



Housing Opportunities
Commission

Of Montgomery County

A Component Unit of Montgomery County,
Maryland

**Comprehensive
Annual Financial Report**

For the Fiscal Year Ended

June 30, 2011

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

For the Year Fiscal Ended June 30, 2011

Issued by
Finance Department
Gail Willison, Chief Financial Officer
Cornelia Kent, Assistant Chief Financial Officer

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

For the Year Ended June 30, 2011

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I. INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Housing Opportunities Commission
of Montgomery County, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



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

December 9, 2011

Members of the Commission
Housing Opportunities Commission of Montgomery County

We are pleased to present the Housing Opportunities Commission of Montgomery County (HOC or Commission) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The report was prepared by the Commission's Finance staff and was audited by the independent public accounting firm of Clifton Gunderson, LLP.

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

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

This report includes all funds and component units of the Commission. The Commission's Financial Statements include five enterprise funds: General Fund, Opportunity Housing Fund, Public Fund, Single Family Fund and the Multifamily Fund. In addition, 17 Low Income Housing Tax Credit partnerships (LIHTC) are consolidated and presented as a discretely presented component unit in the Financial Statements.

In 1966, the Montgomery County Council activated the Housing Authority of Montgomery County (HAMC). In 1974, parallel State and County legislation was enacted that established a broader housing mission for the County and restructured HAMC into the Housing Opportunities Commission of Montgomery County, Maryland (HOC). HOC is an independent Agency and component unit of Montgomery County.

The governing body of HOC is the Board of Commissioners and is comprised of seven members, who are appointed by the County Executive and approved by the County Council. The Commission appoints an Executive Director to administer the affairs of the Commission. The primary sources of funding for the Commission are Housing Assistance Payments and Public Housing operating subsidy funded by the U.S. Department of Housing and Urban Development, dwelling rental income earned by Commission owned properties and interest on mortgage and construction loans earned by the Single Family and Multifamily mortgage loan portfolios. The mission of the Commission is to provide affordable housing and supportive services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County, Maryland. To accomplish these objectives, the Commission participates in a number of programs which are discussed in the management's discussion and analysis and in the notes to financial statements sections of this report.

Economic Condition and Outlook

The Washington Metropolitan area economy continues to grow despite a slowdown in Federal job growth and projected Federal budget cuts. The Government sector is eliminating jobs due to budget cuts while the Professional/Business Services sector is creating jobs; this sector added 6,900 jobs during the last 12 months. The metropolitan area unemployment rate peaked at 7.0% in January 2010 and declined to 6.1% in January 2011. The unemployment rate continues to decline and was 6.0% in July 2011. This compares to the national rate of 9.1% in August, unchanged from July. This is the lowest among the nation's largest Metro areas. Economic growth in the Washington Metropolitan area is expected to continue as the area has emerged as one of the top economic centers in the nation. The forecast is for a Gross Regional Product (GRP) increase of 3.5% in 2011 compared to 1.5% nationally. Job formation is expected to grow with 23,600 new jobs forecast in 2011. Home prices decreased by 1.2% in the Washington Metropolitan area for 12 months ended June 2011. This compares with a national decline of 4.6% during the same period.

The outlook for the Washington Metropolitan area is for the economy to progress during 2011 and 2012, but the growth rate is muted somewhat as consumers and companies remain cautious and the Federal government institutes austerity.

Montgomery County, Maryland experienced improved economic performance in the past 12 months. Employment increased by 7,017 jobs from June 2010 to June 2011. The County unemployment rate as of June 2011 was 5.2%, down from 5.8% in June 2010.

The Commission's financial position is affected by several factors including the real estate rental and homeownership markets, the housing bond market, the (LIHTC) market, Federal appropriations for both the Housing Choice Voucher and Public Housing operations and modernization programs and the real estate acquisition and rehabilitation market.

Rental & Homeownership Market: The Washington Metropolitan market continues to be the best performing apartment market in the nation due to continued employment growth, transient work force producing a large pool of renters and limited deliveries of new product in 2011, and maintaining the supply and demand balances. Stabilized vacancy for all investment grade

apartments (Class A and B) is 2.8%, up slightly from 2.5% a year ago. The Washington Metro market has the second lowest vacancy of any major metro area in the nation, behind New York.

In the quarter ended September 30, 2011, the Montgomery County market was characterized by decreasing vacancies and unchanged effective rents. The overall Montgomery County vacancy rate was 3.2%, down from 3.7% in the prior quarter. The Commission's portfolio experienced a decrease in vacancy from 3.2% to 2.8%. The trend for effective rents in the Washington Metro area as of September 30, 2011 was mixed. Effective rents for Class A and B properties combined in Montgomery County experienced a slight decline, the first quarterly decline in seven quarters.

The Commission continues to underwrite and purchase single family mortgage loans throughout Montgomery County. The Single Family mortgage loan portfolio increased by approximately \$7.6 million from fiscal year 2010 as rates on mortgages loans averaged between 4.00% and 4.25% with home prices remaining for the most part stable.

Housing Bond Market: During fiscal year 2010, the Commission remarketed \$66.5 million in multifamily bonds. This transaction retired approximately \$66.5 million of Housing Development Bonds that were previously issued as weekly floating rate Variable Rate Demand Obligation (VRDO) bonds that were remarketed into a two-year mode and purchased by Wells Fargo following the financial market dislocation in 2008 and the inability to obtain liquidity support for VRDO bonds. The remarketing converted \$61.3 million into long-term fixed rate bonds. The remaining \$5.2 million was remarketed as weekly floating VRDO bonds with liquidity supported by PNC Bank, N.A.

The Commission converted into long-term securities \$46.5 million of multifamily bonds that were escrowed pursuant to the New Bond Issue Program (NIBP) along with the public sale of \$4.8 million in tax-exempt bonds to fund two mortgage loans for two multifamily apartment projects in southern Silver Spring, Maryland. The Commission also converted into long-term securities \$9 million of Single Family Housing Revenue Bonds escrowed pursuant to the NIBP and used the proceeds along with the public sale of \$6 million in bonds to make moneys available to purchase new mortgage loans.

