778,709</b>

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**COMBINING BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2017**

	6/30	12/31	12/31	12/31	12/31	12/31	12/31	12/31	12/31	Totals
	Metropolitan	Spring Garden	Barclay	Wheaton Metro	Forest Oak	Tanglewood/Sligo	Hampden Lane	Hillandale	CCL Multifamily	
<b>Assets</b>										
<b>Current Assets</b>										
Cash and Cash Equivalents	\$ 9,981	\$ 347,060	\$ 694,017	\$ 335,147	\$ 1,719,174	\$ 2,157,709	\$ 33,890	\$ 55,328	\$ 28,936	\$ 9,891,921
Accounts Receivable and Other Assets	41,928	31,155	35,434	113,870	47,658	78,088	1,386	-	-	910,391
Due From Primary Government	-	3,209	165,445	-	-	-	-	-	-	202,786
Total Unrestricted Current Assets	51,909	381,424	894,896	449,017	1,766,832	2,235,797	35,276	55,328	28,936	11,005,098
<b>Restricted Cash and Cash Equivalents</b>										
Restricted Cash and Cash Equivalents	206,740	433,047	345,457	364,308	1,700,832	2,806,077	432,950	-	-	13,529,958
Customer Deposits	43,247	42,117	36,691	22,655	50,414	64,075	3,461	-	-	845,593
Total Restricted Cash and Cash Equivalents	249,987	475,164	382,148	386,963	1,751,246	2,870,152	436,411	-	-	14,375,551
<b>Noncurrent Assets</b>										
Property & Equipment, Net of Depreciation	6,134,579	8,564,078	7,025,085	10,492,342	21,394,698	26,605,301	3,741,798	2,364,131	5,572,387	180,978,957
Deferred Charges	-	-	204,487	18,364	-	91,490	12,149	17,104	287,919	659,513
Total Noncurrent Assets	6,134,579	8,564,078	7,229,572	10,510,706	21,394,698	26,696,791	3,753,947	2,381,235	5,860,306	181,638,470
Total Assets	\$ 6,436,475	\$ 9,420,666	\$ 8,506,616	\$ 11,346,686	\$ 24,912,776	\$ 31,802,740	\$ 4,225,634	\$ 2,436,563	\$ 5,889,242	\$ 207,019,119
<b>Liabilities</b>										
<b>Current Unrestricted Liabilities</b>										
Accounts Payable and Accrued Liabilities	\$ 56,284	\$ 24,192	\$ 66,320	\$ 108,589	\$ 383,256	\$ 840,640	\$ 358,599	\$ 78,169	\$ 4	\$ 10,436,726
Accrued Interest Payable	30,809	2,329,167	1,566,610	242,909	81,054	731,474	-	-	-	6,075,753
Due To Primary Government	-	35,526	-	-	4,715	-	-	-	-	184,549
Loans Payable to Montgomery County	-	-	-	-	-	-	-	-	-	65,724
Mortgage Notes and Loans Payable - Current	155,069	174,791	172,570	26,864	435,219	205,538	-	-	-	4,359,457
Total Unrestricted Current Liabilities	242,162	2,563,676	1,805,500	378,362	904,244	1,777,652	358,599	78,169	4	21,122,209
<b>Current Liabilities Payable from Restricted Assets</b>										
Customer Deposits Payable	41,991	41,472	34,883	22,172	42,436	63,203	2,269	-	-	785,913
Total Current Liabilities Payable from Restricted Assets	41,991	41,472	34,883	22,172	42,436	63,203	2,269	-	-	785,913
<b>Noncurrent Liabilities</b>										
Mortgage Notes and Loans Payable	6,621,231	8,325,045	7,995,035	5,625,187	14,057,299	16,378,581	652,605	546,000	-	139,131,345
Loans Payable to Montgomery County	-	1,382,000	-	865,279	1,500,000	-	944,829	-	-	13,437,429
Deferred Revenue	-	-	-	-	-	-	-	-	-	7,785
Advances Due to Primary Government	11,656,526	-	-	1,828,827	-	-	-	-	26,217	21,334,981
Other Noncurrent Liabilities	60,471	-	-	-	1,185,709	1,343,235	230,468	-	-	4,794,351
Total Noncurrent Liabilities	18,338,228	9,707,045	7,995,035	8,319,293	16,743,008	17,721,816	1,827,902	546,000	26,217	178,705,891
Total Liabilities	18,622,381	12,312,193	9,835,418	8,719,827	17,689,688	19,562,671	2,188,770	624,169	26,221	200,614,013
<b>Partner's Equity (Deficit)</b>	(12,185,906)	(2,891,527)	(1,328,802)	2,626,859	7,223,088	12,240,069	2,036,864	1,812,394	5,863,021	6,405,106
Total Liabilities and Partner's Equity (Deficit)	\$ 6,436,475	\$ 9,420,666	\$ 8,506,616	\$ 11,346,686	\$ 24,912,776	\$ 31,802,740	\$ 4,225,634	\$ 2,436,563	\$ 5,889,242	\$ 207,019,119

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**COMBINING STATEMENT OF OPERATIONS – DISCRETELY PRESENTED COMPONENT UNITS**  
**YEAR ENDED JUNE 30, 2017**

	12/31 MHLP IX	12/31 MHLP X	12/31 Shady Grove	12/31 Manchester	12/31 Willows	12/31 Georgian	12/31 MV Affordable	6/30 Strathmore	12/31 Arcola	12/31 Waverly
<b>Operating Revenues:</b>										
Dwelling Rental	\$ 1,591,840	\$ 1,021,759	\$ 2,052,380	\$ 704,637	\$ 1,902,647	\$ 1,522,544	\$ 1,418,202	\$ 627,329	\$ 1,032,788	\$ 1,221,473
Management Fees and Other Income	337	17,078	1,601	-	222,459	57,386	191,226	37,215	79,094	82,785
Total Operating Revenues	1,592,177	1,038,837	2,053,981	704,637	2,125,106	1,579,930	1,609,428	664,544	1,111,882	1,304,258
<b>Operating Expenses:</b>										
Administration	196,991	194,709	284,617	76,324	351,026	323,297	241,524	116,701	235,221	351,552
Maintenance	438,010	395,021	425,317	192,388	542,809	443,709	418,978	115,508	226,073	191,365
Depreciation and Amortization	387,754	285,906	395,333	138,216	275,383	333,114	367,008	263,624	309,097	675,391
Utilities	19,796	7,436	153,106	138,605	366,787	106,905	109,179	59,006	246,731	294,824
Fringe Benefits	72,912	48,044	122,839	29,904	133,662	113,889	113,466	21,203	69,319	87,753
Interest Expense	339,416	237,304	280,150	86,547	31,999	65,219	163,338	456,583	407,057	764,479
Other	478,157	152,513	227,551	100,873	114,275	122,964	172,908	161,378	148,065	158,819
Bad Debt Expense	5,654	5,056	-	492	-	9	2,610	-	4,521	-
Total Operating Expenses	1,938,690	1,325,989	1,888,913	763,349	1,815,941	1,509,106	1,589,011	1,194,003	1,646,084	2,524,183
Operating Income (Loss)	(346,513)	(287,152)	165,068	(58,712)	309,165	70,824	20,417	(529,459)	(534,202)	(1,219,925)
<b>Nonoperating Revenues</b>										
Investment Income	617	359	2,284	440	3,269	1,410	919	155	14,813	18,312
Total Nonoperating Revenue	617	359	2,284	440	3,269	1,410	919	155	14,813	18,312
Capital Contributions	-	-	-	-	-	-	-	-	50,000	-
Partner Equity Distributions	-	-	(61,543)	(844)	(10,707)	-	(11,271)	-	(40,000)	(50,000)
<b>Change in Partner's Equity</b>	(345,896)	(286,793)	105,809	(59,116)	301,727	72,234	10,065	(529,304)	(509,389)	(1,251,613)
Partners' Equity - Beginning of Year	(5,273,368)	(2,471,560)	2,550,002	(1,079,743)	2,537,502	1,104,399	1,264,662	(6,443,785)	(23,013)	1,410,194
Change in Accounting Principle	-	(11,548)	-	-	(62,420)	-	-	-	-	-
<b>Partners' Equity - End of Year</b>	\$ (5,619,264)	\$ (2,769,901)	\$ 2,655,811	\$ (1,138,859)	\$ 2,776,809	\$ 1,176,633	\$ 1,274,727	\$ (6,973,089)	\$ (532,402)	\$ 158,581

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**COMBINING STATEMENT OF OPERATIONS – DISCRETELY PRESENTED COMPONENT UNITS**  
**YEAR ENDED JUNE 30, 2017**

	6/30	12/31	12/31	12/31	12/31	12/31	12/31	12/31	12/31	Total
	Metropolitan	Spring Garden	Barclay	Wheaton Metro	Forest Oak	Tanglewood/Sligo	Hampden Lane	Hillandale	CCL Multifamily	
<b>Operating Revenues:</b>										
Dwelling Rental	\$ 760,131	\$ 1,055,983	\$ 1,002,244	\$ 687,767	\$ 2,663,530	\$ 1,795,106	\$ 169,389	\$ -	\$ -	\$ 21,229,749
Management Fees and Other Income	26,152	4,702	28,053	1,844	87,511	116,461	36,367	-	-	990,271
Total Operating Revenues	786,283	1,060,685	1,030,297	689,611	2,751,041	1,911,567	205,756	-	-	22,220,020
<b>Operating Expenses:</b>										
Administration	229,596	157,315	126,312	161,244	419,152	290,242	101,938	750	32	3,858,543
Maintenance	255,637	242,229	165,421	96,028	351,093	285,534	36,091	-	-	4,821,211
Depreciation and Amortization	317,568	395,335	459,401	548,165	534,371	736,966	149,853	1,242	-	6,573,727
Utilities	147,017	70,912	91,052	38,426	156,555	207,465	28,746	-	-	2,242,548
Fringe Benefits	41,236	55,101	24,355	31,899	77,980	109,646	26,802	-	-	1,180,010
Interest Expense	374,004	527,473	456,250	245,840	787,876	641,251	-	-	-	5,864,786
Other	115,876	106,726	141,133	84,168	201,621	237,937	22,400	334	-	2,747,698
Bad Debt Expense	-	-	253	1,855	-	19,181	3,639	-	-	43,270
Total Operating Expenses	1,480,934	1,555,091	1,464,177	1,207,625	2,528,648	2,528,222	369,469	2,326	32	27,331,793
Operating Income (Loss)	(694,651)	(494,406)	(433,880)	(518,014)	222,393	(616,655)	(163,713)	(2,326)	(32)	(5,111,773)
<b>Nonoperating Revenues</b>										
Investment Income	800	1,420	969	500	1,523	1,343	508	-	-	49,641
Total Nonoperating Revenues	800	1,420	969	500	1,523	1,343	508	-	-	49,641
Capital Contributions	-	-	-	-	-	2,414,760	-	-	5,863,053	8,327,813
Partner Equity Distributions	-	-	-	-	-	-	-	(5,280)	-	(179,645)
<b>Change in Partners' Equity</b>	(693,851)	(492,986)	(432,911)	(517,514)	223,916	1,799,448	(163,205)	(7,606)	5,863,021	3,086,036
Partners' Equity - Beginning of Year	(11,492,055)	(2,398,541)	(881,299)	3,144,373	7,025,326	10,440,621	2,200,069	1,820,000	-	3,433,784
Change in Accounting Principle	-	-	(14,592)	-	(26,154)	-	-	-	-	(114,714)
<b>Partners' Equity - End of Year</b>	\$ (12,185,906)	\$ (2,891,527)	\$ (1,328,802)	\$ 2,626,859	\$ 7,223,088	\$ 12,240,069	\$ 2,036,864	\$ 1,812,394	\$ 5,863,021	\$ 6,405,106

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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:

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

- 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.

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 the County, the State of Maryland (the State) or any political subdivision thereof and are not backed by the full faith and credit of the County, 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, are guaranteed as general obligation bonds of the County.

Management of the Commission and the County have 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:

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

**Development Corporations and other entities.** The Development Corporations (the Corporations) and other entities 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 other entities, and their related expenditures must be approved by the Commission. The Corporations and other entities 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 other entities, and their boards of directors are substantially the same as the Commission. The blended component units report on a June 30 year end.

**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.

**Ambassador One Associates, LP** – Owns and operates 162 furnished single room occupancy units located in Wheaton, Maryland, to serve low to moderate income residents. The building is currently vacant in preparation of future renovations.

**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.

**Brookside Glen Limited Partnership (The Glen)** – Owns and operates 90 apartment units located in Wheaton, Maryland, to serve market and low to moderate income residents.

**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.

**Diamond Square Limited Partnership** – Owns and operates 124 furnished single room occupancy units located in Gaithersburg, Maryland, to serve market and low to moderate income residents.

**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.

**HOC at Hillandale Gateway, LLC** – 70% owner member of Hillandale Gateway LLC, a venture entity between The Duffie Companies and HOC. HOC is the sole member of HOC at Hillandale Gateway, LLC.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**BLENDED COMPONENT UNITS (Continued)**

**Housing Opportunities Community Partners, Inc.** – A not-for-profit corporation formed in 1998 and is qualified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. It was formed to assist the Commission in its goals of providing affordable housing of various types to residents of Montgomery County, Maryland.

**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 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.

**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 to moderate income families.

**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 to moderate income families.

**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 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.

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

**RAD 6 Development Corporation** – Owns and operates 209 formerly public housing multifamily apartment units located in various parts of Montgomery County, Maryland and serves low to moderate income residents.



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**BLENDED COMPONENT UNITS (Continued)**

**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 391 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 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, 2017. 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.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

The Commission has two other discretely presented component units other than real estate limited partnerships.

The Commission is the sole member and 100% owner of HOC at Hillandale Gateway LLC (HOC Hillandale), a Maryland limited liability company, which is addressed as a blended component unit. HOC Hillandale, in turn, serves as the managing member and 70% owner of Hillandale Gateway LLC (Hillandale LLC), a Maryland limited liability company, which will own the Hillandale Gateway development. As a result, Hillandale LLC is addressed herein as a discretely presented component unit with a June 30 fiscal year end.

The Commission is the managing member and 50% owner of CCL Multifamily LLC, a Maryland limited liability company, which is addressed as a partnership with a private foundation. CCL Multifamily LLC, in turn, owns the Lindley, a 200-unit mixed-income apartment building under construction with projected completion by January 2019. The completed units will include 40 workforce, 30 MPDU's, 10 affordable and 120 unrestricted units.

The following entities do not qualify for blending and are, therefore, classified as discretely presented component units of the Commission.

**Arcola Towers RAD Limited Partnership** – Owns and operates a 141 unit apartment rental complex for low and moderate income families located in Silver Spring, Maryland.

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

**CCL Multifamily LLC (The Lindley)** – HOC, working with Eakin-Youngentob and Associates (EYA), is developing an 11-story structure with 200 units that include affordable housing, workforce housing, and market rate units. Plans also include an underground garage and a walkway that connects the neighborhood park with the future site of the Purple Line Metro station. Construction is expected to be completed in December 2018.

**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.

**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.

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

**Hillandale Gateway LLC** – The entity currently owns an approximately one-acre site located in Silver Spring with no improvements. It is anticipated that HOC's Holly Hall property, once converted out of Public Housing via the Rental Assistance Demonstration program, would also be contributed to this entity for a redevelopment of the two sites into a mixed-use, mixed-income property.

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(CONTINUED)**

**DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

**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.

**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.

**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.

**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.

**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.

**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.

**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.

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

**Waverly House RAD Limited Partnership** – Owns and operates a 158 unit apartment rental complex for low and moderate income families located in Bethesda, Maryland.

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

**Willows of Gaithersburg Associates Limited Partnership** – Owns and operates 195 unit rental unit apartments for low income families located in Gaithersburg, Montgomery County, Maryland.

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**(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 Multifamily 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.

The Commission's financial statements distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a sub-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.

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

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

The effect of inter-subfund activity has been eliminated from the combined financial statements.

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.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with GAAP 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 Commission's 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 Sub-Fund and the Single Family 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 noncurrent 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, 2017, there were no reserves for loan losses; however, the Commission has experienced a decrease in loan foreclosures. Note 3, Mortgage and Construction Loans Receivable, provides detailed information about loans in foreclosure and Real Estate Owned (REO) status. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are placed on non-accrual status when the mortgage insurance claim has settled. The Commission continually monitors the collectability of all loans in foreclosure and REO status against the sales proceeds and mortgage insurance held by the Commission in determining the need for an 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.

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**(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, 2017 is \$109,678,061 which is collateralized primarily by the underlying properties. As of June 30, 2017, the Commission had \$12,589,082 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 capital 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.

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**(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 outstanding annual leave accrual as of June 30, 2017 amounted to \$1,762,345 and is included in accounts payable and accrued liabilities in the accompanying statement of net assets. The Commission adopted a personnel policy for senior executive staff which provides for a severance package including payments of up to twenty-six weeks of wages and other benefits.

**(l) 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. 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.

**(m) New Accounting Pronouncements**

In fiscal year 2017, the Commission implemented certain GASB Statements as described below:

*GASB No. 79, Certain External Investment Pools and Pool Participants* – this statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement did not impact the financial amounts reported by the Commission but did impact related disclosures.

*GASB No. 82, Pension Issues – An Amendment to Certain of GASB Statements 67, 68 and 73* – this statement clarifies certain provisions of Statements 67 and 68 relating to information disclosed as required supplementary information, accounting for specific liabilities of individual employers for defined benefit pensions. This statement did not impact the net pension liability reported by the Commission but did impact related disclosures.

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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Business-Type Activities**

**(a) Cash**

The Commission's cash balances as of June 30, 2017 were entirely insured or collateralized with securities held by the Commission's agent in the Commission's name.

	<u>Carrying Amount</u>	<u>Bank Balances</u>	<u>Petty Cash</u>
Cash:			
General Sub-Fund	\$ 25,839,257	\$ 25,834,658	\$ 4,599
Opportunity Housing Sub-Fund	56,421,324	56,971,676	7,422
Public Sub-Fund	6,002,811	6,001,911	900
Total Cash	<u>\$ 88,263,392</u>	<u>\$ 88,808,245</u>	<u>\$ 12,921</u>

**(b) Cash Equivalents & Investments**

The General Sub-Fund cash and cash equivalents balance at June 30, 2017 includes \$3,052,997 of cash and cash equivalents restricted for closing cost programs. The Opportunity Housing Sub-Fund cash and cash equivalents balance at June 30, 2017 includes \$28,366,653 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 \$2,230,582 as of June 30, 2017, 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. At June 30, 2017 the Commission had a bank balance of \$8.1 million that was not collateralized. Sufficient collateral was obtained for this account subsequent to June 30, 2017.



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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

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

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, maintains a \$1.00 per share value and measures all investments at amortized cost for reporting purposes. GASB 79 enables MLGIP to utilize amortized costs for valuation and financial reporting so that the \$1.00 per unit value they pursue will not need to change due to fluctuating prices. There are no limitations or restrictions on withdrawals. An MLGIP Advisory Committee of current participants was formed to review, on a semi-annual basis, the activities of the fund and to provide suggestions to enhance the pool. The fair market value of the pool is the same as the value of the pool shares. The MLGIP issues a publicly available financial report that includes financial statements and required supplementary information for the MLGIP. This report can be obtained by writing: PNC Bank, Maryland Local Government Investment Pool, Mr. David Rommel, 2 Hopkins Plaza, 5<sup>th</sup> Floor, Baltimore, Maryland 21201.

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 100% 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, 2017 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, 2017, the Commission held investments in agency securities which were not collateralized but were rated AAA, AA, Aa2, and AAAM.