LIHTC Market: The LIHTC market continues to recover from the market weaknesses experienced during the Recession, both nationally and especially in attractive markets such as Montgomery County. The market for 4% LIHTC's has returned to the Washington Metropolitan area. Pricing has increased dramatically approaching pre-recession pay-in rates. In 2009, the Commission received \$2.1 million 9% LIHTC for the 12-unit Lasko Manor Apartments in Bethesda, Maryland which has now been constructed and fully leased to formerly homeless individuals with on-site supportive services.

Housing Choice Voucher and Public Housing Operating Subsidy: Senate and House conferees on November 14, 2011 released a compromise FY 2012 minibus appropriations measure that includes funding of the HUD programs. The funding level for the Public Housing operating subsidy for calendar year 2012 is anticipated to be 95 percent of formula eligibility prior to the calculation and imposition of individual agency offsets. Funding for the Housing Choice Voucher Housing Assistance Payment for calendar year 2012 is expected to be on level with

calendar year 2011, however funding for administrative fees to run the program are expected to be funded at a pro-ration of 76 percent. The Commission continues to attempt to maximize the number of vouchers utilized based on funding available.

During fiscal year 2011, the Commission completed the spending of the stimulus capital funding received for Public Housing through the American Recovery and Reinvestment Act (ARRA) from HUD. The Commission also completed obligation and expenditure of approximately \$1.4 million in capital funds for elderly Public Housing properties also through ARRA. During FY 2011, the Commission received funding of \$77,212 for six new vouchers from HUD to serve residents affected by a Housing Conversion Act at the Rebecca Apartments; and funding of \$490,104 for 38 vouchers to assist tenants at Country Place due to an opt out election by the current owner. The Commission also received 25 vouchers for the Veterans Affairs Supportive Housing (VASH) Program at an annual amount of \$229,881.

Real Estate Acquisition and Rehabilitation: The Commission believes that its acquisition and rehabilitation efforts create strong communities and contribute to the overall economic well being of Montgomery County. During fiscal year 2011, renovation continued on several of the Commissions Multifamily and scattered site properties. They are as follows:

- Construction on Hampden Lane (renamed Lasko Manor) was completed in October 2011. The property currently houses 12 formerly homeless individuals through project based vouchers and provides extensive resident supportive services.
- Magruders Discovery, a 134 unit garden style apartment community, located in Bethesda Maryland, substantially completed renovation in FY 2011. The property was constructed in 1979 and is 100% project based Section 8 funded.
- During FY 2009, the Commission entered into a partnership with Montgomery County to renovate and convert 49 apartments known as The Village at King Farm into workforce housing. These units have been renovated and sold as condominiums to employees of Montgomery County in an effort to provide affordable housing to employees of the County. All but three units have been purchased.
- The rehabilitation started on three properties in Takoma Park, Maryland which will be renovated and rented to low-to-moderate income families.
- Paddington Square Apartments, a 166 unit garden style dwelling serving moderate income residents, located in Silver Spring, Maryland, completed renovation in December 2011.
- Renovation will begin on two single family properties located in Silver Spring, Maryland, which will each house three developmentally disabled adults.
- The Commission is currently planning the renovation and financing of the Ambassador Apartments, consisting of 162 residential apartments, located in Wheaton, Maryland.

The refinancing and renovation is expected to be done in conjunction with the issuance of 4% LIHTC.

- The Commission is currently planning a scattered site refinancing and renovation of approximately 190 townhome, condominium and single family units spread throughout Montgomery County, Maryland during FY 2012.
- Renovation on unit turnover continues on the Metropolitan Apartments located in Bethesda, Maryland and the Brookside Glen townhomes located in Silver Spring, Maryland.

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

Financial Information

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

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

Single Audit: In compliance with A-133, the Commission is subject to an annual audit of all federal expenditures in excess of \$500,000 to be performed by an independent public accounting firm. The Single Audit was performed by Clifton Gunderson LLP for the year ended June 30, 2011 with no material weaknesses or significant deficiencies noted in the internal control over financial reporting. The Commission did have significant deficiencies noted in internal controls over major programs. The Commission's Single Audit is available under separate cover.