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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

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

As of June 30, 2017 the Commission had the following cash equivalents and investments with maturities of one year or less:

Cash Equivalents	Fair Value	Ratings
<b>Cash Equivalents</b>		
General Sub-Fund:		
Money Market Accounts	\$ 12,888,671	N/A
Opportunity Housing Sub-Fund:		
Investment in Maryland Local Government Investment Pool	3,373,031	AAAm
Money Market Accounts	17,271,142	N/A
Public Sub-Fund:		
Investment in Maryland Local Government Investment Pool	2,844,538	AAAm
Multifamily Sub-Fund:		
Money Market Accounts	41,723,161	N/A
Single Family Sub-Fund:		
Money Market Accounts	68,300,660	N/A
Total Cash Equivalents	<u>\$ 146,401,203</u>	
<b>Short-Term Investments</b>		
Single Family Sub-Fund:		
GNMA Pass-through Certificates	\$ 1,022,791	Aaa
FNMA Pass-through Certificates	329,205	Aaa
Tennessee Valley Authority	2,197,395	AA+
Total Short-Term Investments	<u>\$ 3,549,391</u>	

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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

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

As of June 30, 2017, the Commission had the following investments with maturities greater than one year:

Long-Term Investments	Fair Value	1-5 Years	6-10 Years	Greater Than 10 Years	Rating
Multifamily Sub-Fund:					
US Treasuries	\$ 2,603,047	\$ 1,202,700	\$ 1,400,347	\$ -	Aaa
Fannie Mae	3,166,414	-	-	3,166,414	Aa1
Federal Farm Credit Banks	2,555,617	-	657,749	1,897,868	Aaa
Federal Home Loan Banks	947,456	-	-	947,456	Aaa
Federal Home Loan Mortgage	929,687	-	-	929,687	Aaa
Bank One Investment Agreement	591,525	-	591,525	-	AA/Aa2
Single Family Sub-Fund:					
Federal Farm Credit Banks	6,774,950	-	-	6,774,950	Aaa
Federal Home Loan Banks	9,616,618	-	-	9,616,618	Aaa
Federal Home Loan Mtg Corp	1,695,661	-	-	1,695,661	Aaa
Fannie Mae	1,053,487	-	-	1,053,487	Aa1
GNMA Pass-through Certificates	31,975,708	-	-	31,975,708	Aaa
FNMA Pass-through Certificates	10,518,825	-	-	10,518,825	Aaa
US Treasuries	5,597,356	4,273,537	-	1,323,819	Aaa
Tennessee Valley Authority	4,335,800	-	-	4,335,800	AA+
<b>Total long-term investments</b>	<b>\$ 82,362,151</b>	<b>\$ 5,476,237</b>	<b>\$ 2,649,621</b>	<b>\$ 74,236,293</b>	
<b>Total Cash, Cash Equivalents and Investments</b>	<b>\$ 320,576,137</b>				
Reconciliation of Cash, Cash Equivalents and Investments to Amounts in the Statement of Net Position:					
Current Unrestricted Cash and Cash Equivalents	\$ 94,036,307				
Restricted Cash and Cash Equivalents	86,446,046				
Restricted short-term investments	3,549,391				
Restricted cash and cash equivalents for current liabilities	50,819,159				
Customer deposits	3,363,083				
Noncurrent restricted investments	82,362,151				
<b>Total</b>	<b>\$ 320,576,137</b>				

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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

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

Fair Value Measurements: The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, fair value of investments are as follows:

	6/30/2017	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
<b>Debt Securities</b>				
Fannie Mae	\$ 4,219,901	\$ -	\$ 4,219,901	\$ -
Federal Farm Credit Banks	9,330,567	-	9,330,567	-
Federal Home Loan Banks	10,564,074	-	10,564,074	-
U.S. Treasuries	8,200,403	8,200,403	-	-
FNMA Mortgage-Backed Securities	10,848,030	-	10,848,030	-
GNMA Mortgage-Backed Securities	32,998,499	-	32,998,499	-
Federal Home Loan Mortgage Corp	2,625,348	-	2,625,348	-
Investment Agreements	591,525	-	591,525	-
Tennessee Valley Authority	6,533,195	-	6,533,195	-
Subtotal - Debt Securities	85,911,542	8,200,403	77,711,139	-
<b>Investment Derivative Instruments</b>				
Interest Rate Swaps	11,376,760	11,376,760	-	-
Total Investments by Fair Value Level	\$ 97,288,302	\$ 19,577,163	\$ 77,711,139	\$ -

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**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**(c) Discretely Presented Component Units**

The Discretely Presented Component unit cash and cash equivalents balance as of December 31, 2016 were as follows:

	Fair Value	Rating
Cash	\$ 12,916,455	N/A
Petty Cash	2,543	N/A
Cash Equivalents		
Investment in Maryland Local Government Investment Pool	1,095,310	AAAm
Certificate of Deposit	143,741	N/A
Money Market Accounts	10,109,423	N/A
Total Cash, Cash Equivalents and Investments	<u>\$ 24,267,472</u>	

Reconciliation of Cash and Cash Equivalents to Amounts  
in the Statement of Net Position:

Current Unrestricted Cash and Cash Equivalents	\$ 9,891,921
Restricted Cash and Cash Equivalents for Current Liabilities	13,529,958
Restricted Cash and Cash Equivalents for Customer Deposits	845,593
Total	<u>\$ 24,267,472</u>

All cash equivalents have maturities of three months or less. The Discretely Presented Component Units follow the Commission's investment policy.

**NOTE 3 MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE**

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

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**NOTE 3 MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE (CONTINUED)**

Mortgage and construction loans receivable as of June 30, 2017 consisted of the following:

Description	Interest Rate	Balance
<b>General Sub-Fund</b>		
Component Unit Loans	-	\$ 39,713,745
Closing Cost Assistance Loans	5.00%	2,309,286
	Subtotal	<u>42,023,031</u>
<b>Opportunity Housing Sub-Fund</b>		
Rental Assistance Security Deposit Loan	-	17,317
Metropolitan of Bethesda Limited Partnership	-	1,142,000
Sligo Development Corporation	-	1,199,402
Tanglewood Apartments	-	1,991,008
Hampden Lane Limited Partnership	-	138,281
Strathmore Court Associates Limited Partnership	-	2,458,755
Barclay One LP & Development Corporation	-	2,891,404
Spring Garden One Associates Limited Partnership	-	3,263,953
Hillandale Gateway Limited Liability Company	-	1,216,750
Alexander House Limited Partnership	-	14,218,641
	Subtotal	<u>28,537,511</u>
<b>Multifamily Sub-Fund</b>		
Arcola	2.82%	13,076,778
Argent	2.75%	3,985,000
Argent	3.92%	8,040,000
Barclay- TX CR	4.55%	5,308,058
Charter House	4.98%	11,471,063
Dring's Reach	4.75%	5,143,523
Forest Oak	4.93%	14,618,182
Georgian Court	6.20%	2,948,306
Landing's Edge	4.95%	4,108,409
Manchester	5.20%	1,518,382
MetroPointe	6.50%	2,795,767
Metropolitan Tax Credit	6.38%	5,799,300
Ring House	6.10%	12,172,905
Rockville Housing	5.21%	3,399,316
Shady Grove	5.20%	4,930,565
Spring Garden	4.55%	5,376,369
Stewartown	6.20%	1,918,624
Strathmore	7.62%	3,398,891
Tax Credit 9 MPDUs	6.30%	2,218,262
Tax Credit 9 Pond Ridge	6.30%	1,299,894
Tax Credit X	6.20%	2,652,018
Waverly	2.53%	22,305,486
Willows	5.20%	1,967,200
	Subtotal	<u>140,452,298</u>
<b>Single Family Sub-Fund</b>		
Mortgage Loans Receivable, Net	4.00 to 6.37%	<u>95,960,856</u>
<b>Public Sub-Fund</b>		
Arcola Towers RAD LP		<u>1,388,939</u>
	Subtotal	<u>1,388,939</u>
Total		<u>\$ 308,362,635</u>
	Current	\$ 38,414,299
	Long-term	<u>269,948,336</u>
		<u>\$ 308,362,635</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 3 MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE (CONTINUED)**

As of June 30, 2017, the amounts available or committed for additional advances or new loans are \$9,695,597 and \$34,610,956 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, 2017 are inter sub-fund mortgage loans receivable from the Opportunity Housing Sub-Fund amounting to \$81,642,098 which have been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$775,058 for the year ended June 30, 2017 has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Opportunity Housing Sub-Fund at June 30, 2017 are inter sub-fund mortgage loans receivables from several Opportunity Housing properties amounting to \$22,827,534 and inter sub-fund mortgage loans receivable from the General Sub-Fund amounting to \$53,996 which have been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$21,662 for the year ended June 30, 2017, has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Multifamily Sub-Fund are inter sub-fund mortgage loans receivable from the Opportunity Housing Sub-Fund amounting to \$155,583,525 as of June 30, 2017, which have been eliminated. The related interest revenue, amounting to \$7,655,346 for the year ended June 30, 2017 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 2017, 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, 2017, approximately \$1.0 million in Single Family mortgage loans were in various stages of the loan foreclosure status. An additional \$0.5 million were in other real estate owned status.

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**NOTE 3 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, 2017.

Status	Principal FHA	Int Receivable FHA	Principal Conventional	Int Receivable Conventional	Total
Foreclosure	\$ 416,991	\$ 44,785	\$ 538,379	\$ 18,031	\$ 1,018,186
Other Real Estate Owned	147,152	29,150	334,059	22,071	532,432
Total	<u>\$ 564,143</u>	<u>\$ 73,935</u>	<u>\$ 872,438</u>	<u>\$ 40,102</u>	<u>\$ 1,550,618</u>
Total Single Family Mortgage Loans Outstanding as of June 30, 2017					<u>\$ 95,960,856</u>
Percentage of Loans in Foreclosure Status to Outstanding Mortgage Loans					0.66%                      0.95%                      1.62%



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 4 CAPITAL ASSETS**

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

The Commission's capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Transfer In / (Out)	Ending Balance
<b>Land</b>					
General Sub-Fund	\$ 2,246,438	\$ -	\$ -	\$ -	\$ 2,246,438
Opportunity Housing Sub-Fund	69,472,139	-	(1,042,397)	-	68,429,742
Public Sub-Fund	997,357	-	-	-	997,357
Total Land	<u>72,715,934</u>	<u>-</u>	<u>(1,042,397)</u>	<u>-</u>	<u>71,673,537</u>
<b>Site Improvements:</b>					
Public Sub-Fund	748,079	-	-	-	748,079
Accumulated Depreciation	(747,709)	(370)	-	-	(748,079)
Total Site Improvements, Net	<u>370</u>	<u>(370)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Building and Improvements:</b>					
General Sub-Fund	6,171,159	167,221	-	-	6,338,380
Accumulated Depreciation	(3,446,286)	(293,972)	-	-	(3,740,258)
Opportunity Housing Sub-Fund	391,367,713	17,701,192	(1,537,298)	21,093,874	428,625,481
Accumulated Depreciation	(133,791,584)	(11,768,219)	4,988,235	168,796	(140,402,772)
Public Sub-Fund	18,012,854	-	(40,340)	2,508,244	20,480,758
Accumulated Depreciation	(14,282,815)	(553,337)	39,972	-	(14,796,180)
Total Building and Improvements, Net	<u>264,031,041</u>	<u>5,252,885</u>	<u>3,450,569</u>	<u>23,770,914</u>	<u>296,505,409</u>
<b>Furniture and Equipment:</b>					
General Sub-Fund	11,112,460	276,481	-	-	11,388,941
Accumulated Depreciation	(9,617,694)	(672,494)	-	-	(10,290,188)
Opportunity Housing Sub-Fund	10,738,124	156,908	(273,376)	1,109,659	11,731,315
Accumulated Depreciation	(6,964,612)	(476,076)	207,116	(168,796)	(7,402,368)
Public Sub-Fund	615,543	-	-	-	615,543
Accumulated Depreciation	(577,937)	(9,209)	-	-	(587,146)
Total Furniture and Equipment, Net	<u>5,305,884</u>	<u>(724,390)</u>	<u>(66,260)</u>	<u>940,863</u>	<u>5,456,097</u>
<b>Construction in Progress:</b>					
General Sub-Fund	-	54,106	-	-	54,106
Opportunity Housing Sub-Fund	26,137,217	12,395,949	-	(22,203,533)	16,329,633
Public Sub-Fund	5,783,768	2,888,145	(1,000,492)	(2,508,244)	5,163,177
Total Construction in Progress	<u>31,920,985</u>	<u>15,338,200</u>	<u>(1,000,492)</u>	<u>(24,711,777)</u>	<u>21,546,916</u>
Total Capital Assets, Net	<u>\$ 373,974,214</u>	<u>\$ 19,866,325</u>	<u>\$ 1,341,420</u>	<u>\$ -</u>	<u>\$ 395,181,959</u>

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

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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

Net Investment in Capital Assets	
Land	\$ 71,673,537
Construction in Progress	21,546,916
Building and Improvements, Net of Depreciation	296,505,409
Furniture and Equipment, Net of Depreciation	5,456,097
Less: Related Bonds, Mortgages and Notes Payable	<u>(397,232,514)</u>
	<u>(2,050,555)</u>
Leased Property Under Capital Lease	9,993,899
Capitalized Lease Obligations	<u>(19,945,907)</u>
	<u>(9,952,008)</u>
Total Net Investment in Capital Assets	<u>\$ (12,002,563)</u>

**(c) Capital Lease**

The Commission's capital lease activity for the year ended June 30, 2017 was as follows:

Fund:	Beginning Balance	Additions	Deletions	Accumulated Amortization	Ending Balance
<i>Opportunity Housing Sub-Fund:</i>					
Building and Improvements	\$ 19,987,798	\$ -	\$ -	\$ (9,993,899)	\$ 9,993,899
Total Capital Leases, Net	<u>\$ 19,987,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,993,899)</u>	<u>\$ 9,993,899</u>

In August 1997, the Commission entered into a lease agreement for building and land with an interest rate of 7.50%. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 99-year-term, with an option to purchase the land and building after 20 years for approximately \$20,000,000. The Commission has the following Opportunity Housing Sub-Fund capital lease obligation as of June 30, 2017.

Future minimum rentals under the lease are as follows:

Fund:	Outstanding Beginning of Year	Issued This Year	Retired This Year	Outstanding End of Year	Amount due Within One Year
<i>Opportunity Housing Sub-Fund:</i>					
Capital Lease Obligation	\$ 19,949,804	\$ -	\$ 3,897	\$ 19,945,907	\$ 4,199
Total Capital Lease Obligations, Net	<u>\$ 19,949,804</u>	<u>\$ -</u>	<u>\$ 3,897</u>	<u>\$ 19,945,907</u>	<u>\$ 4,199</u>

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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

**(c) Capital Lease (Continued)**

Year Ending June 30,	<u>Future Minimum Payments</u>
2018	\$ 1,814,403
2019	1,814,403
2020	1,814,403
2021	1,814,403
2022	1,814,403
2023-2027	9,072,015
2028-2032	9,072,015
2033-2037	9,072,015
2038-2042	9,072,015
2043-2047	9,072,015
2048-2052	9,072,015
2053-2057	9,072,015
2058-2062	9,072,015
2063-2067	9,072,015
2068-2072	9,072,015
2073-2077	9,072,015
2078-2082	9,072,015
2083-2087	9,072,015
2088-2092	9,072,015
2093-2097	<u>7,408,812</u>
Total Payments	143,489,037
Less Interest	<u>(123,543,130)</u>
	19,945,907
Less: Current Portion	<u>4,199</u>
Long-Term Portion	<u><u>\$ 19,941,708</u></u>

**(d) Discretely Presented Component Units Capital Assets**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Discretely Presented Component Units</b>				
Land	\$ 29,685,578	\$ 1,333,200	\$ -	\$ 31,018,778
Building and Improvements	195,888,684	89,496	-	195,978,180
Accumulated Depreciation	(62,482,552)	(6,136,275)	-	(68,618,827)
Furniture and Equipment	7,677,059	220,182	-	7,897,241
Accumulated Depreciation	(4,812,243)	(332,771)	-	(5,145,014)
Construction in Progress	1,118,545	18,730,054	-	19,848,599
Net Component Unit Capital Assets	<u>\$ 167,075,071</u>	<u>\$ 13,903,886</u>	<u>\$ -</u>	<u>\$ 180,978,957</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 5 ADVANCES TO DISCRETELY PRESENTED 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 component units. The purchases of the rental MPDUs are collateralized by certain notes receivable of the Partnerships due from the limited partners in connection with the purchase of their limited partnership interests.

The Partnerships' agreements:

- Extend from 45 to 65 years, and call for annual ground rent payments to be paid by the Partnerships to the Commission's General Sub-Fund with fixed and variable upward adjustments on January 1 of each calendar year. Ground rent for the year ended June 30, 2017, amounted to \$304,588.
- Include management fees of ranges from 5.0% to 6.0% of monthly rental collections. Management fees paid to the Commission for the year ended June 30, 2017, amounted to \$229,783.

Due to differences in fiscal year ends, Advances to Component Units differ from Advances from the Primary Government at June 30, 2017.

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
<b>Advances to Component Units</b>		
Primary Government - General Sub-Fund	Component Units - Tax Credit Limited Partnerships	\$ 7,800,043
Primary Government - Opportunity Housing Sub-Fund	Component Units - Tax Credit Limited Partnerships	14,934,118
		<u>22,734,161</u>
<b>Loans Receivable from Components Units</b>		
Primary Government - General Sub-Fund	Component Units - Tax Credit Limited Partnerships	2,275,679
<b>Investment in Component Units</b>		
Primary Government - General Sub-Fund	Component Units - Tax Credit Limited Partnerships	1,873,221
Primary Government - Opportunity Housing Sub-Fund	Component Units - Tax Credit Limited Partnerships	7,371,975
		<u>9,245,196</u>
Total Due from Primary Government and Component Units		<u>\$ 34,255,036</u>

Interfund transfers were made during the fiscal year to reduce the interfund receivable and payables. The transfers occur routinely and are approved by the board of commissioners.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 6 ACCOUNTS RECEIVABLE AND OTHER ASSETS**

Accounts receivable consists of grants and loans due from HUD and Montgomery County, tenant rents receivable, and amounts due from property managers. All amounts are deemed to be collectible within one year. Accounts receivable and other assets consisted of the following as of June 30, 2017:

	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	\$ -	\$ -	\$ 1,117,460	\$ -	\$ -	\$ -	\$ 1,117,460
Other	-	89,665	2,213,608	-	-	-	2,303,273
Other Assets	1,076,045	17,704,957	2,786,219	284,070	61,082	(404,473)	21,507,900
	751,033	2,427,654	-	11,020	32,832	-	3,222,539
Total	1,827,078	20,222,276	6,117,287	295,090	93,914	(404,473)	28,151,172
Less: Allowance	-	(417,691)	(1,499,750)	-	-	-	(1,917,441)
Net Accounts Receivable	<u>\$ 1,827,078</u>	<u>\$ 19,804,585</u>	<u>\$ 4,617,537</u>	<u>\$ 295,090</u>	<u>\$ 93,914</u>	<u>\$ (404,473)</u>	<u>\$ 26,233,731</u>

Included in the accounts receivable and other assets balance of the Opportunity Housing Sub-Fund are inter sub-fund accounts receivable of \$205,126 from the Multifamily Sub-Fund and \$199,347 from the Opportunity Housing properties as of June 30, 2017, which have been eliminated in the accompanying financial statements.