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

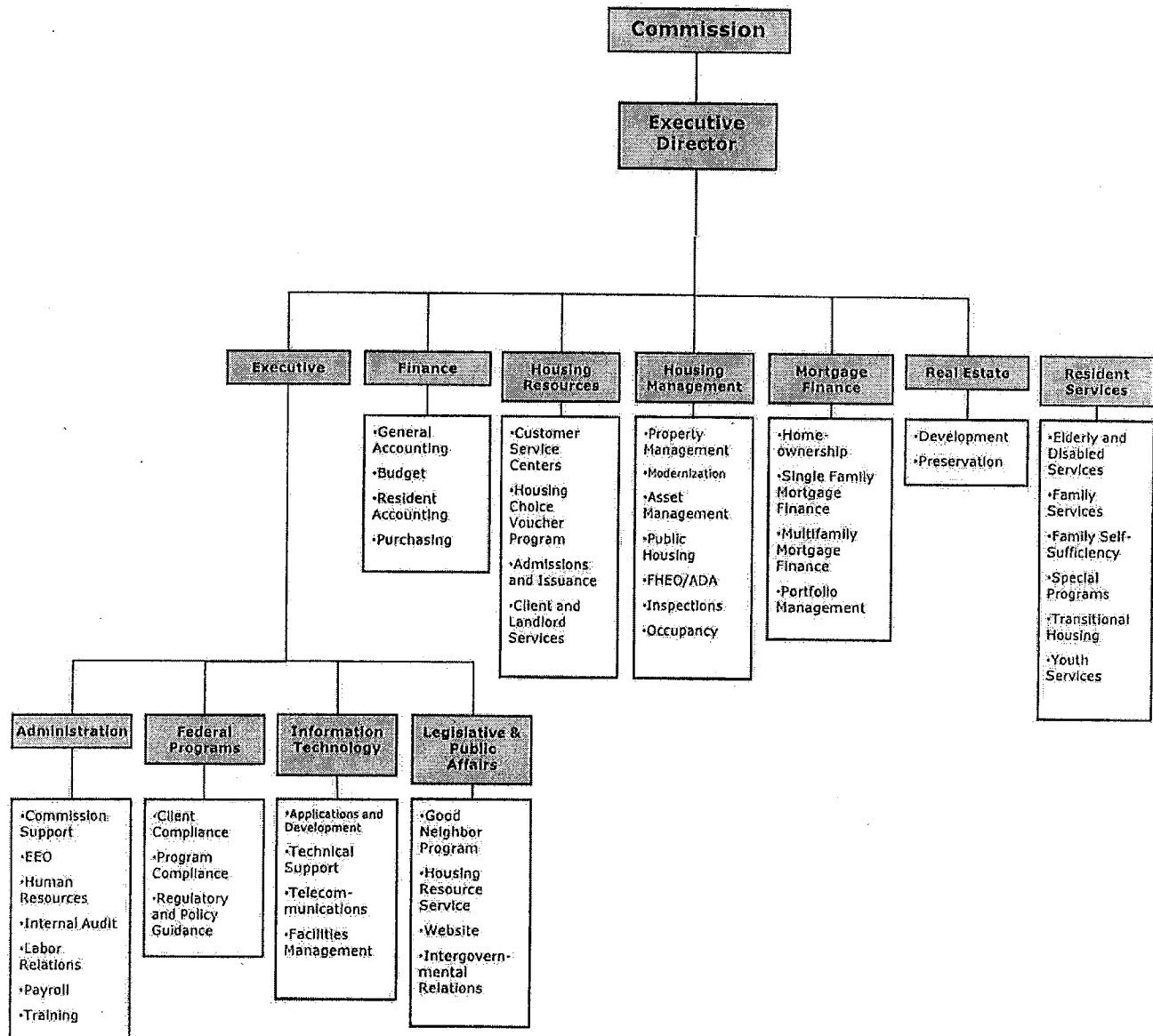
actual performance. On a quarterly basis, budget to actual reports are prepared and presented to both the BF&A Committee and the Commission.

Component Units: The authority has 17 discretely presented component units which consist of LIHTC limited partnerships. Each LIHTC limited partnership is made up of a property or series of properties which provide rental housing to qualified tenants. As the 15-year cycle for maintaining the LIHTC partnerships expire, units are donated to the Commission by the limited partners. These units are typically absorbed into the Commission's Opportunity Housing Fund and continue to provide rental housing for the Commission target population.

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

Respectfully submitted,

Gail Willison
Chief Financial Officer



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

List of Principal Officials

Name, Title	Expiration of Term
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BOARD OF COMMISSIONERS

Roberto Piñero, Chair	August, 2013
Sally Roman, Vice Chair	August, 2016
Michael Kator, Chair Pro Tem	August, 2013
Jean Banks, Commissioner	August, 2012
Rick Edson, Commissioner	August, 2014
Pamela T. Lindstrom, Commissioner	August, 2014
Michael Wiencek, Commissioner	August, 2015

SENIOR MANAGEMENT

Jerry Robinson, Acting Executive Director
Ken Tecler, General Counsel

EXECUTIVE STAFF

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

II. FINANCIAL SECTION

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

**BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011
(With Independent Auditor's Report Thereon)**

**HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND**
(A Component Unit of Montgomery County, Maryland)
Basic Financial Statements and Management's Discussion and Analysis

June 30, 2011

(With Independent Auditor's Report Thereon)

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities and each major fund of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2011, which along with the aggregate discretely presented component units of the Commission collectively comprise the Commission's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. The prior year partial comparative fund information has been derived from the Commission's 2010 financial statements, and in our report dated November 1, 2010, we expressed an unqualified opinion on the respective fund financial statements.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, and the aggregate discretely presented component units of the Commission as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clifton Gunderson LLP

Baltimore, Maryland
October 28, 2011

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

Management's Discussion and Analysis

For the year ended June 30, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have 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 government.

Financial Highlights

- The Commission's net assets increased by \$0.8 million from \$189.0 million at June 30, 2010 to \$189.8 million at June 30, 2011.
- The Commission's current ratio (ratio of current assets to current liabilities) decreased from 2.02 at June 30, 2010 to 1.86 at June 30, 2011. The decrease is due to a decrease in short-term investments in the Single Family and Multifamily Bond Funds.
- The Commission issued \$16.87 million of new bonds for the Single Family Fund. Approximately \$15 million was used to finance new mortgages and fund reserves under the New Issue Bond Program (NIBP), pursuant to a resolution of the Commission providing for the issuance of Single Family Housing Revenue Bonds. The Commission plans to convert approximately \$18 million of the remaining \$31 million NIBP bonds and issue \$12 million of market bonds in October 2011 to complete a \$30 million bond issue. All NIBP bonds must be converted by December 31, 2011 or be redeemed. The remaining \$1.87 million is capital accretion bonds.
- The Commission issued \$117.8 million of new bonds for the Multifamily Fund. The Commission converted \$46.5 million, all of the Multifamily NIBP bonds, into long term financing for the Argent and Galaxy multifamily projects located in southern Silver Spring, Maryland. An additional \$4.8 million in new bonds were sold to market investors to complete the financing of the Argent Apartments transaction. The Commission also remarketed \$66.5 million of Multifamily Housing Development Bonds that were previously issued as weekly floating rate Variable Rate Demand Obligation (VRDO) bonds that were remarketed into a two-year mode and purchased by Wells Fargo following the financial market dislocation in 2008 and the inability to obtain liquidity support for VRDO bonds. The remarketing converted \$61.3 million into long-term fixed rate bonds. The remaining \$5.20 million was remarketed as weekly floating VRDO bonds with liquidity support provided by PNC Bank, N.A. The liquidity facility expires on December 28, 2013.
- The Commission retired and refunded bonds in the amount of \$41.5 million from the Single Family Fund. The funds used to retire the bonds came from borrowers' mortgage loan payments and prepayments and a draw on the Commission's line of credit facility with PNC Bank, N.A., which will be paid off with proceeds from the closing of the 2009 Series C-2, Series C-3 and the 2011 Series A bond issue in October 2011.
- The Commission retired \$124 million of bonds from the Multifamily Bond Fund using mortgage payments and remarketing proceeds.

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

Management's Discussion and Analysis

For the year ended June 30, 2011

- Outstanding mortgage and construction loans receivable increased from \$362.9 million at June 30, 2010 to approximately \$375.5 million at June 30, 2011. The increase is attributable to an increase in mortgage and construction loans receivable in the Single Family Fund and the Multifamily Fund.
- The amount of U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payments (HAP) administered by the Commission increased from \$75 million in fiscal year 2010 to \$79 million in fiscal year 2011.
- Unrealized losses on investments totaled \$2.2 million in fiscal year 2011 compared to unrealized gains of \$3.8 million in fiscal year 2010 due to the continued low interest rate environment.

Overview of Financial Statements

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

The financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. These statements are prepared in conformity with accounting principles generally accepted 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 assets.

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

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

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

Fund Structure

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

Major Funds

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

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

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

Management's Discussion and Analysis

For the year ended June 30, 2011

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

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

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

Component Units

Real Estate Limited Partnerships – The Commission is the managing general partner in 17 real estate limited partnerships. Fifteen of the partnerships have calendar year ends and two have a June 30 fiscal year end. Accordingly, the amounts included for each discretely presented component unit that comprise the aggregate component unit column in the combined financial statements are as of and for the respective year ends that fall within the year ended June 30, 2011.

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

Management's Discussion and Analysis

For the year ended June 30, 2011

Financial Analysis of the Commission as a Whole

The Commission's total net assets in fiscal year 2011 increased by .4%.

Capital assets, net of related debt, are 16% of the Commission's net assets. These capital assets are used primarily to provide housing to low-income residents.

29% of the Commission's net assets reflect cash and investments, which are restricted as to their use. The preponderance of these restricted net assets are used to finance and fund low-income housing.

55% of the Commission's net assets are not restricted. These non-restricted net assets are used in the operations of the Commission.

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

	<u>2011</u>	<u>2010</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Assets:				
Current and other assets	\$ 403.4	440.8	(37.4)	-8.5%
Capital assets	337.4	332.0	5.4	1.6%
Mortgage and construction loans receivable	375.5	362.9	12.6	3.5%
Total assets	<u>1,116.3</u>	<u>1,135.7</u>	<u>(19.4)</u>	<u>-1.7%</u>
Liabilities:				
Current liabilities (including current portion of long term debt and bonds payable)	131.5	148.9	(17.4)	-11.69%
Noncurrent liabilities:				
Bonds payable	661.7	662.6	(0.9)	-0.13%
Other liabilities	133.3	135.2	(1.9)	-1.41%
Total liabilities	<u>926.5</u>	<u>946.7</u>	<u>(20.2)</u>	<u>-2.13%</u>
Net assets:				
Invested in capital assets, net of related debt	30.0	26.3	3.7	14.1%
Restricted for:				
Debt service	41.9	38.7	3.2	8.3%
Customer deposits and other	13.2	12.5	0.7	5.6%
Closing cost assistance program	0.9	0.7	0.2	28.6%
Unrestricted	<u>103.8</u>	<u>110.8</u>	<u>(7.0)</u>	<u>-6.3%</u>
Total net assets	<u>\$ 189.8</u>	<u>189.0</u>	<u>0.8</u>	<u>0.4%</u>

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

Management's Discussion and Analysis

For the year ended June 30, 2011

Total assets of the Commission decreased by \$19.4 million or 1.70%, with a corresponding decrease in total liabilities of \$20.2 million or 2.13% from fiscal year 2010. The primary reason for the decrease is due to bond redemptions in the Single Family Fund and bond principal and interest payments in both bond funds resulting in a decrease in cash and cash equivalents and short-term investments, with a corresponding decrease in bonds payable.

Net assets of the Commission increased by approximately \$0.8 million or .4%. Some key elements of this increase are:

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

	<u>2011</u>	<u>2010</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Operating revenues:				
Intergovernmental grants	\$ 105.6	103.2	2.4	2.3%
Investment income	8.2	6.9	1.3	18.8%
Unrealized gains (losses) on investments	(2.2)	3.8	(6.0)	-157.9%
Interest on mortgages and construction loans receivable	18.4	17.7	0.7	4.0%
Dwelling rental	57.3	51.6	5.7	11.0%
Management fees and other income	8.7	7.9	0.8	10.1%
Total operating revenues	196.0	191.1	4.9	2.6%
Operating expenses:				
Housing assistance payments	79.2	74.8	4.4	5.9%
Administration	34.4	34.3	0.1	0.3%
Maintenance	14.8	14.2	0.6	4.2%
Depreciation and amortization	16.1	15.7	0.4	2.5%
Utilities	6.8	6.0	0.8	13.3%
Fringe benefits	7.9	8.0	(0.1)	-1.3%
Interest expense	34.0	32.7	1.3	4.0%
Other expenses	6.9	6.1	0.8	13.1%
Total operating expenses	200.1	191.8	8.3	4.3%
Operating income (loss)	(4.1)	(0.7)	(3.4)	-485.7%
Nonoperating revenues, net	0.8	1.0	(0.2)	-20.0%
Income (loss) before contributions	(3.3)	0.3	(3.6)	-1200.0%
Capital contributions and transfers	4.1	3.8	0.3	7.9%
Net increase (decrease) in net assets	\$ 0.8	4.1	(3.3)	-80.5%

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

Management's Discussion and Analysis

For the year ended June 30, 2011

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, 2011 the Commission has recorded all ABA received as income.