**NOTE 7 INTER SUB-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Inter sub-fund 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 8 BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT**

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

- Mortgage loans receivable made on the related developments or single-family residential mortgage loans purchased.
- Substantially all revenue, mortgage payments and recovery payments received by the Commission from mortgage loans made on the related developments.
- Certain accounts, generally debt service reserve funds, established pursuant to the indenture authorizing issuance of the bonds.
- Interest rates on bonds payable ranged from 0.63% to 11.25% as of June 30, 2017. Maturity dates of the bonds payable range from 2018 to 2053.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 8 BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT  
(CONTINUED)**

**(a) Bonds Payable**

The Commission has the following bonds payable outstanding as of June 30, 2017:

	Outstanding Beginning of Year	Issued This Year	Retired/ Refunded This Year	Outstanding End of Year	Amount Due Within One Year
Single Family Sub-Fund Bonds:					
2005 Series C	\$ 3,495,000	\$ -	\$ 3,495,000	\$ -	\$ -
2005 Series D	2,020,000	-	2,020,000	-	-
2006 Series A	5,900,000	-	5,900,000	-	-
2006 Series B	4,085,000	-	4,085,000	-	-
2007 Series A	4,970,000	-	4,970,000	-	-
2007 Series B	10,070,000	-	10,070,000	-	-
2007 Series D	5,665,000	-	5,665,000	-	-
2007 Series E	8,315,000	-	-	8,315,000	-
2007 Series F	10,000,000	-	10,000,000	-	-
2008 Series A	1,535,000	-	895,000	640,000	435,000
2008 Series B	425,000	-	425,000	-	-
2008 Series C	8,450,000	-	-	8,450,000	-
2008 Series D	17,200,000	-	-	17,200,000	-
2009 Series A	12,135,000	-	8,730,000	3,405,000	1,855,000
2013 Series A	32,130,000	-	2,505,000	29,625,000	2,755,000
2013 Series B	8,090,000	-	4,395,000	3,695,000	270,000
2016 Series A	32,805,000	-	3,380,000	29,425,000	1,230,000
2016 Series B	9,850,000	-	-	9,850,000	955,000
2017 Series A	-	22,000,000	-	22,000,000	-
2017 Series B	-	11,300,000	-	11,300,000	120,000
NIBP 2009 Series A	5,485,000	-	1,190,000	4,295,000	570,000
NIBP 2009 Series B	11,260,000	-	1,210,000	10,050,000	580,000
NIBP 2009 Series C-1	6,890,000	-	650,000	6,240,000	-
NIBP 2009 Series C-2	13,580,000	-	1,700,000	11,880,000	670,000
NIBP 2009 Series C-3	2,140,000	-	180,000	1,960,000	-
NIBP 2009 Series C-4	9,000,000	-	480,000	8,520,000	400,000
NIBP 2009 Series C-5	2,490,000	-	60,000	2,430,000	-
NIBP 2010 Series A	3,215,000	-	680,000	2,535,000	260,000
NIBP 2011 Series A	8,185,000	-	1,590,000	6,595,000	970,000
NIBP 2012 Series A	10,130,000	-	1,020,000	9,110,000	910,000
	<u>249,515,000</u>	<u>33,300,000</u>	<u>75,295,000</u>	<u>207,520,000</u>	<u>11,980,000</u>
Add: Unamortized Premium	3,620,427	-	213,280	3,407,147	-
Total Single Family Bonds Payable	<u>\$ 253,135,427</u>	<u>\$ 33,300,000</u>	<u>\$ 75,508,280</u>	<u>\$ 210,927,147</u>	<u>\$ 11,980,000</u>

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**NOTE 8 BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT  
(CONTINUED)**

**(a) Bonds Payable (Continued)**

	Outstanding Beginning of Year	Issued This Year	Retired/ Refunded This Year	Outstanding End of Year	Amount Due Within One Year
Multi Family Sub-Fund Bonds:					
1984 Series A - Accretions	\$ 195,806	\$ 22,646	\$ -	\$ 218,452	\$ 25,266
1998 Issue A	7,885,000	-	445,000	7,440,000	465,000
1995 Series A	1,890,000	-	215,000	1,675,000	225,000
2002 Series A	18,440,000	-	615,000	17,825,000	985,000
2004 Series A	11,580,000	-	455,000	11,125,000	355,000
2004 Series B	3,625,000	-	130,000	3,495,000	60,000
2004 Series C	8,625,000	-	290,000	8,335,000	300,000
2004 Series D	11,200,000	-	370,000	10,830,000	385,000
2005 Series B	4,620,000	-	170,000	4,450,000	180,000
2005 Series C	25,115,000	-	740,000	24,375,000	765,000
2007 Series A	16,085,000	-	440,000	15,645,000	460,000
2007 Series C-1	3,915,000	-	250,000	3,665,000	260,000
2009 Series A-2	8,040,000	-	-	8,040,000	-
2010 Series A	4,240,000	-	170,000	4,070,000	175,000
2010 Series A	11,255,000	-	260,000	10,995,000	265,000
2011 Series A	32,035,000	-	445,000	31,590,000	455,000
2011 Series B	2,890,000	-	40,000	2,850,000	40,000
2012 Series A	21,805,000	-	910,000	20,895,000	930,000
2012 Series B	8,455,000	-	475,000	7,980,000	480,000
2012 Series C	18,670,000	-	1,735,000	16,935,000	1,445,000
2012 Series D	31,720,000	-	1,090,000	30,630,000	1,115,000
2014 Series A	24,000,000	-	255,000	23,745,000	510,000
2015 Series A-1	15,010,000	-	-	15,010,000	120,000
2015 Series A-2	20,840,000	-	-	20,840,000	20,840,000
	<u>312,135,806</u>	<u>22,646</u>	<u>9,500,000</u>	<u>302,658,452</u>	<u>30,840,266</u>
Less: Unamortized Premium	(1,025,484)	-	(93,226)	(932,258)	-
Total Multi Family Bonds Payable	<u>\$ 311,110,322</u>	<u>\$ 22,646</u>	<u>\$ 9,406,774</u>	<u>\$ 301,726,194</u>	<u>\$ 30,840,266</u>
Total Bonds Payable	<u>\$ 564,245,749</u>	<u>\$ 33,322,646</u>	<u>\$ 84,915,054</u>	<u>\$ 512,653,341</u>	<u>\$ 42,820,266</u>

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**NOTE 8 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, 2017:

	Outstanding Beginning of Year	Issued This Year	Retired This Year	Outstanding End of Year	Amount Due Within One Year
Opportunity Housing Sub-Fund:					
Alexander House Dev. Corp.	\$ 20,592,000	\$ 16,952,451	\$ 20,592,000	\$ 16,952,451	\$ -
Ambassador Apartments	202,991	-	202,991	-	-
CDBG-9611 McAlpine Road	107,493	-	-	107,493	-
Dale Drive	600,000	-	-	600,000	-
Diamond Square	2,000,000	-	-	2,000,000	-
Glenmont Crossing Dev. Corp.	11,255,111	-	225,450	11,029,661	237,953
Glenmont Westerly Dev. Corp.	7,074,982	-	141,441	6,933,541	149,669
Greenhills	4,300,000	-	-	4,300,000	4,300,000
MHLP II	13,968	-	-	13,968	13,968
MHLP III	42,891	-	-	42,891	42,891
Montgomery Arms	107,643	-	4,421	103,222	4,554
Paddington Square Dev. Corp.	20,311,490	-	317,140	19,994,350	328,747
Scattered Site Two Dev. Corp.	4,625,100	-	101,293	4,523,807	-
Southbridge	2,012,637	-	33,872	1,978,765	35,471
State Partnership Rental Programs	8,795,567	-	-	8,795,567	-
State Partnership VII	4,712,864	-	-	4,712,864	-
The Glen	1,211,707	-	-	1,211,707	-
VPC One Corp.	-	725,214	-	725,214	-
VPC Two Corp.	-	537,861	-	537,861	-
	<u>87,966,444</u>	<u>18,215,526</u>	<u>21,618,608</u>	<u>84,563,362</u>	<u>5,113,253</u>
General Sub-Fund:					
Line of Credit with PNC Bank	56,570,905	26,302,776	1,871,010	81,002,671	81,002,671
Tax Credit IX	50,500	-	-	50,500	-
	<u>56,621,405</u>	<u>26,302,776</u>	<u>1,871,010</u>	<u>81,053,171</u>	<u>81,002,671</u>
Total Mortgage Notes and Loans Payable	<u>\$ 144,587,849</u>	<u>\$ 44,518,302</u>	<u>\$ 23,489,618</u>	<u>\$ 165,616,533</u>	<u>\$ 86,115,924</u>

Interest rates on mortgage notes and loans payable ranged from 0.69% to 7.67% as of June 30, 2017.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2017 are inter sub-fund mortgage loans payable to the Multifamily Sub-Fund amounting to \$155,583,525 which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$7,655,346 for the year ended June 30, 2017 has also been eliminated.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2017 are inter sub-fund mortgage loans payable to the General Sub-Fund amounting to \$81,642,098, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$775,058 for the year ended June 30, 2017 has also been eliminated.



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**NOTE 8 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, 2017 are inter sub-fund mortgage loans payable to the Opportunity Housing Reserve Fund (OHRF) and Barclay Development Corporation amounting to \$22,827,534, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$21,662 for the year ended June 30, 2017 has also been eliminated.

Included in the mortgage notes and loans payable balance of the General Sub-Fund at June 30, 2017 are inter-subfund mortgage loans payable to the Opportunity Housing Sub-Fund amounting to \$53,996, which have been eliminated in the accompanying financial statements.

**(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 Notes Payable	Opportunity Housing Sub-Fund Notes Payable	Multifamily Sub-Fund Bonds & Notes Payable	Single Family Sub-Fund Bonds Payable	Combined
Years Ending June 30,					
2018	\$ 81,002,671	\$ 5,113,253	\$ 30,840,266	\$ 11,980,000	\$ 128,936,190
2019	50,500	19,112,760	9,803,192	8,160,000	37,126,452
2020	-	17,671,753	10,136,450	8,100,000	35,908,203
2021	-	524,928	10,470,088	8,265,000	19,260,016
2022	-	544,480	11,064,148	8,750,000	20,358,628
2023-2027	-	6,576,069	58,674,307	34,075,000	99,325,376
2028-2032	-	4,106,220	61,815,000	33,435,000	99,356,220
2033-2037	-	3,050,637	51,185,000	33,325,000	87,560,637
2038-2042	-	3,629,441	28,350,000	49,360,000	81,339,441
2043-2047	-	4,343,971	22,250,000	10,175,000	36,768,971
2048-2052	-	2,569,716	7,230,000	1,895,000	11,694,716
2053-2057	-	-	840,000	-	840,000
Upon Sale of Property	-	17,320,134	-	-	17,320,134
	<u>81,053,171</u>	<u>84,563,362</u>	<u>302,658,451</u>	<u>207,520,000</u>	<u>675,794,984</u>
Unamortized Bond Discount/Premium	-	-	(932,257)	3,407,147	2,474,890
Total	<u>\$ 81,053,171</u>	<u>\$ 84,563,362</u>	<u>\$ 301,726,194</u>	<u>\$ 210,927,147</u>	<u>\$ 678,269,874</u>

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**NOTE 8 BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT  
(CONTINUED)**

**(c) Maturities (Continued)**

Years ending June 30,	Interest				
	General Sub-Fund	Opportunity Housing Sub-Fund	Multifamily Sub-Fund Bonds & Notes Payable	Single Family Sub-Fund Bonds Payable	Combined
	Notes Payable	Notes Payable	& Notes Payable	Bonds Payable	Combined
2018	\$ 1,311,398	\$ 1,952,021	\$ 9,230,387	\$ 5,207,263	\$ 17,701,069
2019	-	1,912,370	8,850,866	5,037,044	15,800,280
2020	-	1,324,007	8,454,701	4,851,383	14,630,091
2021	-	916,683	8,164,276	4,641,803	13,722,762
2022	-	896,865	7,854,206	4,420,014	13,171,085
2023-2027	-	3,659,485	33,689,906	18,863,052	56,212,443
2028-2032	-	2,887,549	22,844,320	13,834,549	39,566,418
2033-2037	-	2,184,132	12,564,938	8,894,838	23,643,908
2038-2042	-	1,586,334	5,941,340	4,046,019	11,573,693
2043-2047	-	871,720	2,061,726	1,675,783	4,609,229
2048-2052	-	125,202	576,975	38,400	740,577
2053-2057	-	-	27,405	-	27,405
Total	<u>\$ 1,311,398</u>	<u>\$ 18,316,368</u>	<u>\$ 120,261,046</u>	<u>\$ 71,510,148</u>	<u>\$ 211,398,960</u>

**NOTE 9 DERIVATIVE INSTRUMENTS**

At June 30, 2017, 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, 2017, all hedging derivative instruments shown on the next page met the criteria for effectiveness.

The Commission uses the regression analysis method to evaluate the hedge effectiveness of the forward starting interest rate swaps. This method evaluates effectiveness by utilizing statistical regression analysis to compare quantitative information about the relationship between the price of the hedged item and that of the hedging derivative.

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

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**NOTE 9 DERIVATIVE INSTRUMENTS (CONTINUED)**

*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, 2017 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.

Associated Bond Issue	Notional Amounts	Trade Date	Terms	Fair Values	Swap Termination Date	Counterparty/ Credit Rating
Multifamily 2004 Series C	\$ 8,335,000	11/5/2004	Receive 63.3% LIBOR + 0.19%, pay 3.653%	\$ (581,664)	7/1/2036	MLCS, Baa1/BBB+/A
Multifamily 2004 Series D	10,830,000	11/5/2004	Receive 63.3% LIBOR + 0.29%, pay 3.76%	(757,967)	7/1/2036	MLCS, Baa1/BBB+/A
Single Family 2008D (2007 Series F)	10,000,000	10/17/2007	Receive 64.0% LIBOR + 0.30%, pay 4.111%	(309,356)	7/1/2038	MLCS (MLDP Termination Payment Guarantee), Baa1/BBB+/A(Aa3/AA/NR)
Single Family 2008 Series C	8,450,000	6/10/2008	Receive 63.6% LIBOR + 0.31%, pay 3.865%	(348,163)	7/1/2039	MLDP, Aa3/AA/NR
Multifamily 2011 Series A	30,480,000	4/3/2006	Receive 64.0% LIBOR + 0.19%, pay 4.02%	(4,553,420)	1/1/2049	MLCS, Baa1/BBB+/A
Multifamily 2011 Series B	2,710,000	4/3/2006	Receive 100% LIBOR + 0.10%, pay 6.067%	(630,005)	1/1/2049	MLCS, Baa1/BBB+/A
Chevy Chase Lake FFB Hedge	63,885,042	12/21/2016	Receive 100% LIBOR, pay	(2,480,809)	2/1/2047	Barclays Bank PLC, A1/A-/A
Alexander House FFB Hedge	70,100,000	1/31/2017	Receive 100% LIBOR, pay 2.79%	(1,715,376)	11/1/2046	RBC Cap Mkts, Aa3/AA-/AA
<b>Total</b>	<b>\$ 204,790,042</b>			<b>\$ (11,376,760)</b>		

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**NOTE 9 DERIVATIVE INSTRUMENTS (CONTINUED)**

*Credit risk:* The Commission's counterparties may become unable to meet their obligations under the swap agreement. The counterparties for the Commission's swaps are Merrill Lynch Capital Services (MLCS), Merrill Lynch Derivative Products AG (MLDP), Barclay's Bank PLC and RBC Capital Markets. Under the 2004 Series C, 2004 Series D and 2007 Series F swap agreements, Merrill Lynch Derivative Products (MLDP), a Aaa rated structured entity, guarantees termination payment. As of June 30, 2017, 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.

*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.

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**NOTE 10 LONG-TERM DEBT – DISCRETELY PRESENTED COMPONENT UNITS**

The long-term debt of the discretely presented 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 discretely presented component units' long-term debt are as follows:

	Principal	Interest
2018	\$ 4,421,145	\$ 3,999,834
2019	3,686,311	4,183,001
2020	3,337,619	4,026,519
2021	4,666,091	3,845,032
2022	3,730,124	3,652,742
Thereafter	123,649,512	40,982,685
Total	<u>\$ 143,490,802</u>	<u>\$ 60,689,813</u>

**NOTE 11 LONG-TERM DEBT – COMPENSATED ABSENCES**

A summary of changes in compensated absences which is included in Accounts Payable and Accrued Liabilities are as follows:

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year	Amount Due Within One Year
Compensated Absences	<u>\$ 1,599,457</u>	<u>\$ 2,273,528</u>	<u>\$ (2,110,640)</u>	<u>\$ 1,762,345</u>	<u>\$ 1,762,345</u>

**NOTE 12 LOANS PAYABLE TO MONTGOMERY COUNTY**

The County advances funds to the Commission and the real estate limited partnership component units (RELP component units) through two Capital Improvement Program Funds. The Commission and the RELP 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 RELP component units. If the development is funded from another source, the Commission or the RELP 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 RELP component unit's debt. The Commission and the RELP component units paid no interest on funds received from the County for the year ended June 30, 2017. There is no set maturity date or repayment term on borrowings from the County for the projects.

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**NOTE 12 LOANS PAYABLE TO MONTGOMERY COUNTY (CONTINUED)**

The Commission has the following Opportunity Housing Sub-Fund, General Sub-Fund and discrete component unit loans payable to Montgomery County as of June 30, 2017:

	Outstanding Beginning of Year	Issued This Year	Retired This Year	Outstanding End of Year	Amount Due Within One Year
Opportunity Housing Sub-Fund	\$ 56,310,754	\$ 1,905,357	\$ 5,600,116	\$ 52,615,995	\$ 336,099
General Sub-Fund	10,351,005	119,521	168,398	10,302,128	-
Total	<u>\$ 66,661,759</u>	<u>\$ 2,024,878</u>	<u>\$ 5,768,514</u>	<u>\$ 62,918,123</u>	<u>\$ 336,099</u>
Real Estate Limited Partnership Component Units	<u>\$ 12,681,326</u>	<u>\$ 843,300</u>	<u>\$ 21,473</u>	<u>\$ 13,503,153</u>	<u>\$ 65,724</u>

**NOTE 13 OPERATING LEASE COMMITMENTS**

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

Lease expense for the year ended June 30, 2017 for all office space was \$481,472. Future minimum lease obligations under these leases are as follows:

Years ending June 30,	
2018	\$ 403,029
2019	<u>16,340</u>
Total	<u>\$ 419,369</u>

**NOTE 14 UNRESTRICTED NET POSITION**

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.

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**NOTE 14 UNRESTRICTED NET POSITION (CONTINUED)**

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, 2017, the Commission committed the following OHRF obligations in the Opportunity Housing Sub-Fund by resolutions of the Board of Commissioners:

Ambassador	\$ 771,887
Barclay Apartments	100,000
Bauer Park & Town Center	1,098,110
Chevy Chase Lake	187,068
Elizabeth House III	8,515,327
Greenhills Apartments	64,204
Hillandale Gateway	670,750
Lindsay Ford	415,000
Pre-development Fund (Real Estate Division)	458,033
Stewartown Homes	150,000
Thayer	1,197,065
Upton II	350,000
Westwood Towers	60,381
Woodfield Commons	350,000
Total	<u>\$ 14,387,825</u>

**NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS**

**(a) Pension Plan**

*Plan Description*

All of 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 (Code), 1965, as amended. 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. If no election is made, the employee defaults into the RSP. The one time irrevocable election must be made within 150 days of date of hire.

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**NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

**(a) Pension Plan (Continued)**

**Benefits Provided**

Benefit provisions are established under the Code beginning with Section 33-35. All benefits vest at five years of service. There are different retirement groups within the System. Members enrolled before July 1, 1978, belong to either the optional non-integrated group or the optional integrated group. Members enrolled on or after July 1, 1978, belong to the mandatory integrated group. Within the groups are different retirement membership classes. The retirement group assigned depends upon the job classification of the member. Normal and early retirement eligibility, the formula for determining the amount of benefit, and the cost of living adjustment varies depending upon the retirement group, retirement membership class and retirement date. Normal retirement is a percentage of earnings multiplied by years of credited service. Earnings for optional, non-integrated group members and optional integrated group members is defined as the highest consecutive 12 months and for mandatory integrated plan members, the highest consecutive 36 months. The percentage of earnings, the maximum years of credited service and the cost of living adjustment varies depending upon the retirement membership class and group. Members who retire early receive normal retirement benefits reduced by a minimum of 2% to a maximum of 60% depending on the number of years and months early retirement precedes normal retirement. The System provides options for disability and death benefits to eligible participants. Annual cost-of-living adjustments are provided to retirees and beneficiaries based on the percentage change in the consumer price index and the date of retirement.

For the members of the GRIP, employee contributions and earnings thereon vest immediately and employer contributions and earnings thereon are vested after three years of membership in the plan or upon death, disability or reaching retirement age. At separation, a participant's benefit is the account balance which includes employee contributions and earnings along with employer contributions and earnings, if vested.

**Contributions**

The System is a contributory plan with employees contributing a percentage of their base annual salary. Contribution rates range from 4% to 8% of regular earnings annually based on group classifications and contributions earn interest at the rate of 4% per annum as specified under Section 33-39(b) of the Code. The Commission is required to contribute the remaining amounts necessary to fund the System using the actuarial basis as specified in Section 33-40 of the Code.

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. Section 33-40 of the Code requires the Commission as a participating agency to contribute 8% of regular earnings for all participants. For the year ended June 30, 2017, the Commission paid 5.34% and the balance came from plan earnings.



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**NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

**(a) Pension Plan (Continued)**

Net Pension Liability

The Commission's net pension liability (NPL) of \$11,681,661 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability is allocated among all employers which includes the County and participating agencies. Each employer's portion of the net pension liability was determined by the respective employer's share of the unfunded actuarial accrued liability, which is based on the number of participants each employer had participating in the System, relative to all participants in the System, as of June 30, 2016.

Actuarial Assumptions

Valuation Date	June 30, 2016
Actuarial Cost Method	Individual entry age normal
Amortization Method for Funding	Level percentage of payroll
Amortization Period for Funding	Closed amortization approach of 9 years as of July 1, 2015.
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases Depending on Service	3.25%-9.50%
Cost-of-Living (Inflation Rate) Adjustments	2.75% on the benefit attributable to credited service earned prior to June 30, 2011. 2.3% on the benefit attribution to credited service earned thereafter, reflecting the 2.5% cap.
Post-Retirement Increases	Consumer Price Index – by Group
Mortality Rates After Retirement	RP 2014 Mortality Table, sex-distinct, for healthy mortality. Rates are set forward six years for the male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvement, generational mortality improvements from 2014 using projection scale MP-2014 was used.

An experience study was conducted for the period July 1, 2009 to July 1, 2014 in September 2015. An actuarial experience study is conducted every 5 years. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the System's investment policy) are summarized in the following table:

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**NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

**(a) Pension Plan (Continued)**

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	4.80%
International Equity	4.80%
Emerging Market Equity	4.80%
Global Equity	5.00%
Private Equity	6.56%
Credit Opportunities	5.45%
Long Duration Fixed Income	1.75%
High Yield Bonds	4.20%
Global IL's	1.17%
Private Real Assets	6.66%
Public Real Assets	4.55%
Hedge Funds	4.53%
Cash	0.00%

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Additional Financial and Actuarial Information**

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the Montgomery County Employee Retirement Plans' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The supporting actuarial information is included in the June 30, 2016, GASB Statements No. 67 and 68, *Accounting and Financial Reporting for Pensions* actuarial valuation for the System. The additional financial and actuarial information is available at: Montgomery County Employee Retirement Plans, 101 Monroe Street, 15th Floor, Rockville, Maryland 20850 or by calling 240-777-8220.

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**NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

**(a) Pension Plan (Continued)**

*Sensitivity of the Commission's proportionate share of the net pension liability to changes in the discount rate*

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50)%	Current Discount (7.50)%	1% Increase (8.50)%
Total System Net Pension Liability	\$ 1,014,371,804	\$ 541,101,863	\$ 142,642,796
Commission's Proportionate Share	21,898,922	11,681,661	3,079,466

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2017, the Commission recognized pension expense of \$1,495,460. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 7,224	\$ 569,838
Changes of Assumptions	-	152,375
Net Differences Between Projected and Actual Earning on Pension Plan Investments	3,776,237	-
Change in Proportionate Share	2,158,150	-
Contributions Made Subsequent to the Measurement Date	488,205	1,990,595
Total	<u>\$ 6,429,816</u>	<u>\$ 2,712,808</u>

The \$488,205 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2018	\$ (315,122)
2019	(315,122)
2020	(1,702,930)
2021	(895,629)

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**NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

**(b) Defined Contribution Plan**

Full-time and part-time employees of the Commission hired after October 1, 1994 who did not elect to participate in the GRIP 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.

The plan requires all participants to contribute 4% of their salaries. Participants earning salaries exceeding the Social Security wage base as determined each year by Social Security, 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, 2017 totaled \$12,175,911. Commission and employee contributions to the plan totaled \$952,967 and \$489,008, respectively, for the year ended June 30, 2017.

**(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 and also met their retirement plan 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, prescription coverage and optional life and dependent life insurance. Currently, 156 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 monthly basis. The annual pay-as-you-go expenditures amounted to \$716,426 during fiscal year 2017. The Commission paid the annual required contribution to the (ARC) in fiscal year 2017 of \$1,130,400, which represents 100% of the Commission's required obligation. The County provided a phase-in period and the Commission began paying the full annual required contribution in fiscal year 2017.

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**NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

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

*Annual OPEB Cost and Net OPEB Obligation:* The ARC, or annual OPEB cost (AOC) for fiscal year 2017 was based on the actuarial valuation as of July 1, 2016.

*Actuarial Methods and Assumptions:* The actuarial valuation was performed by AON Hewitt with a valuation date of July 1, 2016. The actuarial method used was the Projected Unit Credit Actuarial Cost Method.

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

	2017	2016	2015	2014	2013
Actual Contribution	\$ 1,130,400	\$ 1,140,400	\$ 1,307,100	\$ 2,195,672	\$ 1,850,572
Annual Required Contribution	1,130,400	1,140,400	1,307,100	2,923,000	2,340,000
Percentage Contributed	100.0%	100.0%	100.0%	75.1%	79.1%

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 16 CONTINGENCIES**

**(a) Litigation**

There is no pending or, to the Commission’s knowledge, threatened litigation pending against the Commission which is not insured or, if uninsured, if concluded unfavorably to the Commission would have a materially adverse effect upon the ability of the Commission to meet its obligations or conduct its business.

**(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.

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**NOTE 17 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 three years, no insurance settlements exceeded commercial insurance coverage.

**NOTE 18 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, 2017 are summarized below:

Bonds Outstanding, Beginning of Year	\$ 204,287,059
Issuances During the Year	-
Redemptions During the Year	<u>(17,617,490)</u>
Bonds Outstanding, End of Year	<u>\$ 186,669,569</u>

**NOTE 19 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 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, 2017, there was no arbitrage rebate liability calculated.

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**NOTE 20 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.

*Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the period ending June 30, 2018.

*Statement No. 86 – Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve the usefulness of financial statements by requiring the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources. This Statement is effective for the period ending June 30, 2018.

*Statement No. 87 – Leases*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt using existing resources placed in a trust. This Statement is effective for the period ending June 30, 2021.

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**NOTE 21 SUBSEQUENT EVENTS**

*Alexander House*

Alexander House is an existing 16-story, 312-unit (305 post renovation) mixed-income multifamily building located in downtown Silver Spring, Maryland. The building offers studios, one bedroom and two bedroom units. Forty percent of the property is income restricted for households earning up to 60% of the Area Median Income. On July 23, 2015, the Montgomery County Planning Department approved the Administrative Site Plan Amendment that will incorporate necessary changes to enhance and support the Elizabeth Square redevelopment plan which includes major renovations at Alexander House.

On October 5, 2016, the Commission approved a final development plan with a budget of \$120 million for the Alexander House development. The plan includes the sale of 122 affordable housing units to a LIHTC limited partnership, Alexander House Limited Partnership (AHLP), which benefited from equity proceeds of \$13,907,000 from the syndication of Low Income Housing Tax Credits (LIHTC) and a tax-exempt loan of \$90,870,810, funded by Citi Community Capital. The remaining 183 units were retained by Alexander House Development Corporation (AHDC), and will continue to be offered as market rate units, with tax-exempt funding also provided by Citi Community Capital. The financing transaction closed on January 31, 2017, at which time the affordable housing units were transferred to AHLP. At the time of closing, HOC executed a forward starting swap with RBC to hedge interest rate risk during construction. The renovation will be completed with tenants in place undergoing strategic relocation throughout the property. Once completed and placed in service, the permanent loan will be funded from the Federal Financing Bank (FFB) loan pursuant to the Federal Housing Administration (FHA) Risk Share/ FFB program.

The renovation of 58 units in Phase I was completed, of which 26 units are set aside as affordable units in accordance with the LIHTC program. There still remains one new Uniform Federal Accessibility Standards (UFAS) unit converted from existing community space currently under renovation due to design issues to meet UFAS requirements. The general contractor has also completed 47 units in Phase II, of which 23 units are set aside as affordable units, with the remaining 11 units to be completed and delivered by the middle of October 2017. The initial pre-walk to assess the existing condition for Phase III units has commenced and is on-going. The current breezeway (Phase A) has been demolished to be converted into the main lobby area, property management office, and mailboxes. Phase A of the amenity space is to be completed by March 2018 with overall renovation for the property to be completed by September 2018.

The renovation work will be completed using proceeds from the issuance of tax-exempt bonds plus LIHTC proceeds from the syndication of LIHTC for the affordable housing portion. Once completed and placed in service, the permanent loan will be funded from the Federal Financing Bank (FFB) loan pursuant to the Federal Housing Administration (FHA) Risk Share/FFB program.



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**NOTE 21 SUBSEQUENT EVENTS (CONTINUED)**

*Greenhills Apartments*

Greenhills is a 78-unit, mixed-income, townhome-style apartment community in Damascus. On August 30, 2017, HOC issued \$12 million of tax-exempt bonds to fund a mortgage loan on the property. On September 28, 2017, HOC secured syndication of 4% LIHTC and closed a \$12 million tax-exempt mortgage loan for the redevelopment of the property which will convert to a permanent loan upon completion of the renovation. Proceeds of the loan were used to repay the existing \$4.3 million outstanding loan funded by BB&T. The mortgage and permanent loan will be insured under the FHA Risk Share program in accordance with the FHA agreement with HOC. HOC staff negotiated the limited partnership agreement with PNC Real Estate Tax Credit Capital Institutional Fund 64 LLC, the purchaser of the LIHTCs. Redevelopment of the property includes restriction of 70% of the units (55 units) to households at 60% of area median income or below. A Request for Proposal (RFP) was issued June 16, 2016 seeking contracting services to perform the renovations and was awarded to Hamel Builders. The scope of the renovation will involve exterior work to include the replacement of siding, gutters, windows, roof and decks; interior work will include kitchen and bathroom upgrades, new fixtures and energy efficient lighting, and new HVAC units and water heaters. Renovation completion is projected to occur by November 1, 2018.

*TPM Development Corporation*

TPM Development Corporation (TPM), an entity wholly owned and controlled by the Commission, owned three (3) separate properties: Timberlawn Crescent (Timberlawn), a 107-unit apartment community; Pomander Court (Pomander), 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 an interim financing plan that provided intermediate funds to make emergency repairs and exterior renovations at Timberlawn. The work involved replacing the structurally deficient decks, as well as the interconnected building envelope systems (e.g. siding and windows), repairing drainage issues on site, replacing exterior railing and painting the buildings. This work has been completed.

In October 2014, the Commission prepaid the then outstanding tax-exempt bond loan for TPM. Subsequently on May 6, 2015, it approved a final development plan and authorized interim funding from the \$90 Million Real Estate Line of Credit (RELOC) with PNC Bank, N.A. to complete the interior renovations at both Timberlawn and Pomander (the "Properties"). The Commission also approved the selection of Hamel Builders for the renovation of Timberlawn and CBP Constructors for the renovation of Pomander. The interior unit renovations of the Properties started in June 2015 and were completed by the end of September 2016.

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**NOTE 21 SUBSEQUENT EVENTS (CONTINUED)**

On December 7, 2016, the Commission approved a Financing Plan for the properties, and on September 14, 2017, HOC closed on a single permanent mortgage loan in the amount of \$20 million from the Federal Financing Bank (FFB) and insured through the FHA Risk Share program. To facilitate the transaction, ownership of the Properties was transferred from TPM Development Corporation to Timberlawn Pomander Properties, LLC, a newly formed entity, wholly owned and controlled by the Commission. The mortgage proceeds will be used to repay all renovation funds drawn on the RELOC and the MPDU Property Acquisition Fund, and to complete renovation of the clubhouse and remaining exterior renovation work at Timberlawn. The 59 scattered MPDUs remain owned by TPM Development Corporation and will be unencumbered with any mortgage debt.

*Year 15 Low Income Housing Tax Credit Property Acquisition*

HOC has nine LIHTC-financed properties that have reached the end of their 15-year initial tax credit compliance periods. All of the properties in the portfolio still have their tax credit investors as owners of the limited partnerships. The portfolio comprises 1,497 multifamily units (1,048 are LIHTC units) – more than the total number of units (877) that HOC is converting from Public Housing via the Rental Assistance Demonstration (RAD) program. Additionally, HOC has a major potential redevelopment opportunity in one Bethesda property, which adds another 157 LIHTC-financed units and while it will not be reached by the end of its initial compliance period for another four years, it will be important that the Commission have an exit strategy in place so that the redevelopment of that property can proceed timely.

Not only must the regulatory, financing, and partnership structures of these properties be unwound; the outlines of the recapitalization plans for these properties must be developed – in turn, creating new potential regulatory, financing, and partnership structures. Each of these 10 LIHTC properties has existing private investors and multiple loans. A few have rental assistance contracts. Others have subsequently been rezoned and have substantial unused density. All require a reinvestment of capital through renovation and redevelopment.

On April 17, 2017, HOC successfully negotiated an agreement to transfer partnership interests in Willows of Gaithersburg Associates Limited Partnership, Manchester Manor Limited partnership and Shady Grove Apartments Limited Partnership from Newport Partners. HOC now controls both the general partner and limited partner interests in the properties and is the 100% owners of these real estate assets. The acquisition price to the Commission for taking full ownership was \$950,000.

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**NOTE 21 SUBSEQUENT EVENTS (CONTINUED)**

*Woodfield Common LLC*

On September 29, 2017, construction financing closed for Woodfield Commons (the "Development"), a joint venture between Conifer Realty (Conifer) and HOC. The Development will be an 84-unit, mixed income, apartment community located in Damascus. Ninety percent (90%) of the development will be affordable to households earning 60% or less of the Washington Metropolitan Statistical Area Median Income, required by the various funding sources. HOC participated in the 9% LIHTC application for the Development and will continue to serve as co-developer and 11% general partner. Financing of the Development includes a construction loan from Bank of America, 9% LIHTC Tax Credit Equity and Solar Tax Credit Equity from Bank of America as an investor, loans from the Maryland Community Development Administration (CDA) through Rental Housing Funds and the Weinburg Foundation, a Housing Initiative Fund (HIF) loan from the Montgomery County Department of Housing and Community Affairs (DHCA), and a non-interest bearing loan from HOC and General Partner Equity from Conifer.

At closing, HOC issued a commitment to the development to provide a senior permanent mortgage loan for up to \$10,500,000 to the Development through the Federal Financing Bank and Federal Housing Administration Risk Sharing Program upon construction completion, projected for 2019. The Commission also funded a non interest bearing loan of \$350,000 to complete funding for the development.

*Bogman Dovenmuehle*

The Mortgage Finance's Single Family whole loan subservicer, Bogman Inc. (Bogman), has been the Commission's largest subservicer since 1997 and is currently servicing 554 first mortgage loans and 448 secondary closing cost loans. In July 2016, Bogman submitted to the Commission a cancellation notice due to its desire to exit the mortgage servicing business. Since then, staff has issued three (3) separate open solicitations for a subservicer to replace Bogman as well as explored the option of self-servicing by HOC.

On June 23, 2017, the Commission approved the selection of Dovenmuehle Mortgage, Inc. for an initial contract term of no more than two (2) years with an option to extend at least three (3) additional one (1) year terms, as permitted under HOC's procurement policy. With this contract Dovenmuehle will assume Bogman's role as subservicer for HOC's portfolio of whole loans.

Monthly servicing cost to Bogman, including costs for loans in default (30-90 days) averages approximately \$10,300 per month or \$123,600 annually. Bogman's loss mitigation costs (90+ days) have been approximately \$12,000 annually for a combined total of \$135,600. Based upon Dovenmuehle's fee schedule, there will be a one-time loan set up fee of approximately \$23,000. On-going monthly charges to include loans in default (30-90 days), will be approximately \$11,900 per month or \$142,800 annually, and loss mitigation costs (90+ days) is estimated to be \$20,000 annually for a combined total of \$162,800. Therefore, it is estimated that annual servicing fees (excluding the one-time set up charges) for this portfolio will increase by approximately 20%. Expenses will fluctuate depending on the status of loans within the portfolio. On September 18, 2017, HOC executed a contract with Dovenmuehle for subservicing of its single family whole loan portfolio.

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**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS**

	Blended Component Units										
	The Oaks	Alexander House	Sligo	Metropolitan	TPM Development	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square	HOC at Hillandale Gateway	Chevy Chase
<b>ASSETS</b>											
Cash	\$ 177,448	\$ 1,129,533	\$ -	\$ 4,366,488	\$ 1,169,710	\$ 548,686	\$ 402,451	\$ 39,702	\$ 582,709	\$ -	\$ 279,102
Restricted Cash	426,778	854,848	47,408	1,096,823	195,435	861,740	500,025	561,643	1,170,708	-	2,650,578
Current Assets	22,021	66,262	218,703	11,444,395	146,290	128,881	864,039	1,771,252	101,688	84,343	13,719,591
Noncurrent Assets		14,218,641	1,199,402	-	-	-	-	-	-	1,272,372	-
Capital Assets	3,184,047	14,671,435	1,247,562	19,083,942	16,449,848	16,641,065	9,742,218	28,477,898	21,223,196	-	84
Total Assets	<u>3,810,294</u>	<u>30,940,719</u>	<u>2,713,075</u>	<u>35,991,648</u>	<u>17,961,283</u>	<u>18,180,372</u>	<u>11,508,733</u>	<u>30,850,495</u>	<u>23,078,301</u>	<u>1,356,715</u>	<u>16,649,355</u>
<b>LIABILITIES</b>											
Current Liabilities	366,370	2,974,414	42,514	1,249,101	174,799	624,185	1,026,493	1,255,609	2,117,663	-	308
Noncurrent Liabilities	3,428,009	17,129,473	-	23,093,675	18,513,602	16,069,198	10,278,754	36,757,144	25,801,069	1,820,000	20,492,546
Total Liabilities	<u>3,794,379</u>	<u>20,103,887</u>	<u>42,514</u>	<u>24,342,776</u>	<u>18,688,401</u>	<u>16,693,383</u>	<u>11,305,247</u>	<u>38,012,753</u>	<u>27,918,732</u>	<u>1,820,000</u>	<u>20,492,854</u>
<b>NET POSITION</b>											
Net Investment in Capital Assets	(422,100)	(3,721,053)	1,247,562	(4,657,097)	(914,257)	150,008	(817,455)	(9,505,359)	(5,193,247)	(1,820,000)	(6,794,086)
Restricted	280,196	808,494	40,818	853,877	100,169	801,821	448,626	490,293	1,056,648	-	2,650,578
Unrestricted	157,819	13,749,391	1,382,181	15,452,092	86,970	535,160	572,315	1,852,808	(703,832)	1,356,715	300,009
Total Net Position	<u>15,915</u>	<u>10,836,832</u>	<u>2,670,561</u>	<u>11,648,872</u>	<u>(727,118)</u>	<u>1,486,989</u>	<u>203,486</u>	<u>(7,162,258)</u>	<u>(4,840,431)</u>	<u>(463,285)</u>	<u>(3,843,499)</u>
Total Liabilities and Net Position	<u>\$ 3,810,294</u>	<u>\$ 30,940,719</u>	<u>\$ 2,713,075</u>	<u>\$ 35,991,648</u>	<u>\$ 17,961,283</u>	<u>\$ 18,180,372</u>	<u>\$ 11,508,733</u>	<u>\$ 30,850,495</u>	<u>\$ 23,078,301</u>	<u>\$ 1,356,715</u>	<u>\$ 16,649,355</u>