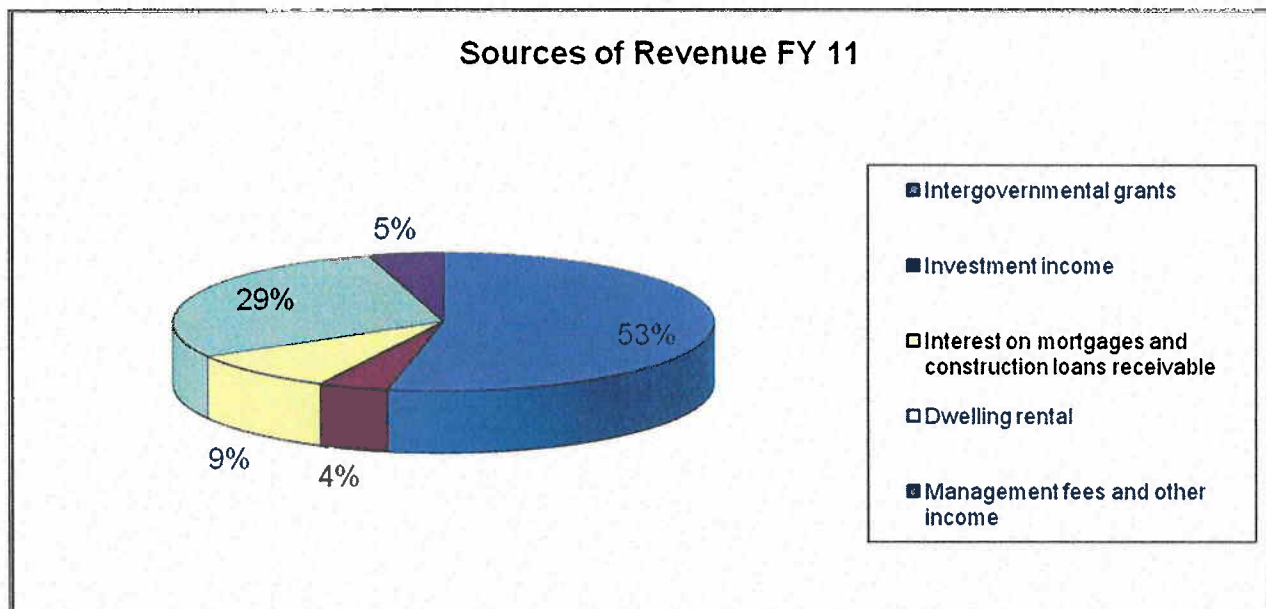
Intergovernmental grants increased by \$2.4 million as a result of an increase in Housing Choice Voucher funding received from HUD.

Investment interest income increased by \$1.3 million as a result of the financing of the Galaxy project and investing certain debt service reserves into longer-term investments with higher yields. Unrealized losses on investments totaled \$2.2 million as compared to unrealized gains of \$3.8 million in fiscal year 10. The unrealized loss is a result of the current low interest rate environment.

Dwelling rental income increased by \$5.7 million as a result of the inclusion of MHLP II and Ambassador Apartments in the Opportunity Housing Fund. Both entities were previously recorded as Component Units in fiscal year 10.

Management fees and other income increased by \$.8 million as a result of an increase in development corporation fees in fiscal year 11.