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**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units									
	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Glenmont Crossing	Glenmont Westerly	Magruders	RAD 6	Community Partners
<b>ASSETS</b>										
Cash	\$ 238,443	\$ -	\$ -	\$ 100	\$ -	\$ 843,605	\$ 704,614	\$ 400	\$ 200	\$ 291,897
Restricted Cash	504,842	3,526,310	1,231,965	565,287	393,186	780,459	1,463,476	524,908	908,385	-
Current Assets	1,191,711	7,001,327	3,026,557	2,603,788	611,732	22,147	27,131	602,933	2,164,969	-
Noncurrent Assets	-	-	-	-	-	-	-	-	-	-
Capital Assets	6,890,155	10,582,544	4,539,881	42,022,552	29,085,414	14,538,250	11,433,894	6,310,208	28,877,642	-
Total Assets	<u>8,825,151</u>	<u>21,110,181</u>	<u>8,798,403</u>	<u>45,191,727</u>	<u>30,090,332</u>	<u>16,184,461</u>	<u>13,629,115</u>	<u>7,438,449</u>	<u>31,951,196</u>	<u>291,897</u>
<b>LIABILITIES</b>										
Current Liabilities	389,545	712,992	65,597	652,014	581,133	337,560	244,977	388,728	3,319,041	11,571
Noncurrent Liabilities	10,180,194	8,149,108	5,152,004	27,293,935	18,147,442	12,790,005	9,520,854	10,321,116	22,531,434	-
Total Liabilities	<u>10,569,739</u>	<u>8,862,100</u>	<u>5,217,601</u>	<u>27,945,949</u>	<u>18,728,575</u>	<u>13,127,565</u>	<u>9,765,831</u>	<u>10,709,844</u>	<u>25,850,475</u>	<u>11,571</u>
<b>NET POSITION</b>										
Net Investment in Capital Assets	(3,720,455)	2,235,693	(593,028)	14,728,617	10,937,972	1,528,007	1,774,102	(4,563,108)	5,912,303	-
Restricted	448,851	3,459,070	1,213,602	462,452	327,664	749,261	1,433,564	456,678	819,008	-
Unrestricted	1,527,016	6,553,318	2,960,228	2,054,709	96,121	779,628	655,618	835,035	(630,590)	280,326
Total Net Position	<u>(1,744,588)</u>	<u>12,248,081</u>	<u>3,580,802</u>	<u>17,245,778</u>	<u>11,361,757</u>	<u>3,056,896</u>	<u>3,863,284</u>	<u>(3,271,395)</u>	<u>6,100,721</u>	<u>280,326</u>
Total Liabilities and Net Position	<u>\$ 8,825,151</u>	<u>\$ 21,110,181</u>	<u>\$ 8,798,403</u>	<u>\$ 45,191,727</u>	<u>\$ 30,090,332</u>	<u>\$ 16,184,461</u>	<u>\$ 13,629,115</u>	<u>\$ 7,438,449</u>	<u>\$ 31,951,196</u>	<u>\$ 291,897</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units						
	Ambassador	MHLP VII	MHLP VIII	Diamond Square	Brookside Glen	Primary Government	Total
<b>ASSETS</b>							
Cash	\$ 143,658	\$ -	\$ -	\$ 324,882	\$ 576,648	\$ 82,216,031	\$ 94,036,307
Restricted Cash	880,139	69,351	57,713	1,472,404	472,137	119,411,740	140,628,288
Current Assets	-	18,361	26,477	2,464	80,628	49,598,106	95,545,796
Noncurrent Assets	-	-	-	-	-	375,473,854	392,164,269
Capital Assets	<u>4,027,252</u>	<u>1,969,025</u>	<u>2,419,311</u>	<u>3,831,336</u>	<u>7,534,632</u>	<u>90,398,568</u>	<u>395,181,959</u>
Total Assets	<u>5,051,049</u>	<u>2,056,737</u>	<u>2,503,501</u>	<u>5,631,086</u>	<u>8,664,045</u>	<u>717,098,299</u>	<u>1,117,556,619</u>
<b>LIABILITIES</b>							
Current Liabilities	2,808,513	2,892,246	3,059,682	130,131	553,134	143,977,405	169,955,725
Noncurrent Liabilities	<u>4,060,106</u>	<u>-</u>	<u>-</u>	<u>5,918,741</u>	<u>6,526,091</u>	<u>385,979,213</u>	<u>699,953,713</u>
Total Liabilities	<u>6,868,619</u>	<u>2,892,246</u>	<u>3,059,682</u>	<u>6,048,872</u>	<u>7,079,225</u>	<u>529,956,618</u>	<u>869,909,438</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	(1,912,854)	1,446,300	2,419,311	(2,139,784)	778,634	(8,387,189)	(12,002,563)
Restricted	880,138	57,601	39,229	1,434,709	413,969	66,463,658	86,190,974
Unrestricted	<u>(784,854)</u>	<u>(2,339,410)</u>	<u>(3,014,721)</u>	<u>287,289</u>	<u>392,217</u>	<u>129,065,212</u>	<u>173,458,770</u>
Total Net Position	<u>(1,817,570)</u>	<u>(835,509)</u>	<u>(556,181)</u>	<u>(417,786)</u>	<u>1,584,820</u>	<u>187,141,681</u>	<u>247,647,181</u>
Total Liabilities and Net Position	<u>\$ 5,051,049</u>	<u>\$ 2,056,737</u>	<u>\$ 2,503,501</u>	<u>\$ 5,631,086</u>	<u>\$ 8,664,045</u>	<u>\$ 717,098,299</u>	<u>\$ 1,117,556,619</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units										
	The Oaks	Alexander House	Sligo	Metropolitan	TPM	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square	HOC at Hillandale Gateway	Chevy Chase
<b>OPERATING REVENUES</b>											
Tenant Revenue	\$ 1,373,578	\$ 3,733,995	\$ 268,550	\$ 6,370,214	\$ 2,939,839	2,713,681	\$ 1,828,492	\$ 2,507,085	\$ 2,825,164	\$ 48,000	\$ -
Other Revenues	6,373	27,810	1,651	497,087	12,518	76,479	18,821	10,660	74,052	-	-
Total Operating Revenues	<u>1,379,951</u>	<u>3,761,805</u>	<u>270,201</u>	<u>6,867,301</u>	<u>2,952,357</u>	<u>2,790,160</u>	<u>1,847,313</u>	<u>2,517,745</u>	<u>2,899,216</u>	<u>48,000</u>	<u>-</u>
<b>OPERATING EXPENSES</b>											
Housing Assistance Payments	-	-	-	-	-	-	-	-	-	-	-
Administrative	346,758	508,745	78,994	905,705	662,826	438,105	285,520	347,171	479,881	-	8,854
Utilities	80,712	316,451	2,012	408,000	130,792	161,706	101,104	57,085	197,148	-	-
Ordinary Maintenance and Operations	319,463	519,452	139,683	638,311	563,087	386,020	275,643	256,325	460,964	-	-
General Expenses	283,715	1,537,195	73,622	3,521,199	1,182,865	1,283,617	1,022,021	1,770,258	1,571,833	600	798
Depreciation	186,317	831,481	62,494	1,129,504	977,920	555,836	343,147	935,953	627,767	-	-
Total Operating Expenses	<u>1,216,965</u>	<u>3,713,324</u>	<u>356,805</u>	<u>6,602,719</u>	<u>3,517,490</u>	<u>2,825,284</u>	<u>2,027,435</u>	<u>3,366,792</u>	<u>3,337,593</u>	<u>600</u>	<u>9,652</u>
Operating Income (Loss)	<u>162,986</u>	<u>48,481</u>	<u>(86,604)</u>	<u>264,582</u>	<u>(565,133)</u>	<u>(35,124)</u>	<u>(180,122)</u>	<u>(849,047)</u>	<u>(438,377)</u>	<u>47,400</u>	<u>(9,652)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,255)</u>	<u>20,142,919</u>	<u>59,920</u>	<u>13,216</u>	<u>203</u>	<u>164</u>	<u>42,415</u>	<u>1,656</u>	<u>(181)</u>	<u>7,107</u>	<u>1,810,456</u>
Income (Loss) before Contributions and Transfers	161,731	20,191,400	(26,684)	277,798	(564,930)	(34,960)	(137,707)	(847,391)	(438,558)	54,507	1,800,804
Capital Contributions (Distributions)	-	(3,675,640)	-	-	(430,799)	-	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	161,731	16,515,760	(26,684)	277,798	(995,729)	(34,960)	(137,707)	(847,391)	(438,558)	54,507	1,800,804
<b>TRANSFERS</b>	-	-	-	-	3,103	-	-	-	-	-	-
Total Net Position - Beginning of Year	<u>(145,816)</u>	<u>(5,678,928)</u>	<u>2,697,245</u>	<u>11,371,074</u>	<u>265,508</u>	<u>1,521,949</u>	<u>341,193</u>	<u>(6,314,867)</u>	<u>(4,401,873)</u>	<u>(517,792)</u>	<u>(5,644,303)</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 15,915</u>	<u>\$ 10,836,832</u>	<u>\$ 2,670,561</u>	<u>\$ 11,648,872</u>	<u>\$ (727,118)</u>	<u>\$ 1,486,989</u>	<u>\$ 203,486</u>	<u>\$ (7,162,258)</u>	<u>\$ (4,840,431)</u>	<u>\$ (463,285)</u>	<u>\$ (3,843,499)</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units									
	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Glenmont Crossing	Glenmont Westerly	Magruders	RAD 6	Community Partner
<b>OPERATING REVENUES</b>										
Tenant Revenue	\$ 1,278,539	\$ 2,458,043	\$ 755,858	\$ 4,961,292	\$ 3,562,910	\$ 1,977,952	\$ 1,680,280	\$ 2,242,189	\$ 3,228,623	\$ -
Other Revenues	23,211	17,728	4,744	132,053	91,756	11,960	9,930	5,499	85,803	310,264
Total Operating Revenues	<u>1,301,750</u>	<u>2,475,771</u>	<u>760,602</u>	<u>5,093,345</u>	<u>3,654,666</u>	<u>1,989,912</u>	<u>1,690,210</u>	<u>2,247,688</u>	<u>3,314,426</u>	<u>310,264</u>
<b>OPERATING EXPENSES</b>										
Housing Assistance Payments	-	-	-	-	-	-	-	-	-	-
Administrative	154,170	647,751	168,593	1,332,476	938,584	222,473	218,692	340,374	842,549	184,416
Utilities	97,766	14,585	4,717	102,234	70,955	231,653	166,813	91,803	283,033	-
Ordinary Maintenance and Operations	182,146	878,517	235,766	1,434,912	867,429	359,084	343,797	219,218	553,733	-
General Expenses	554,325	861,311	194,482	634,790	756,952	750,287	627,666	1,428,026	1,271,083	36,282
Depreciation	390,865	287,765	91,435	697,177	501,726	300,564	210,716	417,549	771,804	-
Total Operating Expenses	<u>1,379,272</u>	<u>2,689,929</u>	<u>694,993</u>	<u>4,201,589</u>	<u>3,135,646</u>	<u>1,864,061</u>	<u>1,567,684</u>	<u>2,496,970</u>	<u>3,722,202</u>	<u>220,698</u>
Operating Income (Loss)	<u>(77,522)</u>	<u>(214,158)</u>	<u>65,609</u>	<u>891,756</u>	<u>519,020</u>	<u>125,851</u>	<u>122,526</u>	<u>(249,282)</u>	<u>(407,776)</u>	<u>89,566</u>
Total Nonoperating Revenues (Expenses)	<u>(235)</u>	<u>9,700</u>	<u>48</u>	<u>(9,949)</u>	<u>(3,902)</u>	<u>673</u>	<u>1,085</u>	<u>715</u>	<u>4,237</u>	<u>-</u>
Income (Loss) before Contributions and Transfers	<u>(77,757)</u>	<u>(204,458)</u>	<u>65,657</u>	<u>881,807</u>	<u>515,118</u>	<u>126,524</u>	<u>123,611</u>	<u>(248,567)</u>	<u>(403,539)</u>	<u>89,566</u>
Capital Contributions (Distributions)	-	-	-	(2,180,546)	(1,458,599)	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<u>(77,757)</u>	<u>(204,458)</u>	<u>65,657</u>	<u>(1,298,739)</u>	<u>(943,481)</u>	<u>126,524</u>	<u>123,611</u>	<u>(248,567)</u>	<u>(403,539)</u>	<u>89,566</u>
<b>TRANSFERS</b>	<u>(46,513)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,730)</u>	<u>-</u>
Total Net Position - Beginning of Year	<u>(1,620,318)</u>	<u>12,452,539</u>	<u>3,515,145</u>	<u>18,544,517</u>	<u>12,305,238</u>	<u>2,930,372</u>	<u>3,739,673</u>	<u>(3,022,828)</u>	<u>6,553,990</u>	<u>190,760</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ (1,744,588)</u>	<u>\$ 12,248,081</u>	<u>\$ 3,580,802</u>	<u>\$ 17,245,778</u>	<u>\$ 11,361,757</u>	<u>\$ 3,056,896</u>	<u>\$ 3,863,284</u>	<u>\$ (3,271,395)</u>	<u>\$ 6,100,721</u>	<u>\$ 280,326</u>



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units						
	Ambassador	MHLP VII	MHLP VIII	Diamond Square	Brookside Glen	Primary Government	Total
<b>OPERATING REVENUES</b>							
Tenant Revenue	\$ 4,189	\$ 485,212	\$ 670,482	\$ 1,237,870	\$ 1,531,135	\$ 17,281,832	\$ 67,965,004
Other Revenues	16,256	3,367	4,529	7,014	4,610	141,202,747	142,656,922
Total Operating Revenues	<u>20,445</u>	<u>488,579</u>	<u>675,011</u>	<u>1,244,884</u>	<u>1,535,745</u>	<u>158,484,579</u>	<u>210,621,926</u>
<b>OPERATING EXPENSES</b>							
Housing Assistance Payments	-	-	-	-	-	95,523,485	95,523,485
Administrative	35,193	111,320	168,056	259,957	216,556	29,539,003	39,442,722
Utilities	111,225	3,168	2,876	185,990	104,709	1,986,001	4,912,538
Ordinary Maintenance and Operations	14,355	165,482	204,049	273,835	290,555	7,390,339	16,972,165
General Expenses	215,697	98,375	107,920	170,935	400,823	24,478,638	44,835,315
Depreciation	<u>214,526</u>	<u>88,751</u>	<u>140,841</u>	<u>191,087</u>	<u>362,030</u>	<u>3,956,117</u>	<u>14,273,372</u>
Total Operating Expenses	<u>590,996</u>	<u>467,096</u>	<u>623,742</u>	<u>1,081,804</u>	<u>1,374,673</u>	<u>162,873,583</u>	<u>215,959,597</u>
Operating Income (Loss)	<u>(570,551)</u>	<u>21,483</u>	<u>51,269</u>	<u>163,080</u>	<u>161,072</u>	<u>(4,389,004)</u>	<u>(5,337,671)</u>
Total Nonoperating Revenues (Expenses)	<u>843</u>	<u>316</u>	<u>(177)</u>	<u>5,552</u>	<u>840</u>	<u>10,211,845</u>	<u>32,298,211</u>
Income (Loss) before Contributions and Transfers	<u>(569,708)</u>	<u>21,799</u>	<u>51,092</u>	<u>168,632</u>	<u>161,912</u>	<u>5,822,841</u>	<u>26,960,540</u>
Capital Contributions (Distributions)	-	-	-	-	-	8,003,894	258,310
<b>CHANGE IN NET POSITION</b>	<u>(569,708)</u>	<u>21,799</u>	<u>51,092</u>	<u>168,632</u>	<u>161,912</u>	<u>13,826,735</u>	<u>27,218,850</u>
<b>TRANSFERS</b>	<u>(1,247,862)</u>	<u>(857,308)</u>	<u>(607,273)</u>	<u>(586,418)</u>	<u>1,422,908</u>	<u>1,969,093</u>	<u>-</u>
Total Net Position - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,345,853</u>	<u>220,428,331</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ (1,817,570)</u>	<u>\$ (835,509)</u>	<u>\$ (556,181)</u>	<u>\$ (417,786)</u>	<u>\$ 1,584,820</u>	<u>\$ 187,141,681</u>	<u>\$ 247,647,181</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units										
	The Oaks	Alexander House	Sligo	Metropolitan	TPM	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square	HOC at Hillandale Gateway	Chevy Chase
<b>Net Cash Provided (Used) by</b>											
Operating Activities	\$ 791,845	\$ 8,017,875	\$ 47,292	\$ 2,478,476	\$ (65,514)	\$ 1,275,119	\$ 793,129	\$ 840,088	\$ 1,659,618	\$ (54,507)	\$ 5,211,928
Investing Activities	(179,309)	(1,183,046)	-	(33,834)	(2,601,329)	474,932	9,591	(6,663)	(288,312)	-	(1,311,350)
Capital and Related Financing Activities	(207,400)	(5,980,461)	-	(1,038,350)	2,918,099	(408,489)	(284,084)	(425,443)	(317,141)	54,507	(1,250,000)
<b>Net Increase/(Decrease) in Cash</b>	405,136	854,368	47,292	1,406,292	251,256	1,341,562	518,636	407,982	1,054,165	-	2,650,578
Cash and Cash Equivalents - Beginning of Year	199,090	1,130,013	116	4,057,019	1,113,889	68,864	383,840	193,363	699,252	-	279,102
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 604,226</u>	<u>\$ 1,984,381</u>	<u>\$ 47,408</u>	<u>\$ 5,463,311</u>	<u>\$ 1,365,145</u>	<u>\$ 1,410,426</u>	<u>\$ 902,476</u>	<u>\$ 601,345</u>	<u>\$ 1,753,417</u>	<u>\$ -</u>	<u>\$ 2,929,680</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units									
	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Glenmont Crossing	Glenmont Westerly	Magruders	RAD 6	Community Partners
<b>Net Cash Provided (Used) by</b>										
Operating Activities	\$ 839,881	\$ 3,841,698	\$ 1,323,527	\$ 2,764,655	\$ 1,898,687	\$ 1,216,708	\$ 1,792,004	\$ 667,026	\$ (1,390,812)	\$ 119,114
Investing Activities	(33,186)	(125,291)	9,738	(11,151,338)	(5,114,840)	(21,375)	(17,994)	39,733	(3,635,241)	-
Capital and Related Financing Activities	(246,034)	(190,097)	(101,300)	8,951,970	3,609,339	(225,446)	(141,444)	(182,719)	5,934,438	-
<b>Net Increase/(Decrease) in Cash</b>	560,661	3,526,310	1,231,965	565,287	393,186	969,887	1,632,566	524,040	908,385	119,114
Cash and Cash Equivalents - Beginning of Year	182,624	-	-	100	-	654,177	535,524	1,268	200	172,783
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 743,285</u>	<u>\$ 3,526,310</u>	<u>\$ 1,231,965</u>	<u>\$ 565,387</u>	<u>\$ 393,186</u>	<u>\$ 1,624,064</u>	<u>\$ 2,168,090</u>	<u>\$ 525,308</u>	<u>\$ 908,585</u>	<u>\$ 291,897</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units						
	Ambassador	MHLP VII	MHLP VIII	Diamond Square	Brookside Glen	Primary Government	Total
<b>Net Cash Provided (Used) by</b>							
Operating Activities	\$ 917,273	\$ 193,596	\$ 250,523	\$ 1,863,314	\$ 1,002,449	\$ (15,389,900)	\$ 22,905,092
Investing Activities	(37,112)	22,085	19,843	(127,894)	(2,411)	(48,501,875)	(73,796,478)
Capital and Related Financing Activities	(5,380)	(146,330)	(212,653)	(51,779)	(219,985)	(19,852,219)	(10,018,401)
<b>Net Increase/(Decrease) in Cash</b>	874,781	69,351	57,713	1,683,641	780,053	(83,743,994)	(60,909,787)
Cash and Cash Equivalents - Beginning of Year	149,016	-	-	113,645	268,732	285,371,765	295,574,382
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,023,797</u>	<u>\$ 69,351</u>	<u>\$ 57,713</u>	<u>\$ 1,797,286</u>	<u>\$ 1,048,785</u>	<u>\$ 201,627,771</u>	<u>\$ 234,664,595</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**YEAR ENDED JUNE 30, 2017**

Last 10 Fiscal Years\*

Employees' Retirement and Pension System:

	2017	2016	2015
Commission's proportion of the net pension liability	2.16%	1.82%	1.33%
Commission's proportionate share of the net pension liability	\$ 11,681,661	\$ 7,661,755	\$ 4,066,724
Commission's covered employee payroll	\$ 9,231,794	\$ 8,319,336	\$ 7,802,241
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	79.03%	92.10%	52.12%
Plan fiduciary net position as a percentage of the total pension liability	87.06%	89.69%	92.28%

*\*The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of that day, projected forward to June 30 of the previous year. Additionally, the Commission implemented GASB 68 during Fiscal Year 2015. As such, only three years of information is available.*

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF COMMISSION CONTRIBUTIONS**  
**YEAR ENDED JUNE 30, 2017**

**Employees' Retirement and Pension System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 1,088,949	\$ 1,782,014	\$ 1,849,962	\$ 1,452,873	\$ 1,724,145	\$ 1,339,118	\$ 1,574,503	\$ 1,491,431	\$ 1,474,106	\$ 1,552,184
Contributions in relation to the contractually required contribution	<u>1,088,949</u>	<u>1,782,014</u>	<u>1,849,962</u>	<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>	<u>1,474,106</u>	<u>1,552,184</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 9,231,794	\$ 8,319,336	\$ 7,802,241	\$ 3,272,000	\$ 4,292,000	\$ 4,487,000	\$ 5,266,000	\$ 5,414,000	\$ 5,622,000	\$ 5,954,000
Contributions as a percentage of covered-employee payroll	11.80%	21.42%	23.71%	44.40%	40.17%	29.84%	29.90%	27.55%	26.22%	26.07%