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

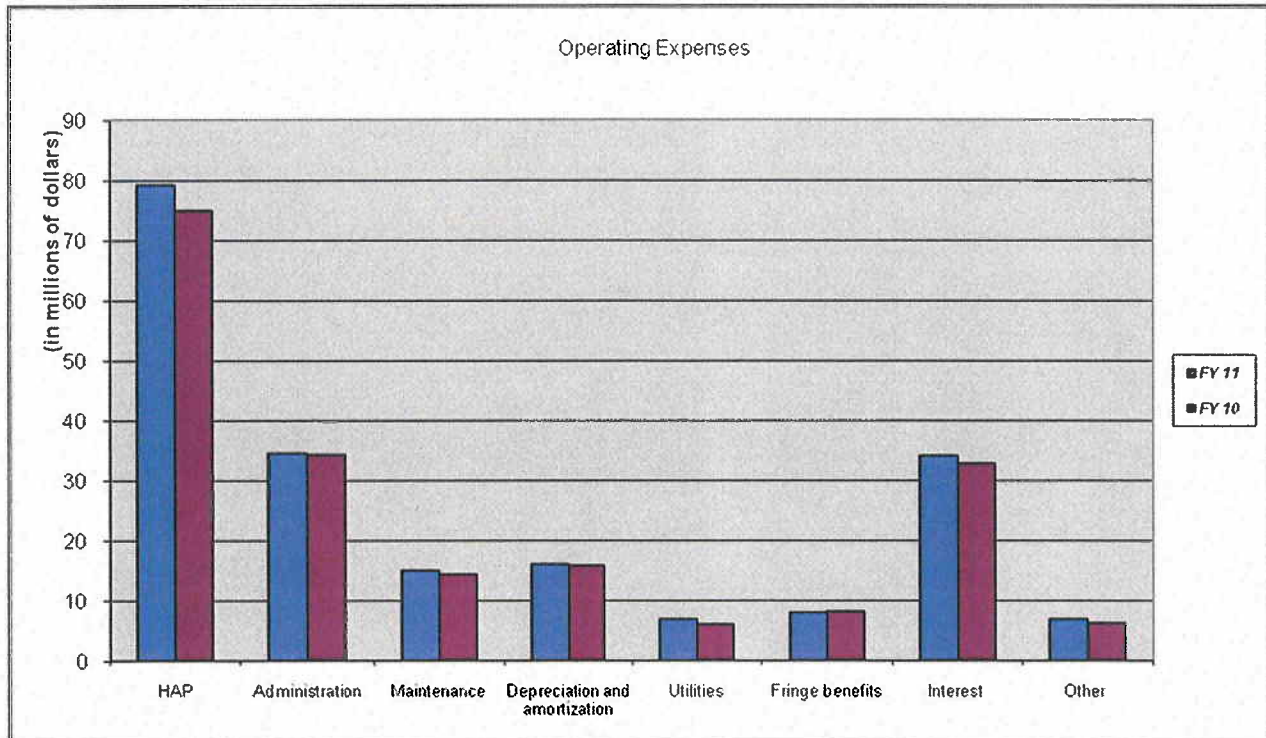


HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
 (A Component Unit of Montgomery County, Maryland)

Management's Discussion and Analysis

For the year ended June 30, 2011

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



The increase in housing assistance payments is due to an increase in housing choice voucher payments to landlords during fiscal year 2011 as a result of increased utilization and the average payment per voucher.

The increase in maintenance expenses is attributable to increases in salary expenses as a result of the transfer of MHLP II to the Opportunity Housing Fund; as well as increases in various maintenance expenses in the Opportunity Housing Fund.

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

The increase in interest expense is due to an increase in the Opportunity Housing Fund as a result of the Metropolitan Air Rights lease payment to Montgomery County; and an increase in the Multifamily Fund as a result of the Galaxy, Argent and Magruder's Discovery bond issues.

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

Management's Discussion and Analysis

For the year ended June 30, 2011

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

	<u>2011</u>	<u>2010</u>	<u>(\$)</u> Variance	<u>(%)</u> Variance
Capital assets:				
Property and equipment, net of depreciation	\$ 324.0	318.2	5.8	1.8%
Capitalized lease (net of amortization)	13.4	13.8	-0.4	-2.9%
Total capital assets, net	\$ <u>337.4</u>	<u>332.0</u>	<u>5.4</u>	<u>1.6%</u>

Real property is depreciated using a straight line method over a 40 year period. During the year, the Commission acquired assets of approximately \$32.2 million, while disposing of capital assets with a net book value of approximately \$26.4 million. Capital leases are recorded net of amortization, explaining the decrease from the prior year.

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

The properties within the Commission's portfolio that are scheduled for or currently under major rehabilitation during the coming fiscal year are Paddington Square, Metropolitan, 7423 Aspen Court, 717 Sligo Creek Parkway and 7411 Aspen Court.

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

Outstanding Debt

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

	<u>2011</u>	<u>2010</u>	<u>(\$)</u> Variance	<u>(\$)</u> Variance
Multifamily bonds	\$ 432.4	438.5	(6.1)	-1.4%
Single Family Mortgage Purchase Program bonds	304.3	328.8	(24.5)	-7.4%
Mortgage notes and loans payable	43.9	40.5	3.4	8.4%
Capitalized lease obligation	20.7	20.2	0.5	2.5%
Loans payable to Montgomery County	62.8	56.8	6.0	10.6%
Total	\$ <u>864.1</u>	<u>884.8</u>	<u>(20.7)</u>	<u>-2.3%</u>

The following are key elements of the Commission's outstanding debt as of June 30, 2011:

- \$304.3 million of single family mortgage bonds outstanding. Sources of payments for the bonds are single family mortgages receivable of \$231.0 million and cash, cash equivalents and investments of \$107.3 million.
- \$432.4 million of multifamily mortgage bonds outstanding. Sources of payments for the bonds are multifamily mortgages receivable of \$320.9 million and cash, cash equivalents and investments of \$151.16 million.

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

Management's Discussion and Analysis

For the year ended June 30, 2011

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

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

Economic Outlook

With the issuance of Moody's Investors Service's highest management quality rating for a Public Housing Authority, and the Commission's very diverse activities – public housing authority, housing finance agency, developer, and housing management – the management believes it has a very strong economic outlook. There are some economic factors that will require constant monitoring, but with proper budgeting the potential risks should be minimal.

The Commission expects a slight increase in revenues from property related income, and real estate activity. Cash flows from federal, state and county grants are expected to hold constant or decrease slightly as compared to fiscal year 11 as a result of potential decreases in HUD funding due to potential recapture of Public Housing Operating subsidy. The Commission will appeal any recapture of Public Housing Operating subsidy in accordance with PIH Notice 2011-55. Overall, the Commission expects an increase in operating revenues that will be used to increase the funding of operating and replacement reserves.

These factors were considered in preparing the Commission's budget for the 2012 fiscal year.

Request for information

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

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

Statement of Net Assets – Business-Type Activities and
Discretely Presented Component Units

June 30, 2011

	<u>Business-Type Activities</u>	<u>Real Estate Limited Partnership Component Units</u>
Assets		
Current assets:		
Unrestricted:		
Cash and cash equivalents	\$ 76,373,882	3,893,968
Advances to component units	21,065,678	-
Accounts receivable and other assets	7,627,273	706,357
Accrued interest receivable	6,447,532	-
Mortgage and construction loans receivable, current	9,845,530	-
Total unrestricted current assets	<u>121,359,895</u>	<u>4,600,325</u>
Restricted cash and cash equivalents and investments:		
Restricted cash and cash equivalents	61,354,998	7,910,119
Restricted short-term investments	33,443,562	-
Current bonds payable	25,032,424	-
Customer deposits	4,050,469	705,814
Total restricted cash and cash equivalents and investments	<u>123,881,453</u>	<u>8,615,933</u>
Total current assets	<u>245,241,348</u>	<u>13,216,258</u>
Noncurrent assets:		
Restricted long-term investments	147,250,949	-
Mortgage and construction loans receivable, net of current portion	365,653,681	-
Capital assets, net of depreciation	323,965,665	124,300,970
Leased property under capital lease, net of amortization	13,392,757	-
Loans receivable from component units	4,165,040	-
Deferred charges	10,657,072	3,077,290
Deferred outflow of resources	5,982,025	-
Total noncurrent assets	<u>871,067,189</u>	<u>127,378,260</u>
Total assets	<u>1,116,308,537</u>	<u>140,594,518</u>

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

Statement of Net Assets – Business-Type Activities and
Discretely Presented Component Units, continued

June 30, 2011

	<u>Business-Type Activities</u>	<u>Real Estate Limited Partnership Component Units</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,450,001	2,630,331
Accrued interest payable	1,713,673	6,562,223
Advances from primary government	-	19,228,271
Loans payable to Montgomery County – current	2,741,835	250,000
Mortgage notes and loans payable – current	23,250,555	2,951,147
Capitalized lease obligations – current	246,438	-
Total current unrestricted liabilities	<u>39,402,502</u>	<u>31,621,972</u>
Current liabilities payable from restricted assets:		
Customer deposits payable	3,717,142	676,229
Accrued interest payable	13,411,172	-
Bonds payable – current	74,977,121	-
Total current liabilities payable from restricted assets	<u>92,105,435</u>	<u>676,229</u>
Total current liabilities	<u>131,507,937</u>	<u>32,298,201</u>
Noncurrent liabilities:		
Bonds payable	661,716,639	-
Mortgage notes and loans payable	20,621,688	89,971,257
Loans payable to Montgomery County	60,053,139	13,736,497
Capitalized lease obligations	20,478,213	-
Deferred revenue	21,714,695	30,466
Escrow and other deposits	4,380,786	1,412,422
Interest rate swap	5,982,025	-
Total noncurrent liabilities	<u>794,947,185</u>	<u>105,150,642</u>
Total liabilities	<u>926,455,122</u>	<u>137,448,843</u>
Net Assets		
Invested in capital assets, net of related debt	29,990,548	(1,836,202)
Restricted for:		
Debt service	41,898,876	7,910,119
Customer deposits and other	13,162,312	29,585
Closing cost assistance program	996,159	-
Unrestricted	103,805,520	(2,957,827)
Total net assets	\$ <u>189,853,415</u>	<u>3,145,675</u>

See accompanying notes to financial statements.

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

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

Year ended June 30, 2011

	Business-Type Activities	Real Estate Limited Partnership Component Units
Operating revenues:		
Dwelling rental	\$ 57,304,024	17,181,503
Investment income	8,169,267	-
Unrealized losses on investments	(2,183,851)	-
Interest on mortgage and construction loans receivable	18,438,510	-
Management fees and other income	8,712,644	358,987
U.S. Department of Housing and Urban Development grants:		
Housing Assistance Payments (HAP)	78,529,266	-
HAP administrative fees	6,091,862	-
Other grants	10,889,692	-
State and County grants	10,069,139	-
Total operating revenues	196,020,553	17,540,490
Operating expenses:		
Housing Assistance Payments	79,201,987	-
Administration	34,412,838	2,770,962
Maintenance	14,834,381	4,256,700
Depreciation and amortization	16,075,783	5,258,116
Utilities	6,804,381	1,669,482
Fringe benefits	7,845,250	732,236
Interest expense	34,009,553	4,507,047
Other expenses	6,546,617	2,598,878
Bad debt expense	361,871	104,542
Total operating expenses	200,092,661	21,897,963
Operating income/(loss)	(4,072,108)	(4,357,473)
Nonoperating revenues (expenses):		
Investment income	609,386	17,751
State and County grants	131,020	-
Interest on mortgage and construction loans receivable	187,259	-
Interest expense	(138,314)	-
Other grants	37,219	51,996
Total nonoperating income	826,570	69,747
Income/(loss) before contributions and transfers	(3,245,538)	(4,287,726)
Capital contributions	3,283,006	3,191,143
Transfer of MHL P II & Ambassador Apartments	736,869	(1,269,985)
Change in net assets	774,337	(2,366,568)
Total net assets, beginning of year	189,079,078	5,512,243
Total net assets, end of year	\$ 189,853,415	3,145,675

See accompanying notes to financial statements.

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

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

Year ended June 30, 2011

	Business-Type Activities	Real Estate Limited Partnership Component Units
Cash flows from operating activities:		
Receipts from customers	\$ 78,068,164	18,056,385
Mortgage principal payments	(11,502,070)	-
Intergovernmental revenue	105,579,959	-
Investment income received	8,169,267	-
Mortgage interest received	17,244,142	-
Payments to suppliers	(41,387,765)	(9,691,970)
Payments to employees	(34,170,387)	(2,422,870)
Interest paid	(32,244,000)	(3,830,989)
Housing assistance payments	(79,201,987)	-
Net cash provided by operating activities	10,555,323	2,110,556
Cash flows from investing activities:		
Repayments of advances to component units	(95,256)	1,497,161
Repayment of advances by component units	1,244,266	-
Investments purchased	(45,785,653)	-
Investments sold	81,289,690	-
Investment income received	609,386	17,751
Investment in mortgages receivable	(6,863,387)	-
Mortgage interest received	116,499	-
Net cash provided by investing activities	30,515,545	1,514,912
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds	134,706,572	-
Bond repayments	(165,519,175)	-
Intergovernmental revenue	168,239	51,996
Net cash (used in) provided by noncapital financing activities	(30,644,364)	51,996
Cash flows from capital and related financing activities:		
Payments for property, equipment and committed financing fees	(48,050,632)	(1,719,504)
Proceeds from sale of property and equipment	26,553,770	1,847,612
Proceeds from new mortgage notes and loans payable	3,600,263	-
Payments on mortgage notes and loans payable	(196,337)	(2,871,118)
Proceeds from new loans payable to Montgomery County	9,424,580	-
Payments on loans payable to Montgomery County	(3,481,244)	(2,301,996)
Interest paid on mortgages	(138,314)	-
Proceeds received for FHA risk-sharing loss reserve	554,865	-
Payments on capital lease obligations	515,830	-
Capital contributions and transfers	4,019,875	1,921,158
Net cash (used in) capital and related financing activities	(7,197,344)	(3,123,848)
Net increase in cash and cash equivalents	3,229,160	553,616
Cash and cash equivalents, beginning of year	163,582,613	11,956,285
Cash and cash equivalents, end of year	\$ 166,811,773	12,509,901