## **SUPPLEMENTARY INFORMATION**



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF NET POSITION – SUB-FUNDS**  
**JUNE 30, 2017**  
**(with comparative totals for June 30, 2016)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2017	2016
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Unrestricted:								
Cash and Cash Equivalents	\$ 35,674,931	\$ 48,698,844	\$ 6,616,767	\$ 1,556,982	\$ 1,488,783	\$ -	\$ 94,036,307	\$ 91,148,338
Interfund Receivable	-	25,564,445	3,029,076	-	128,469	(28,721,990)	-	-
Advances to Component Units	7,800,043	14,934,118	-	-	-	-	22,734,161	21,718,981
Accounts Receivable and Other Assets	1,827,078	19,804,585	4,617,537	295,090	93,914	(404,473)	26,233,731	27,490,768
Accrued Interest Receivable	1,717,050	583,058	-	1,711,895	1,217,544	(615,333)	4,614,214	4,885,121
Mortgage and Construction Loans Receivable, Current	1,113,709	-	-	12,680,921	29,270,534	(4,650,865)	38,414,299	38,690,163
<b>Total Unrestricted Current Assets</b>	<b>48,132,811</b>	<b>109,585,050</b>	<b>14,263,380</b>	<b>16,244,888</b>	<b>32,199,244</b>	<b>(34,392,661)</b>	<b>186,032,712</b>	<b>183,933,371</b>
Restricted Cash and Cash Equivalents and Investments:								
Restricted Cash and Cash Equivalents	3,052,997	26,260,093	974,059	52,128,065	4,030,832	-	86,446,046	135,445,467
Restricted Short-Term Investments	-	-	-	3,549,391	-	-	3,549,391	2,790,208
Restricted for Current Bonds Payable	-	-	-	14,615,613	36,203,546	-	50,819,159	64,571,906
Restricted for Customer Deposits	-	2,106,560	1,256,523	-	-	-	3,363,083	4,408,671
<b>Total Restricted Cash and Cash Equivalents and Investments</b>	<b>3,052,997</b>	<b>28,366,653</b>	<b>2,230,582</b>	<b>70,293,069</b>	<b>40,234,378</b>	<b>-</b>	<b>144,177,679</b>	<b>207,216,252</b>
<b>Total Current Assets</b>	<b>51,185,808</b>	<b>137,951,703</b>	<b>16,493,962</b>	<b>86,537,957</b>	<b>72,433,622</b>	<b>(34,392,661)</b>	<b>330,210,391</b>	<b>391,149,623</b>
<b>NONCURRENT ASSETS</b>								
Restricted Long-Term Investments	-	-	-	71,568,405	10,793,746	-	82,362,151	63,902,231
Mortgage and Construction Loans Receivable, Net of Current Portion	122,551,420	51,419,041	1,388,939	83,279,935	266,765,289	(255,456,288)	269,948,336	275,970,162
Capital Assets, Net of Depreciation Leased Property Under Capital Lease, Net of Amortization	5,997,419	377,311,031	11,873,509	-	-	-	395,181,959	373,974,214
Other Real Estate Owned	-	9,993,899	-	-	-	-	9,993,899	10,493,594
Loans Receivable from Component Units	-	-	-	532,432	-	-	532,432	1,790,154
Investment in Component Units	2,275,679	-	-	-	-	-	2,275,679	2,291,820
	1,873,221	7,371,975	-	-	-	-	9,245,196	3,147,221
<b>Total Noncurrent Assets</b>	<b>132,697,739</b>	<b>446,095,946</b>	<b>13,262,448</b>	<b>155,380,772</b>	<b>277,559,035</b>	<b>(255,456,288)</b>	<b>769,539,652</b>	<b>731,569,396</b>
<b>Total Assets</b>	<b>183,883,547</b>	<b>584,047,649</b>	<b>29,756,410</b>	<b>241,918,729</b>	<b>349,992,657</b>	<b>(289,848,949)</b>	<b>1,099,750,043</b>	<b>1,122,719,019</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Fair Value of Hedging Derivatives	-	4,196,185	-	657,519	6,523,056	-	11,376,760	11,208,458
Employer-Related Pension Activities	6,429,816	-	-	-	-	-	6,429,816	5,063,652
<b>Total Assets and Deferred Outflows</b>	<b>\$ 190,313,363</b>	<b>\$ 588,243,834</b>	<b>\$ 29,756,410</b>	<b>\$ 242,576,248</b>	<b>\$ 356,515,713</b>	<b>\$ (289,848,949)</b>	<b>\$ 1,117,556,619</b>	<b>\$ 1,138,991,129</b>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF NET POSITION – SUB-FUNDS**  
**JUNE 30, 2017**  
**(with comparative totals for June 30, 2016)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2017	2016
<b>LIABILITIES</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable and Accrued Liabilities	\$ 3,857,682	\$ 10,107,907	\$ 3,041,044	\$ 157,382	\$ 9,800,202	\$ (404,473)	\$ 26,559,744	\$ 42,812,133
Interfund Payable	28,605,392	-	-	116,598	-	(28,721,990)	-	-
Accrued Interest Payable	-	3,872,274	-	-	-	(615,333)	3,256,941	3,062,577
Loans Payable to Montgomery County - Current	-	336,099	-	-	-	-	336,099	335,421
Mortgage Notes and Loans Payable - Current	81,002,671	9,764,118	-	-	-	(4,650,865)	86,115,924	61,740,397
Capitalized Lease Obligations - Current	-	4,199	-	-	-	-	4,199	3,897
Total Current Unrestricted Liabilities	113,465,745	24,084,597	3,041,044	273,980	9,800,202	(34,392,661)	116,272,907	107,954,425
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	1,896,930	810,359	-	-	-	2,707,289	3,587,946
Accrued Interest Payable	-	-	-	2,791,978	5,363,285	-	8,155,263	8,825,547
Bonds Payable - Current	-	-	-	11,980,000	30,840,266	-	42,820,266	55,772,645
Total Current Liabilities Payable from Restricted Assets	-	1,896,930	810,359	14,771,978	36,203,551	-	53,682,818	68,186,138
Total Current Liabilities	113,465,745	25,981,527	3,851,403	15,045,958	46,003,753	(34,392,661)	169,955,725	176,140,563
<b>NONCURRENT LIABILITIES</b>								
Bonds Payable	-	-	-	198,947,147	270,885,928	-	469,833,075	508,473,104
Mortgage Notes and Loans Payable	104,496	334,852,401	-	-	-	(255,456,288)	79,500,609	82,847,452
Loans Payable to Montgomery County	10,302,128	52,279,896	-	-	-	-	62,582,024	66,326,338
Capitalized Lease Obligations	-	19,941,708	-	-	-	-	19,941,708	19,945,907
Unearned Revenue	10,930,806	15,556,002	1,045,850	-	-	-	27,532,658	26,993,400
Escrow and Other Deposits	11,266,383	-	-	-	3,526,027	-	14,792,410	14,340,488
Net Pension Liability	6,286,130	1,193,506	4,202,025	-	-	-	11,681,661	7,661,755
Derivative Investment - Hedging	-	4,196,185	-	657,519	6,523,056	-	11,376,760	11,208,458
Total Noncurrent Liabilities	38,889,943	428,019,698	5,247,875	199,604,666	280,935,011	(255,456,288)	697,240,905	737,796,902
Total Liabilities	152,355,688	454,001,225	9,099,278	214,650,624	326,938,764	(289,848,949)	867,196,630	913,937,465
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unamortized Pension Net Difference	2,712,808	-	-	-	-	-	2,712,808	4,625,333
<b>NET POSITION</b>								
Net Investment in Capital Assets	5,997,419	(29,873,491)	11,873,509	-	-	-	(12,002,563)	(19,296,755)
Restricted for:								
Debt Service	-	26,260,093	-	26,368,642	28,088,166	-	80,716,901	77,765,209
Customer Deposits and Other	-	209,630	1,420,223	-	-	-	1,629,853	2,770,441
Closing Cost Assistance Program	3,844,220	-	-	-	-	-	3,844,220	3,420,197
Unrestricted	25,403,228	137,646,377	7,363,400	1,556,982	1,488,783	-	173,458,770	155,769,239
Total Net Position	35,244,867	134,242,609	20,657,132	27,925,624	29,576,949	-	247,647,181	220,428,331
Total Liabilities and Net Position	\$ 190,313,363	\$ 588,243,834	\$ 29,756,410	\$ 242,576,248	\$ 356,515,713	\$ (289,848,949)	\$ 1,117,556,619	\$ 1,138,991,129

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – SUB-FUNDS**  
**YEAR ENDED JUNE 30, 2017**  
**(with comparative totals for June 30, 2016)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2017	2016
<b>OPERATING REVENUES</b>								
Dwelling Rental	\$ 330,545	\$ 66,190,130	\$ 1,458,628	\$ -	\$ -	\$ (14,299)	\$ 67,965,004	\$ 68,309,329
Investment Income	-	-	-	2,836,407	981,760	-	3,818,167	3,520,175
Unrealized Gains (Losses) on Investments	-	-	-	(2,783,498)	(777,210)	-	(3,560,708)	3,420,019
Interest on Mortgage and Construction Loans receivable	-	-	-	5,118,724	13,645,968	(7,655,346)	11,109,346	12,135,882
Management Fees and Other Income	17,824,886	3,131,934	1,173,983	-	-	(9,329,032)	12,801,771	10,186,560
U.S. Department of Housing and Urban Development Grants:								
Housing Assistance Payments (HAP)	-	-	92,038,041	-	-	-	92,038,041	89,041,875
HAP Administrative Fees	-	-	6,984,926	-	-	-	6,984,926	6,583,770
Other Grants	-	-	6,953,599	-	-	-	6,953,599	8,421,269
State and County Grants	-	-	12,511,780	-	-	-	12,511,780	11,893,150
Total Operating Revenues	18,155,431	69,322,064	121,120,957	5,171,633	13,850,518	(16,998,677)	210,621,926	213,512,029
<b>OPERATING EXPENSES</b>								
Housing Assistance Payments	-	-	95,523,485	-	-	-	95,523,485	91,387,603
Administration	12,806,738	13,574,366	15,228,039	2,220,728	1,690,816	(6,077,965)	39,442,722	35,563,087
Maintenance	2,562,857	13,764,189	645,119	-	-	-	16,972,165	17,395,244
Depreciation and Amortization	966,466	12,743,989	562,917	-	-	-	14,273,372	13,882,152
Utilities	171,939	3,957,858	782,741	-	-	-	4,912,538	5,406,906
Fringe Benefits	4,170,704	2,198,111	3,039,196	186,514	172,364	-	9,766,889	10,427,144
Pension Expense	781,918	161,767	551,775	-	-	-	1,495,460	788,176
Interest Expense	-	14,029,993	-	4,768,931	11,599,954	(8,452,065)	21,946,813	22,328,322
Other Expenses	762,531	10,411,584	3,706,214	11,191	-	(3,265,367)	11,626,153	9,928,960
Total Operating Expenses	22,223,153	70,841,857	120,039,486	7,187,364	13,463,134	(17,795,397)	215,959,597	207,107,594
Operating Income (Loss)	(4,067,722)	(1,519,793)	1,081,471	(2,015,731)	387,384	796,720	(5,337,671)	6,404,435

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – SUB-FUNDS**  
**YEAR ENDED JUNE 30, 2017**  
**(with comparative totals for June 30, 2016)**  
**(Continued)**

	General	Opportunity	Public	Single Family	Multifamily	Eliminations	Combined Totals	
	Sub-Fund	Housing Sub-Fund	Sub-Fund	Sub-Fund	Sub-Fund		2017	2016
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Investment Income	\$ 2,585,609	\$ 220,694	\$ 9,454	\$ -	\$ -	\$ (796,720)	\$ 2,019,037	\$ 1,096,003
Interest on Mortgage and Construction Loans Receivable	98,974	190,623	-	-	-	-	289,597	179,651
Interest Expense	(937,167)	-	-	-	-	-	(937,167)	(545,782)
Other Grants	-	352,264	-	-	-	-	352,264	204,554
State and County Grants	-	-	-	-	-	-	-	4,536
Gain on Sale of Assets	-	30,574,480	-	-	-	-	30,574,480	27,896,767
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,747,416</b>	<b>31,338,061</b>	<b>9,454</b>	<b>-</b>	<b>-</b>	<b>(796,720)</b>	<b>32,298,211</b>	<b>28,835,729</b>
 Income (Loss) Before Contributions and Transfers	 (2,320,306)	 29,818,268	 1,090,925	 (2,015,731)	 387,384	 -	 26,960,540	 35,240,164
Capital Contributions	-	-	258,310	-	-	-	258,310	3,412,297
Operating Transfers in (out)	39,398,368	(10,507,160)	(37,517,872)	-	-	8,626,664	-	-
<b>CHANGES IN NET POSITION</b>	<b>37,078,062</b>	<b>19,311,108</b>	<b>(36,168,637)</b>	<b>(2,015,731)</b>	<b>387,384</b>	<b>8,626,664</b>	<b>27,218,850</b>	<b>38,652,461</b>
Total Net Position - Beginning of Year	(1,833,195)	114,931,501	56,825,769	29,941,355	29,189,565	(8,626,664)	220,428,331	181,775,870
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 35,244,867</b>	<b>\$ 134,242,609</b>	<b>\$ 20,657,132</b>	<b>\$ 27,925,624</b>	<b>\$ 29,576,949</b>	<b>\$ -</b>	<b>\$ 247,647,181</b>	<b>\$ 220,428,331</b>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF CASH FLOWS – SUB-FUNDS**  
**YEAR ENDED JUNE 30, 2017**  
**(with comparative totals for June 30, 2016)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from Customers	\$ 330,545	\$ 67,449,460	\$ 1,735,287	\$ -	\$ -	\$ (14,299)	\$ 69,500,993	\$ 52,307,241
Intergovernmental Revenue	-	-	118,488,346	-	-	-	118,488,346	116,177,394
Investment Income Received	-	-	-	3,114,981	893,863	-	4,008,844	4,760,877
Mortgage Interest Received	-	-	-	5,122,327	13,660,759	(7,670,626)	11,112,460	7,220,649
Mortgage Loan Principal Received	-	-	-	20,795,333	8,401,359	-	29,196,692	33,993,433
Management Fees and Other Income	59,334,946	2,166,194	2,090,216	-	-	(9,329,032)	54,262,324	27,888,140
Pension Expense	(781,918)	(161,767)	(551,775)	-	-	-	(1,495,460)	(4,752,581)
Payments to Suppliers	(2,903,886)	(29,665,331)	(5,134,074)	(2,467,594)	(24,614,640)	3,265,367	(61,520,158)	(31,207,969)
Payments to Employees	(22,473,422)	(20,339,177)	(56,005,993)	(186,514)	-	14,725,661	(84,279,445)	(33,976,041)
Interest Paid	-	(12,390,025)	-	(5,318,692)	(11,604,647)	8,467,345	(20,846,019)	(22,117,242)
Housing Assistance Payments	-	-	(95,523,485)	-	-	-	(95,523,485)	(91,624,933)
Net Cash Provided (Used) by Operating Activities	33,506,265	7,059,354	(34,901,478)	21,059,841	(13,263,306)	9,444,416	22,905,092	58,668,968
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Advances to Component Units	28,450	(1,043,630)	-	-	-	(8,647,696)	(9,662,876)	(9,337,572)
Issuance of Notes Receivable	-	(16,266,831)	-	-	-	-	(16,266,831)	(11,323,608)
Repayments of Notes Receivable	(62,055,803)	-	36,128,933	-	-	-	(25,926,870)	(12,811,661)
Investments Purchased	-	-	-	(22,779,812)	-	-	(22,779,812)	(1,598,370)
Investments Sold	-	-	-	-	-	-	-	2,498,502
Investment Income Received	2,585,609	220,694	9,454	-	-	(796,720)	2,019,037	1,096,003
Investment in Mortgages Receivable	-	-	-	-	-	-	-	(25,934,381)
Mortgage Interest Received	(1,369,749)	190,623	-	-	-	-	(1,179,126)	163,508
Net Cash Provided (Used) by Investing Activities	(60,811,493)	(16,899,144)	36,138,387	(22,779,812)	-	(9,444,416)	(73,796,478)	(57,247,579)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Proceeds from Sale of Bonds	-	-	-	33,300,000	-	-	33,300,000	79,742,849
Bond Repayments	-	-	-	(75,508,280)	(9,500,000)	-	(85,008,280)	(43,368,043)
Disbursement to Other Indentures	-	-	-	-	-	-	-	(4,000)
Disbursements from (to) the Commission	-	-	-	-	-	-	-	315,554
Intergovernmental Revenue	-	352,264	-	-	-	-	352,264	209,090
Net Cash Provided (Used) by Noncapital Financing Activities	-	352,264	-	(42,208,280)	(9,500,000)	-	(51,356,016)	36,895,450

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF CASH FLOWS – SUB-FUNDS**  
**YEAR ENDED JUNE 30, 2017**  
**(with comparative totals for June 30, 2016)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2017	2016
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Payments for Property, Equipment and Capital Financing Fees	\$ (497,808)	\$ (30,254,049)	\$ (2,888,145)	\$ -	\$ -	\$ -	(33,640,002)	\$ (45,662,648)
Disposition of Capital Assets	-	6,284,385	1,000,859	-	-	-	7,285,244	19,572,338
Gain on Disposal of Capital Assets	-	30,574,480	-	-	-	-	30,574,480	27,896,767
Proceeds from New Mortgage Notes and Loans Payable	-	-	-	-	-	20,515,599	20,515,599	116,823,068
Payments on Mortgage Notes and Loans Payable	24,382,889	13,417,758	-	-	-	(20,515,599)	17,285,048	(93,763,112)
Interest Paid on Mortgages	(937,167)	-	-	-	-	-	(937,167)	(545,782)
Payment of Principal on Capital Lease Obligations	-	(3,897)	-	-	-	-	(3,897)	(3,616)
Capital Contributions and Transfers	-	-	258,310	-	-	-	258,310	3,412,297
Net Cash Provided (Used) by Capital and Related Financing Activities	22,947,914	20,018,677	(1,628,976)	-	-	-	41,337,615	27,729,312
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>								
	(4,357,314)	10,531,151	(392,067)	(43,928,251)	(22,763,306)	-	(60,909,787)	66,046,151
Cash and Cash Equivalents - Beginning of Year	43,085,242	66,534,346	9,239,416	112,228,911	64,486,467	-	295,574,382	229,528,231
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 38,727,928</b>	<b>\$ 77,065,497</b>	<b>\$ 8,847,349</b>	<b>\$ 68,300,660</b>	<b>\$ 41,723,161</b>	<b>\$ -</b>	<b>\$ 234,664,595</b>	<b>\$ 295,574,382</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR TO AMOUNTS IN THE STATEMENT OF NET POSITION</b>								
Current Unrestricted Cash and Cash Equivalents	\$ 35,674,931	\$ 48,698,844	\$ 6,616,767	\$ 1,556,982	\$ 1,488,783	\$ -	\$ 94,036,307	\$ 91,148,338
Restricted Cash and Cash Equivalents	3,052,997	26,260,093	974,059	52,128,065	4,030,832	-	86,446,046	135,445,467
Current Bonds Payable	-	-	-	14,615,613	36,203,546	-	50,819,159	64,571,906
Customer Deposits	-	2,106,560	1,256,523	-	-	-	3,363,083	4,408,671
Total Cash and Cash Equivalents	\$ 38,727,928	\$ 77,065,497	\$ 8,847,349	\$ 68,300,660	\$ 41,723,161	\$ -	\$ 234,664,595	\$ 295,574,382

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**SCHEDULE OF CASH FLOWS – SUB-FUNDS**  
**YEAR ENDED JUNE 30, 2017**  
**(with comparative totals for June 30, 2016)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>								
Operating Income (Loss)	\$ (4,067,722)	\$ (1,519,793)	\$ 1,081,471	\$ (2,015,731)	\$ 387,384	\$ 796,720	\$ (5,337,671)	\$ 6,404,435
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Increase in Capital Appreciation Bonds	-	-	-	-	22,646	-	22,646	20,299
Depreciation and Amortization	966,466	12,743,989	562,917	-	-	-	14,273,372	13,677,300
Unrealized Losses (Gains) on Investments	-	-	-	2,783,498	777,210	-	3,560,708	(3,420,019)
Pension Expense	(3,278,689)	-	-	-	-	-	(3,278,689)	(3,964,405)
Effects of Changes in Operating Assets and Liabilities:								
Accounts Receivable and Other Assets	1,373,277	1,366,695	1,049,951	3,603	(12,525)	-	3,781,001	(8,013,181)
Mortgage and Construction Loans Receivable	-	-	-	19,537,611	8,454,320	-	27,991,931	3,655,753
Accrued Interest Receivable	-	1,460,884	-	278,574	15,452	(15,280)	1,739,630	220,478
Other Real Estate Owned	-	-	-	1,257,722	-	-	1,257,722	1,611,679
Deferred Charges	-	1,193,506	-	-	-	-	1,193,506	-
Interfund Receivable / (Payable)	39,548,018	(5,760,206)	(42,364,292)	78,285	(128,469)	-	(8,626,664)	(311,554)
Accounts Payable and Accrued Liabilities	(2,217,291)	(1,531,700)	423,509	(313,960)	(22,610,508)	8,647,696	(17,602,254)	33,989,638
Unearned Revenue	588,765	(965,740)	916,233	-	-	-	539,258	14,541,125
Net Pension Liability	-	-	4,202,025	-	-	-	4,202,025	-
Accrued Interest Payable	-	179,084	-	(549,761)	(27,297)	15,280	(382,694)	370,697
Escrow and Other Deposits	593,441	(107,365)	(773,292)	-	(141,519)	-	(428,735)	(113,277)
Net Cash Provided (Used) by Operating Activities	\$ 33,506,265	\$ 7,059,354	\$ (34,901,478)	\$ 21,059,841	\$ (13,263,306)	\$ 9,444,416	\$ 22,905,092	\$ 58,668,968

### 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, 2017**

This part of the Commission's 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 93-94.

**Revenue Capacity**

These schedules contain information to assist the reader in assessing the factors affecting the Commission's ability to generate its own source revenue. See pages 95-97.

**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 98-102.

**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 103-107.

**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 108-111.

**Source:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

Fiscal year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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
2015	(10,442,753)	78,479,015	113,739,608	181,775,870
2016	(19,296,755)	83,955,847	155,769,239	220,428,331
2017	(12,002,563)	86,190,974	173,458,770	247,647,181

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Change in Net Position by Enterprise Fund**  
**Last Ten 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
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	56,348,180	54,860,040	1,488,140	113,904,951	118,512,902	(4,607,951)
2013	14,693,427	27,663,976	(12,970,549)	80,487,987	56,472,382	24,015,605	118,477,738	121,685,876	(3,208,138)
2014	17,821,727	27,858,709	(10,036,982)	65,624,561	61,731,480	3,893,081	112,756,686	122,710,906	(9,954,220)
2015	28,025,115	21,513,649	6,511,466	110,071,212	70,725,192	39,346,020	121,446,115	160,654,836	(39,208,721)
2016	19,693,992	21,421,529	(1,727,537)	77,134,168	75,659,074	1,475,094	158,327,659	124,274,422	34,053,237
2017	60,238,382	23,160,320	37,078,062	100,660,125	81,349,017	19,311,108	121,388,721	157,557,358	(36,168,637)

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
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	27,130,176	22,212,803	4,917,373
2013	9,731,627	15,907,696	(6,176,069)	16,650,293	19,319,152	(2,668,859)
2014	18,082,818	10,597,451	7,485,367	18,662,498	15,105,122	3,557,376
2015	10,207,010	9,516,276	690,734	16,685,755	15,409,579	1,276,176
2016	11,282,058	8,761,396	2,520,662	15,475,153	13,144,148	2,331,005
2017	5,171,633	7,187,364	(2,015,731)	13,850,518	13,463,134	387,384

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>OPERATING REVENUES</b>										
Dwelling Rental	\$ 67,965,004	\$ 68,309,329	\$ 65,395,495	\$ 62,210,614	\$ 58,531,965	\$ 57,304,024	\$ 51,602,384	\$ 50,338,236	\$ 47,207,730	\$ 44,708,879
Investment Income	3,818,167	3,520,175	3,711,854	7,274,297	7,720,354	8,169,267	6,925,130	7,638,163	12,594,626	16,949,098
Unrealized Gains (Losses) on Investments	(3,560,708)	3,420,019	798,251	(8,251,610)	9,190,260	(2,183,851)	3,848,207	3,110,604	390,768	(834,397)
Interest on Mortgage and Construction										
Loans receivable	11,109,346	12,135,882	14,979,124	16,877,656	16,880,359	18,438,510	17,731,617	19,819,780	17,297,737	13,710,886
Management Fees and Other Income	12,801,771	10,186,560	11,181,613	18,504,567	9,180,604	8,712,644	7,911,157	10,397,564	9,115,619	10,485,337
U.S. Department of Housing and Urban										
Development Grants:										
Housing Assistance Payments (HAP)	92,038,041	89,041,875	81,090,732	84,760,830	77,868,323	78,529,266	75,384,843	69,038,665	68,098,758	65,497,448
HAP Administrative Fees	6,984,926	6,583,770	5,385,511	5,352,487	5,799,380	6,091,862	5,866,937	5,266,978	5,132,533	4,260,881
Other Grants	6,953,599	8,421,269	9,601,698	10,152,883	11,249,981	10,889,692	11,254,618	10,500,329	8,777,422	7,950,894
State and County Grants	12,511,780	11,893,150	9,639,934	10,158,784	10,831,271	10,069,139	10,629,223	9,422,158	10,333,157	9,147,060
Total Operating Revenues	<u>210,621,926</u>	<u>213,512,029</u>	<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>
<b>OPERATING EXPENSES</b>										
Housing Assistance Payments	95,523,485	91,387,603	89,425,241	86,882,476	83,980,027	79,201,987	74,850,432	71,116,935	65,088,360	62,250,457
Administration	39,442,722	35,563,087	33,983,811	33,869,057	33,932,375	34,412,838	34,285,500	33,514,421	31,491,319	29,693,342
Maintenance	16,972,165	17,395,244	16,845,515	15,810,786	15,554,691	14,834,381	14,202,508	14,205,755	13,443,354	11,540,628
Depreciation and Amortization	14,273,372	13,882,152	17,440,751	19,428,350	16,607,553	16,075,783	15,658,584	14,499,967	12,308,298	11,092,722
Utilities	4,912,538	5,406,906	5,309,368	5,342,576	6,180,231	6,804,381	6,001,107	5,629,351	5,381,832	5,244,849
Fringe Benefits	9,766,889	10,427,144	11,145,646	10,086,973	8,372,560	7,845,250	8,038,944	7,673,443	7,176,063	6,293,777
Pension Expense	1,495,460	788,176	-	-	-	-	-	-	-	-
Interest Expense	21,946,813	22,328,322	24,157,117	29,306,374	31,544,664	34,009,553	32,711,853	34,520,213	35,012,776	33,017,662
Other Expenses	11,626,153	9,928,960	9,054,221	8,134,409	6,363,970	6,546,617	5,662,593	6,932,322	5,269,845	5,519,503
Bad Debt Expense	-	-	-	1,067,155	784,371	361,871	436,581	379,192	634,021	269,722
Total Operating Expenses	<u>215,959,597</u>	<u>207,107,594</u>	<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>
Operating Income (Loss)	<u>(5,337,671)</u>	<u>6,404,435</u>	<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>
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Investment Income	2,019,037	1,096,003	420,759	452,092	577,972	609,386	683,595	1,351,318	2,472,198	2,510,513
Interest on Mortgage and Construction										
Loans Receivable	289,597	179,651	188,841	203,121	166,394	187,259	141,505	105,433	90,832	102,502
Interest Expense	(937,167)	(545,782)	(188,415)	(108,011)	(115,534)	(138,314)	(73,480)	(142,965)	(247,225)	(214,060)
Gain (Loss) on Transfer of Component Unit Entities	-	-	(774,123)	-	-	736,869	-	(747,219)	4,801,834	-
Other Grants	352,264	204,554	33,359	42,325	41,229	37,219	38,146	39,698	31,034	40,689
State and County Grants	-	4,536	371,962	241,004	765,279	131,020	253,857	368,694	3,851	51,286
Gain on Sale of Assets	30,574,480	27,896,767	-	-	-	-	-	-	-	-
Total Nonoperating Income	<u>32,298,211</u>	<u>28,835,729</u>	<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>
Income (Loss) Before Contributions and Transfers	26,960,540	35,240,164	(5,525,075)	(2,057,117)	5,367,395	(2,508,669)	349,637	(1,964,163)	10,295,006	9,444,354
Capital Contributions	258,310	3,412,297	469,697	1,049,107	1,181,515	3,283,006	3,749,082	1,607,686	1,457,956	3,692,041
<b>CHANGES IN NET POSITION</b>	<u>\$ 27,218,850</u>	<u>\$ 38,652,461</u>	<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>

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

Fiscal year	Dwelling Rental Revenue Total	% Total Operating Revenue
2008	\$ 47,207,730	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	65,395,495	32.41%
2015	68,471,662	32.01%
2016	68,309,329	31.99%
2017	67,965,004	32.27%
Average	<u>\$ 59,733,644</u>	<u>29.67%</u>

*Revenue Base:  
Principal Payers:*

*Opportunity Housing Sub-Fund and Public Sub-Fund  
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 Fiscal Years**

Fiscal Year	Dwelling Rental		Investment Income		Unrealized Gains (Losses) on Investments		Interest on Mortgage and Construction Loans Receivable	
	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue
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%
2015	68,471,662	32.01%	5,523,274	2.58%	(379,610)	(0.18)%	13,933,659	6.51%
2016	68,309,329	31.99%	3,520,175	1.65%	3,420,019	1.60%	12,135,882	5.68%
2017	67,965,004	32.27%	3,818,167	1.81%	(3,560,708)	(1.69)%	11,109,346	5.27%

Fiscal Year	Management Fees and Other Income		Housing Assistance Payment Subsidies		State and County Grants		Total	
	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue
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	5.54%	86,476,243	42.86%	19,241,632	9.54%	201,784,212	100.00%
2015	11,139,945	5.21%	94,168,664	44.03%	21,028,967	9.83%	213,886,561	100.00%
2016	10,186,560	4.77%	95,625,645	44.79%	20,314,419	9.51%	213,512,029	100.00%
2017	12,801,771	6.08%	99,022,967	47.01%	19,465,379	9.24%	210,621,926	100.00%

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

Fiscal Year	Bonds Payable	Mortgage Notes and Loans Payable	Loans Payable to Montgomery County	Capitalized Lease Obligations	Other	Total	% Net Position to Debt	\$ Total Debt Per Capita	\$ Total Debt to Personal Income
2008	\$ 742,169,119	\$ 44,728,335	\$ 43,467,729	\$ 20,724,750	\$ 4,933,088	\$ 856,023,021	21.65%	\$ 908	1270%
2009	669,267,092	51,436,575	47,194,468	20,494,054	4,910,269	793,302,458	23.32%	827	1203%
2010	767,261,719	40,468,317	56,851,638	20,208,821	4,875,177	889,665,672	21.25%	912	1308%
2011	736,693,760	43,872,243	62,794,974	20,724,651	4,380,786	868,466,414	21.86%	876	1211%
2012	732,670,865	36,372,309	62,916,742	20,478,214	4,112,218	856,550,348	22.93%	853	1165%
2013	610,041,974	59,366,795	61,900,801	20,308,586	13,377,243	764,995,399	24.27%	752	1022%
2014	579,609,553	57,250,235	73,591,111	20,133,711	13,922,795	744,507,405	24.26%	731	949%
2015	527,757,419	124,737,678	64,500,829	19,953,420	13,991,621	750,940,967	25.13%	736	947%
2016	564,245,749	144,587,849	66,661,759	19,949,804	14,340,488	809,785,649	27.22%	771	982%
2017	512,653,341	165,616,533	62,918,123	19,945,907	14,792,410	775,926,314	31.92%	735	982%

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Property Related Debt**  
**Fiscal Year Ended June 30, 2017**

Property	Purpose	Amount Outstanding	Property	Purpose	Amount Outstanding
<u>Intra-Commission mortgages made from bond issues</u>			<u>Loans from Montgomery County Revolving Fund</u>		
Barclay Development Corporation	Mortgage	\$ 8,242,277	Alexander House	Interim Financing	\$ 202,143
Diamond Square	Mortgage	1,266,748	Ambassador	Interim Financing	2,284,066
Magruder's Discovery	Mortgage	10,717,618	Brooks Farm	Interim Financing	65,452
Montgomery Arms	Mortgage	7,672,210	Holiday Park Townhouse	Interim Financing	710,941
MPDUs (64)	Mortgage	1,454,960	Pooks Hill Midrise	Interim Financing	66,500
Pooks Hill Highrise	Mortgage	16,491,057		Subtotal	3,329,102
Pooks Hill Midrise	Mortgage	2,195,006			
RAD 6	Mortgage	23,515,852	<u>Notes Payable to State of Maryland</u>		
Scattered Site One Dev Corp	Mortgage	8,346,851	CDBG McAlpine Road	Rehab	107,493
Strathmore Court	Mortgage	14,072,287	Dale Drive	RHPP	600,000
The Glen	Mortgage	4,962,013	Diamond Square	RHPP	2,000,000
The Metropolitan	Mortgage	24,395,638	Montgomery Arms	RHPP	103,222
The Oaks at Four Corners	Mortgage	1,920,243	State Rental Consolidated	PHRP	8,795,567
Wheaton Metro Development Corporation	Mortgage	30,330,765	State Rental VII	PHRP	4,712,864
	Subtotal	<b>155,583,525</b>	The Glen	RHPP	1,211,707
				Subtotal	<b>17,530,853</b>
<u>Other Mortgages</u>			<u>Notes Payable to Montgomery County</u>		
Glenmont Crossing	Mortgage	1,997,458	Dale Drive	Construction	1,742,309
Glenmont Crossing	Mortgage	9,032,203	Southbridge	Acquisition & Rehab	6,063,667
Glenmont Westerly	Mortgage	6,933,541	Ambassador	Acquisition	2,000,000
Greenhills	Note Payable	4,300,000	Brooke Park Apartments	Acquisition	3,846,591
MHLP II*	Mortgage	13,968	CDBG	Acquisition	604,275
MHLP III*	Mortgage	42,891	CDBG McAlpine Road	Acquisition	101,168
MHLP VII	Mortgage	522,725	Chelsea Towers	Acquisition	1,261,608
Scattered Site Two Dev Corp	Mortgage	4,523,807	Chelsea Towers	Home Funds	311,000
Alexander House	Mortgage	16,952,451	County revolving CCAP	Acquisition	1,518,066
Paddington Square	Mortgage	19,994,350	Diamond Square	Rehab	2,746,344
Timberlawn Crescent	Line of Credit	12,469,719	Glenmont Crossing	Rehab	2,850,000
Pomander Court	Note Payable HOC	1,979,687	Glenmont Westerly	Rehab	3,650,000
	Subtotal	<b>78,762,800</b>	HOC/HOP	Acquisition/Rehab	1,980,890
			Jubilee Housing	Predevelopment	965,231
<u>Other Loans/OHRF</u>			King Farm Village Center	Acquisition & Rehab	1,697,078
Chevy Chase Lake- EYA		6,099,603	McHome	Acquisition & Rehab	2,005,645
Chevy Chase Lake		6,794,170	Montgomery Arms	Acquisition & Rehab	1,699,307
Elizabeth House Dev. Corp.		4,071,987	NCI I	Acquisition & Rehab	4,039,753
499-901 (HOC at Hillandale Gateway LLC		1,756,386	NSP I	Acquisition & Rehab	1,993,071
Montgomery Arms	Rehab	1,340,037	Oaks @ Four Corners	Acquisition & Rehab	1,685,905
Paddington Square	Rehab	923,038	Paddington Square	Acquisition	5,196,232
VPC One Development Corporation	Rehab/LOC	23,719,273	Pooks Hill Midrise	Acquisition	285,145
VPC Two Development Corporation	Rehab	17,609,692	Scattered Site Two Development Corp	Acquisition	609,108
Wheaton Metro Development Corporation	Rehab	1,379,283	State rental combined	Acquisition	60,000
Ambassador	Line of Credit	2,060,106	State Rental VII	Acquisition	1,668,050
Greenhills		147,846	The Glen	Acquisition	657,904
Faifax Court	Line of Credit	746,000	VPC One Development Corporation	Rehab	2,346,284
	Subtotal	<b>66,647,421</b>	VPC Two Development Corporation	Acquisition	104,973
			TPM	Acquisition	2,914,699
<u>Other Loans</u>			Wheaton Metro Dev Corp.	Rehab	2,984,721
Avondale Apartments	Acquisition	7,037,704		Subtotal	<b>59,589,024</b>
Barclay	Rehab	2,456,565			
900 Thayer Avenue (499-904)	Acquisition	7,578,248			
Glenmont Crossing	Rehab/purchase	2,023,400			
Glenmont Westerly	Rehab/purchase	2,752,183			
Southbridge	Note Payable	1,978,765			
VPC One Development Corporation		1,228,377			
VPC Two Development Corporation		432,776			
Development in Process	Note Payable	603,900			
	Subtotal	<b>26,091,918</b>			
			<b>Total Property Related Debt</b>		<b>\$ 407,534,643</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, 2017**

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:									
2005 Series C	\$ 11,600,000	\$ 3,495,000	\$ 11,600,000	\$ -	\$ 8,105,000	\$ 3,495,000	\$ -	\$ -	\$ -
2005 Series D	13,400,000	2,020,000	13,400,000	-	11,380,000	2,020,000	-	-	-
2006 Series A	18,705,000	5,900,000	18,705,000	-	12,805,000	5,900,000	-	-	-
2006 Series B	11,295,000	4,085,000	11,295,000	-	7,210,000	4,085,000	-	-	-
2007 Series A	15,875,000	4,970,000	15,875,000	-	10,905,000	4,970,000	-	-	-
2007 Series B	19,125,000	10,070,000	19,125,000	-	9,055,000	10,070,000	-	-	-
2007 Series D	20,000,000	5,665,000	20,000,000	-	14,335,000	5,665,000	-	182,634	-
2007 Series E	13,000,000	8,315,000	13,000,000	-	4,685,000	-	8,315,000	62,386	-
2007 Series F	10,000,000	10,000,000	10,000,000	-	-	10,000,000	-	395,230	-
2008 Series A	13,205,000	1,535,000	13,205,000	-	11,670,000	895,000	640,000	33,144	435,000
2008 Series B	3,900,000	425,000	3,900,000	-	3,475,000	425,000	-	6,244	-
2008 Series C	8,450,000	8,450,000	8,450,000	-	-	-	8,450,000	322,095	-
2008 Series D	17,200,000	17,200,000	17,200,000	-	-	-	17,200,000	129,049	-
2009 Series A	20,000,000	12,135,000	20,000,000	-	7,865,000	8,730,000	3,405,000	295,842	1,855,000
2013 Series A	38,645,000	32,130,000	38,645,000	-	6,515,000	2,505,000	29,625,000	896,555	2,755,000
2013 Series B	14,825,000	8,090,000	14,825,000	-	6,735,000	4,395,000	3,695,000	160,320	270,000
2016 Series A	32,805,000	32,805,000	32,805,000	-	-	3,380,000	29,425,000	987,429	1,230,000
2016 Series B	9,850,000	9,850,000	9,850,000	-	-	-	9,850,000	154,089	955,000
2017 Series A	22,000,000	-	-	22,000,000	-	-	22,000,000	116,009	-
2017 Series B	11,300,000	-	-	11,300,000	-	-	11,300,000	40,356	120,000
NIBP 2009 Series A	10,000,000	5,485,000	10,000,000	-	4,515,000	1,190,000	4,295,000	179,491	570,000
NIBP 2009 Series B	15,000,000	11,260,000	15,000,000	-	3,740,000	1,210,000	10,050,000	412,632	580,000
NIBP 2009 Series C-1	9,000,000	6,890,000	9,000,000	-	2,110,000	650,000	6,240,000	201,450	-
NIBP 2009 Series C-2	16,170,000	13,580,000	16,170,000	-	2,590,000	1,700,000	11,880,000	309,615	670,000
NIBP 2009 Series C-3	2,450,000	2,140,000	2,450,000	-	310,000	180,000	1,960,000	50,635	-
NIBP 2009 Series C-4	9,770,000	9,000,000	9,770,000	-	770,000	480,000	8,520,000	277,725	400,000
NIBP 2009 Series C-5	2,610,000	2,490,000	2,610,000	-	120,000	60,000	2,430,000	69,618	-
NIBP 2010 Series A	6,000,000	3,215,000	6,000,000	-	2,785,000	680,000	2,535,000	98,028	260,000
NIBP 2011 Series A	12,425,000	8,185,000	12,425,000	-	4,240,000	1,590,000	6,595,000	280,496	970,000
NIBP 2012 Series A	12,545,000	10,130,000	12,545,000	-	2,415,000	1,020,000	9,110,000	328,237	910,000
Sub-Total	421,150,000	249,515,000	387,850,000	33,300,000	138,335,000	75,295,000	207,520,000	5,989,309	11,980,000
Add: Unamortized discount	-	3,620,427	-	-	-	213,280	3,407,147	(1,220,378)	-
<b>Total Single Family Bonds Payable</b>	<b>\$ 421,150,000</b>	<b>\$ 253,135,427</b>	<b>\$ 387,850,000</b>	<b>\$ 33,300,000</b>	<b>\$ 138,335,000</b>	<b>\$ 75,508,280</b>	<b>\$ 210,927,147</b>	<b>\$ 4,768,931</b>	<b>\$ 11,980,000</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, 2017**

	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:										
1984 Series A - Accretions	\$ 585,000	\$ -	\$ 195,806	\$ 195,806	\$ 22,646	\$ -	\$ -	\$ 218,452	\$ 22,645	\$ 25,266
1998 Issue A	12,900,000	-	7,885,000	12,900,000	-	5,015,000	445,000	7,440,000	374,715	465,000
1995 Series A	23,910,000	-	1,890,000	23,910,000	-	22,020,000	215,000	1,675,000	100,825	225,000
2002 Series A	22,325,000	-	18,440,000	22,325,000	-	3,885,000	615,000	17,825,000	1,011,988	985,000
2004 Series A	13,700,000	-	11,580,000	13,700,000	-	2,120,000	455,000	11,125,000	514,561	355,000
2004 Series B	4,085,000	-	3,625,000	4,085,000	-	460,000	130,000	3,495,000	169,960	60,000
2004 Series C	19,460,000	-	8,625,000	19,460,000	-	10,835,000	290,000	8,335,000	307,964	300,000
2004 Series D	14,110,000	-	11,200,000	14,110,000	-	2,910,000	370,000	10,830,000	403,619	385,000
2005 Series B	5,440,000	-	4,620,000	5,440,000	-	820,000	170,000	4,450,000	204,021	180,000
2005 Series C	28,630,000	-	25,115,000	28,630,000	-	3,515,000	740,000	24,375,000	1,151,500	765,000
2007 Series A	19,055,000	-	16,085,000	19,055,000	-	2,970,000	440,000	15,645,000	716,419	460,000
2007 Series C-1	5,110,000	-	3,915,000	5,110,000	-	1,195,000	250,000	3,665,000	155,634	260,000
2009 Series A-2	8,040,000	-	8,040,000	8,040,000	-	-	-	8,040,000	315,168	-
2010 Series A	4,860,000	-	4,240,000	4,860,000	-	620,000	170,000	4,070,000	161,184	175,000
2010 Series A	12,375,000	-	11,255,000	12,375,000	-	1,120,000	260,000	10,995,000	471,103	265,000
2011 Series A	33,585,000	-	32,035,000	33,585,000	-	1,550,000	445,000	31,590,000	1,238,392	455,000
2011 Series B	3,020,000	-	2,890,000	3,020,000	-	130,000	40,000	2,850,000	163,638	40,000
2012 Series A	24,935,000	-	21,805,000	24,935,000	-	3,130,000	910,000	20,895,000	691,555	930,000
2012 Series B	18,190,000	-	8,455,000	18,190,000	-	9,735,000	475,000	7,980,000	237,440	480,000
2012 Series C	24,230,000	-	18,670,000	24,230,000	-	5,560,000	1,735,000	16,935,000	586,483	1,445,000
2012 Series D	34,975,000	-	31,720,000	34,975,000	-	3,255,000	1,090,000	30,630,000	853,998	1,115,000
2014 Series A	24,000,000	-	24,000,000	24,000,000	-	-	255,000	23,745,000	830,003	510,000
2015 Series A-1	15,010,000	-	15,010,000	15,010,000	-	-	-	15,010,000	552,993	120,000
2015 Series A-2	20,840,000	-	20,840,000	20,840,000	-	-	-	20,840,000	270,920	20,840,000
Sub-Total	393,370,000	-	312,135,806	392,980,806	22,646	80,845,000	9,500,000	302,658,452	11,506,728	30,840,266
Less: Unamortized premium	-	-	(1,025,484)	-	-	(93,224)	(93,226)	(932,258)	93,226	-
Total Multi Family Bonds Payable	<u>\$ 393,370,000</u>	<u>\$ -</u>	<u>\$ 311,110,322</u>	<u>\$ 392,980,806</u>	<u>\$ 22,646</u>	<u>\$ 80,751,776</u>	<u>\$ 9,406,774</u>	<u>\$ 301,726,194</u>	<u>\$ 11,599,954</u>	<u>\$ 30,840,266</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Multifamily Bonds – Nonobligation Debt**  
**Fiscal Year Ended June 30, 2017**

Bond Series	Current Property Name	Owner	Final Maturity	Original Bonds Issued	Amount Outstanding
<u>Multifamily Housing Revenue Bonds</u>					
2003 Issue A	Randolph Manor	Private	8/1/2045	\$ 5,500,000	\$ 5,003,084
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,399,260
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	1,808,817
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,171,721
2006 Issue A	Covenant Village	Private	12/1/2048	6,418,000	6,019,227
2008 Issue A	Victory Forest	Private	9/1/2045	6,600,000	2,289,417
<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	1,029,000
2005 Issue I	Oakfield	Private	10/15/2039	38,000,000	38,000,000
2012 Issue A	Victory Court	Private	1/1/2030	8,400,000	8,087,416
<u>Non-Obligation Notes</u>					
2015 Issue A	Olde Towne Gaithersburg Apts ( Y-Site)	Private	4/1/2048	25,525,000	25,525,000
2015 Issue B	Lakeview House Apts.	Private	7/1/2050	34,225,000	33,336,627
<b>TOTAL</b>				<b><u>\$ 196,487,000</u></b>	<b><u>\$ 186,669,569</u></b>

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

Fiscal Year	Public Housing Rental	Public Housing Homeownership	Housing Choice Voucher	Opportunity Housing	Transitional Housing	Specialized Program	Component Units	Total
2008	1,544	11	5,673	3,049	165	430	1,621	12,493
2009	1,543	11	5,691	3,225	165	591	1,659	12,885
2010	1,546	10	5,823	3,249	165	614	1,659	13,066
2011	1,546	9	6,031	3,495	165	566	1,455	13,267
2012	1,553	9	6,165	3,496	165	566	1,760	13,714
2013	1,546	7	6,461	3,638	165	557	1,893	14,267
2014	1,094	7	7,044	3,992	165	538	1,892	14,732
2015	557	7	7,050	4,585	165	559	1,808	14,731
2016	256	7	7,174	4,533	227	511	2,106	14,814
2017	256	7	7,174	4,406	217	521	2,105	14,686

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Property Characteristics and Dwelling Unit Composition**  
**Fiscal Year Ended June 30, 2017**

**Public Housing**

Name of Development	Address	Number of Units
<b>Elderly Communities</b>		
Elizabeth House	1400 Fenwick Avenue, Silver Spring MD 20910	160
Holly Hall Apartments	10110 New Hampshire Avenue, Silver Spring MD 20903	96
	<i>Total Elderly Communities</i>	<u>256</u>
Tobytown	12600 Tobytown Drive, Potomac, MD 20854	<u>7</u>
	<i>Total Public Housing Units</i>	<u><u>263</u></u>

**Housing Choice Voucher/Transitional Housing**

Name of Development	Address	Units
Housing Choice Voucher	Various	7,174
Transitional Housing Program	Various	217
Specialized Program	Various	521
	<i>Total Housing Choice Voucher/Transitional Housing Units</i>	<u><u>7,912</u></u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Property Characteristics and Dwelling Unit Composition**  
**Fiscal Year Ended June 30, 2017**

<b>Opportunity Housing</b>		
<b>Name of Development</b>	<b>Address</b>	<b>Units</b>
<b>Elderly Communities</b>		
The Oaks at Four Corners	321 University Boulevard West, Silver Spring MD 20901	120
	<i>Total Elderly Communities</i>	<u>120</u>
<b>Family Communities</b>		
617 Olney Sandy Spring	617 Sandy Spring Road Olney MD 20860	1
Alexander House	8560 Second Avenue, Silver Spring MD 20910	183
Ambassador One Assoc LP	2715 University Boulevard, Silver Spring MD 20902	162
Brooke Park Apartments	6301-6307 MacArthur Blvd, Bethesda, MD 20816	18
Brookside Glen (The Glen)	2399 Jones Lane, Wheaton MD 20902	90
Chelsea Towers	7401 Westlake Terrace, Bethesda MD 20817	21
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.)	2309 Shorefield Road, Silver Spring, MD 20902	102
Greenhills	10560 Tralee Terrace, Damascus MD 20872	78
Jubilee Falling Creek	2408 Falling Creek Road, Silver Spring MD 20904	3
Jubilee Hermitage	2305 Hermitage Avenue, Silver Spring MD 20902	3
Jubilee Horizen	10 Horizon Court, Derwood, MD 20855	3
Jubilee Woodedge	2715 Woodedge Road, Silver Spring MD 20906	3
King Farm Village Center	404 King Farm Boulevard #9, Rockville, MD 20850	1
Magruder's Discovery	10508 Westlake Drive, Bethesda MD 20817	134
MetroPointe	11175 Georgia Avenue, Silver Spring MD 20902	120
Montgomery Arms	8615 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 20902	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
Southbridge	7423 Aspen Court, Tacoma Park MD 20912	39
Strathmore Court @ White Flint	5440 Marinelli Drive, North Bethesda MD 20852	151
The Barclay	4716 Bradley Boulevard, Chevy Chase MD 20815	76
The Metropolitan	7620 Old Georgetown Road, Bethesda MD 20814	216
Timberlawn	5707 Luxemburg Street, Rockville MD 20852	107
Westwood Towers	5401 Westbard Avenue, Bethesda MD 20816	212
Avondale Street Apartments	4507-4511 Avondale Street, Bethesda MD 20814	25
Sandy Spring	1 Branchwood Court, Sandy Spring, MD 20860	55
Seneca Ridge	19568 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	Shaftsbury Street, Kensington, MD 20895	19
Parkway Woods	12933 Twinbrook Parkway, Rockville, MD 20851	24
	<i>Total Family Communities</i>	<u>2,822</u>
<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
MPDU 2007	Various addresses throughout Montgomery County	6
MPDU I	Various addresses throughout Montgomery County	64
MPDU II	Various addresses throughout Montgomery County	59
MPDU III	Various addresses throughout Montgomery County	23
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
Scattered Site TwoDev Corp	Various addresses throughout Montgomery County	54
VPC One Development Corporation	Various addresses throughout Montgomery County	399
VPC Two Development Corporation	Various addresses throughout Montgomery County	280
Montgomery Homes Limited Partnership VII	Various addresses throughout Montgomery County	35
Montgomery Homes Limited Partnership VIII	Various addresses throughout Montgomery County	49
State Rental Combined	Various addresses throughout Montgomery County	196
	<i>Total Scattered Sites</i>	<u>1,464</u>
	<i>Total Opportunity Housing Units</i>	<u><u>4,406</u></u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Property Characteristics and Dwelling Unit Composition**  
**Fiscal Year Ended June 30, 2017**

<b>Component Units</b>		
<b>Name of Development</b>	<b>Address</b>	<b>Number of Units</b>
<b>Elderly Communities</b>		
Bauer Park	14635 Bauer Park Drive, Rockville, MD 20853	142
Camp Hill	17825 Washington Grove RD, Gaithersburg, MD 20877	51
Town Center Apts.	90 Monroe Street, Rockville, MD 20850	112
	<i>Total Elderly Communities</i>	<u>305</u>
<b>Family Communities</b>		
Manchester Manor Apartments LP	8401 Manchester Road, Silver Spring, MD 20901	53
Wheaton Metro LP	11175 Georgia Avenue, Silver Spring, MD 20902	53
Strathmore Court LP	5440 Marinelli Drive, North Bethesda, MD 20852	51
The Metropolitan of Bethesda LP	7620 Old Georgetown Road, Bethesda MD 20814	92
Shady Grove Apartments LP	16125 Crabbs Branch Way, Derwood, MD 20855	144
The Willows of Gaithersburg Associates LP	429 West Diamond Avenue, Gaithersburg, MD 20877	195
MV Affordable Housing Associates LP	9310 Merust Lane, Gaithersburg, MD 20879	94
Georgian Court Silver Spring LP	3600 Bel Pre Road, Silver Spring, MD 20906	147
Barclay One Associates LP	4716 Bradley Boulevard, Chevy Chase, MD 20815	81
Spring Garden One Associates LP	8007-A Eastern Avenue, Silver Spring, MD 20910	82
Hampden Lane Apartments LP	4913 Hampden Lane, Bethesda, MD 20814	12
Waverly House LP	4521 East West Highway, Bethesda MD 20814	157
Forest Oak Towers LP	101 Odenhal Road, Gaithersburg, MD 20877	175
Arcola Towers LP	1135 University Boulevard, Silver Spring MD 20902	141
Tanglewood/Sligo Hills LP	8902 Manchester Road, Silver Spring, MD 20901	132
	<i>Total Family Communities</i>	<u>1,609</u>
<b>Scattered Units</b>		
Montgomery Homes Limited Partnership IX - Pond Ridge	18100 Pond Ridge Court, Olney, MD 20832	40
Montgomery Homes Limited Partnership IX - MPDU units	Various address spread throughout Montgomery County	76
Montgomery Homes Limited Partnership X	Various address spread throughout Montgomery County	75
	<i>Total Scattered Sites</i>	<u>191</u>
	<i>Total units - Component Units</i>	<u><u>2,105</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>Maintenance **</u>	<u>Housing Resources</u>	<u>Mortgage Finance</u>	<u>Real Estate</u>	<u>Rental Assistance*</u>	<u>Resident Services</u>	<u>Total</u>
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
2015	60.00	49.00	94.00	-	55.00	13.50	11.00	-	82.20	364.70
2016	82.00	52.00	22.00	64.00	52.00	14.00	13.00	-	68.10	367.10
2017	80.00	51.00	27.00	63.00	52.00	14.00	13.00	-	67.60	367.60

*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*

*\*\* Maintenance division was created in FY2016; maintenance was previously part of Housing Management*



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

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
2008	942,748	67,564,394	71,668	515,987	499,705	3.2	137,745
2009	959,013	66,147,761	68,975	522,421	494,565	5.3	137,763
2010	976,179	69,149,438	70,837	532,549	502,710	5.6	140,500
2011	993,068	73,818,085	74,333	536,832	508,549	5.3	143,309
2012	1,006,472	76,994,315	76,499	540,427	512,438	5.2	146,497
2013	1,019,164	74,017,970	72,626	542,690	515,689	5.0	149,018
2014	1,030,476	75,840,951	73,598	544,210	520,288	4.4	151,289
2015	1,040,116	79,946,266	76,863	548,499	527,034	3.9	153,852
2016	1,047,500	82,910,000	79,150	551,392	533,201	3.3	159,242
2017	1,055,000	86,730,000	82,209	554,029	536,300	3.2	161,909

**NOTES:**

- (1) Sources: Data for 2008-2015 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2016 and 2017 are estimated by the Montgomery County Department of Finance from Round 8.4 Cooperative Estimates and pertain to population in households. Data for 2007-2015 were published by the BEA.
- (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 2008-2015 were revised by BEA. Data for 2016 through 2017 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian non-institutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2012 - 2016. Data for 2017 estimated by Montgomery County Department of Finance based on the percent change from the average of the first five months of CY16 to average of the first five months of CY17.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2012-2016 were revised by BLS. Data for 2017 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first five months of CY16 to the average of the first five months of CY17.
- (6) The unemployment rates for 2012 through 2016 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2017 is estimated by Montgomery County Department of Finance based on the estimate of the civilian labor force and the estimate of resident employment.
- (7) Source: County Executive's Recommended FY18 Operating Budget, Office of Management and Budget, Montgomery County, pages 5-16.

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

Employer	Fiscal Year 2017			Fiscal Year 2008		
	# 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	30,089	1	6.10%	39,979	1	8.31%
Montgomery County Public Schools	26,205	2	5.31%	20,769	2	4.32%
Montgomery County Government	11,014	3	2.23%	9,059	4	1.88%
U.S. Department of Defense	5,863	4	1.19%	14,709	3	3.06%
U.S. Department of Commerce	5,608	5	1.14%	8,749	5	1.82%
Adventist Healthcare	4,793	6	0.97%	8,090	6	1.68%
Marriott International, Inc. (Headquarters)	4,184	7	0.85%	3,000	9	0.62%
Holy Cross Hospital of Silver Spring	3,942	8	0.80%	*		-
Red Coats. Inc.	3,826	9	0.78%	*		-
Montgomery College	3,488	10	0.71%	*		-
Lockheed Martin Corporation	*		-	7,518	7	1.56%
Giant Food Corporation	*		-	3,816	8	0.79%
U.S. Nuclear Regulatory Commission	*		-	2,972	10	0.62%
<b>Total</b>	<u>99,012</u>		<u>20.08%</u>	<u>118,661</u>		<u>24.66%</u>

NOTES:

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

- (1) Employee numbers are based on Finance Department's analysis of the MD Department of Labor, Licensing and Regulation's Quarterly Census of Employment and Wages, 4th quarter CY 2016 data of public and private employers in Montgomery County.
- (2) Employee counts for federal and military facilities exclude contractors to the extent possible.
- (3) Total average payroll employment in FY17 was 493,289, and in FY08, 481,300.

Source: Montgomery County Department of Finance (FY17) and Montgomery County Department of Economic Development (FY08)

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Public Housing Statistics – All Properties**  
**As of June 30, 2017**

Income Source	# Mbrs
Business	0
Child Support	2
Federal Wage	0
General Assistance	6
Indian	0
Medical Reimburse	0
Military	0
Other Non-Wage Income	7
Other Wages	17
Pension	21
PHA Wage	0
Social Security	135
SSI	139
TANF	1
Unemployment	0

Average Length of Stay for <u>Current</u> Tenants (in Years)	<b>11</b>
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Public Housing Statistics  
All Properties  
As of 06/30/2017

Gender	Female	Male	Total
Count of Head of Household	138	58	196
% of Head of Households	70.41%	29.59%	
Count of All Family Members	184	86	270
% of All Family Members	68.15%	31.85%	

Disabled	
Count of Head of Household	57
Count of All Family Members	64

Seniors	Under 62	62 +	Totals
Count of HOH	18	178	196
% of HOH	9.18%	90.82%	100%
Count All Members	44	226	270
% All Members	16.30%	83.70%	100%

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	7	99	46	24	10	4	2	1	1	0	2	0	196
Average Income in Range	\$ 534	\$ 5,707	\$ 4,264	\$ 11,993	\$ 15,670	\$ 8,984	\$ 10,435	\$ 12,480	\$ 14,827	\$ -	\$ 36,577	\$ -	\$ 18,746
Cumulative % of Households	3.57%	54.08%	77.55%	89.80%	94.90%	96.94%	97.96%	98.47%	98.98%	98.98%	100.00%	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	0	1	1	5	11	15	80	71	12	196
Count of All Family Members	1	2	2	2	3	2	10	22	25	98	91	12	270

Race	American Indian	Asian	Black	Pacific Islander	White	Not Reported	Total
Count of Head of Household	2	44	87	0	63	0	196
% of Head of Household	1.02%	22.45%	44.39%	0.00%	32.14%	0.00%	100%
Count of All Family Members	2	70	117	0	78	3	270
% of All Family Members	0.74%	25.93%	43.33%	0.00%	28.89%	1.11%	100%

Ethnicity	Hispanic	Non-Hispanic	Not Reported	Totals
HOH	27	169	0	196
% HOH	13.78%	86.22%	0.00%	100%
Fam Mbrs	36	230	4	270
% FM	13.33%	85.19%	1.48%	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	44	28	28	0	0	0	0	0	0	0	1.0 Person
1 Bedroom	152	115	86	29	0	0	0	0	0	0	1.3 People
2 Bedrooms	62	50	12	35	3	0	0	0	0	0	1.8 People
3 Bedrooms	3	3	0	2	1	0	0	0	0	0	2.3 People
4 Bedrooms	0	0	0	0	0	0	0	0	0	0	N/A People
5 Bedrooms	0	0	0	0	0	0	0	0	0	0	N/A People
<b>Total # of PH Units</b>	<b>261</b>	<b>196</b>	<b>126</b>	<b>66</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.6 People</b>

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Housing Choice Voucher Statistics – All Properties**  
**As of June 30, 2017**

	# 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	1,408	5,963	7,371
% of Head of Households	19.10%	80.90%	100%
<b>Count of All Family Members</b>			
Count of All Family Members	6,872	11,614	18,486
% of All Family Members	37.17%	62.83%	100%

Disabled	
Count of Head of Household	2203
Count of All Family Members	2817

**Housing Choice Voucher Statistics**  
**As of 06/30/2017**  
**Includes Homeownership & Portables**

Seniors	Under 62	62 +	Totals
Count of HOH	5,556	1,815	7,371
% of HOH	75.38%	24.62%	100%
<b>Count All Members</b>			
Count All Members	16,343	2,143	18,486
% All Members	88.41%	11.59%	100%

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	1035	1762	1153	835	632	474	427	345	708	7,371
Average Income in Range	\$ 1,522	\$ 8,429	\$ 12,472	\$ 17,340	\$ 22,418	\$ 27,288	\$ 32,353	\$ 37,427	\$ 51,240	\$ 18,368
Cumulative % of Families	14.04%	37.95%	53.59%	64.92%	73.49%	79.92%	85.71%	90.39%	100.00%	

Age Ranges	0-5	6-13	14-17	18-20	21-29	30-39	40-49	50-61	62-69	70-79	80-99	100+	Totals
Count of Head of Household	0	0	0	15	434	1,674	1,643	1,790	879	559	377	0	7,371
Count of All Family Members	1,635	3,246	2,354	1,597	1,571	2,031	1,895	2,014	1,009	688	358	88	18,486

Race	White	Black	American Indian	Asian	Pacific Islander	Multiple	Unknown	Totals
Count of Head of Household	1,814	5,118	47	345	27	20	0	7,371
% of Head of Household	24.61%	69.43%	0.64%	4.68%	0.37%	0.27%	0.00%	100%
<b>Count of All Family Members</b>								
Count of All Family Members	3,483	13,813	102	668	59	68	293	18,486
% of All Family Members	18.84%	74.72%	0.55%	3.61%	0.32%	0.37%	1.58%	100%

Ethnicity	Hispanic	Non-Hispanic	Not Reported	Totals
<b>HOH</b>	859	6,512	0	7,371
<b>% HOH</b>	11.65%	88.35%	0.00%	100%
<b>Fam Mbrs</b>				
<b>Fam Mbrs</b>	2,109	15,889	488	18,486
<b>% FM</b>	11.41%	85.95%	2.64%	100%

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
Efficiency	N/A	277	149	57	31	22	9	6	0	3
1 Bedroom	N/A	2,186	2,009	168	7	1	1	0	0	0
2 Bedrooms	N/A	2,524	495	1,260	610	137	18	3	1	0
3 Bedrooms	N/A	1,860	67	198	395	698	384	96	18	4
4 Bedrooms	N/A	443	5	12	27	81	99	117	72	30
5 Bedrooms	N/A	71	0	1	4	2	12	13	9	30
6 Bedrooms or Larger	N/A	10	0	0	0	0	0	0	1	9
<b>Total # of HCV Units</b>	N/A	7,371	2,725	1,696	1,074	941	523	235	101	76

Average Family Size
2.0 Person
1.1 People
2.2 People
3.8 People
5.4 People
6.5 People
7.9 People
2.5 People