(Continued)

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

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

Year ended June 30, 2011

	<u>Business-Type Activities</u>	<u>Real Estate Limited Partnership Component Units</u>
Reconciliation of cash and cash equivalents, end of year to amounts in the statement of net assets:		
Current unrestricted cash and cash equivalents	\$ 76,373,882	3,893,968
Restricted cash and cash equivalents:		
Restricted cash and cash equivalents	61,354,998	7,910,119
Current bonds payable	25,032,424	-
Customer deposits	4,050,469	705,814
Total cash and cash equivalents	<u>\$ 166,811,773</u>	<u>12,509,901</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (4,072,108)	(4,357,473)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	16,075,783	5,258,116
Unrealized losses on investments	2,183,851	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable and other assets	10,584,612	796,114
(Increase) decrease in mortgage and construction loans receivables	(5,678,172)	-
(Increase) decrease in accrued interest receivable	(927,050)	-
(Increase) decrease in deferred charges	(43,991)	(101,179)
Increase (decrease) in accounts payable	(9,755,264)	17,960
Increase (decrease) in deferred revenue	598,042	30,466
Increase (decrease) in accrued interest payable	1,765,806	676,058
Increase (decrease) in escrow and other deposits	(176,186)	(209,506)
Net cash provided by operating activities	<u>\$ 10,555,323</u>	<u>2,110,556</u>
Noncash items:		
Interest on capital appreciation bonds	\$ 1,881,572	-

See accompanying notes to financial statements.

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

Statement of Net Assets – Enterprise Funds

June 30, 2011

(with comparative totals for June 30, 2010)

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2011	2010
Current assets:								
Unrestricted:								
Cash and cash equivalents	\$ 28,768,142	24,239,688	6,456,303	15,896,071	1,013,678	-	76,373,882	73,235,802
Interfund receivable (payable)	(10,693,071)	19,587,208	(2,115,182)	(5,100,704)	(1,678,251)	-	-	-
Advances to component units	11,415,893	9,649,785	-	-	-	-	21,065,678	20,970,422
Accounts receivable and other assets	2,226,294	4,300,772	2,232,895	364,365	-	(1,497,053)	7,627,273	9,010,711
Accrued interest receivable	194,357	1,190,655	-	3,829,630	2,031,923	(799,033)	6,447,532	5,449,722
Mortgage and construction loans receivable, current	16,089,084	-	-	6,188,827	7,004,796	(19,437,177)	9,845,530	9,053,811
Total unrestricted current assets	<u>48,000,699</u>	<u>58,968,108</u>	<u>6,574,016</u>	<u>21,178,189</u>	<u>8,372,146</u>	<u>(21,733,263)</u>	<u>121,359,895</u>	<u>117,720,468</u>
Restricted cash and cash equivalents and investments:								
Restricted cash and cash equivalents	520,193	12,085,542	12,869,712	18,632,214	17,247,337	-	61,354,998	54,967,967
Restricted short-term investments	-	-	-	31,058,950	2,384,612	-	33,443,562	92,665,358
Current bonds payable	-	-	-	8,203,823	16,828,601	-	25,032,424	31,550,569
Customer deposits	-	1,886,048	2,164,421	-	-	-	4,050,469	3,828,275
Total restricted cash and cash equivalents and investments	<u>520,193</u>	<u>13,971,590</u>	<u>15,034,133</u>	<u>57,894,987</u>	<u>36,460,550</u>	<u>-</u>	<u>123,881,453</u>	<u>183,012,169</u>
Total current assets	<u>48,520,892</u>	<u>72,939,698</u>	<u>21,608,149</u>	<u>79,073,176</u>	<u>44,832,696</u>	<u>(21,733,263)</u>	<u>245,241,348</u>	<u>300,732,637</u>
Noncurrent assets:								
Restricted long-term investments	-	-	-	33,563,849	113,687,100	-	147,250,949	125,717,041
Mortgage and construction loans receivable, net of current portion	3,646,855	15,025,781	-	224,833,583	313,899,305	(191,751,843)	365,653,681	353,903,841
Capital assets, net of depreciation	7,592,682	261,161,838	63,837,809	-	-	(8,626,664)	323,965,665	318,150,036
Leased property under capital lease, net of amortization	400,688	12,992,069	-	-	-	-	13,392,757	13,787,310
Loans receivable from component units	4,165,040	-	-	-	-	-	4,165,040	5,409,306
Deferred charges	-	4,991,072	-	4,555,228	1,129,555	(18,783)	10,657,072	10,613,081
Deferred outflow of resources	-	-	-	3,032,988	2,949,037	-	5,982,025	7,348,632
Total noncurrent assets	<u>15,805,265</u>	<u>294,170,760</u>	<u>63,837,809</u>	<u>265,985,648</u>	<u>431,664,997</u>	<u>(200,397,290)</u>	<u>871,067,189</u>	<u>834,929,247</u>
Total assets	<u>\$ 64,326,157</u>	<u>367,110,458</u>	<u>85,445,958</u>	<u>345,058,824</u>	<u>476,497,693</u>	<u>(222,130,553)</u>	<u>1,116,308,537</u>	<u>1,135,661,884</u>

(Continued)

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND

(A Component Unit of Montgomery County, Maryland)

Statement of Net Assets – Enterprise Funds, continued

June 30, 2011

(with comparative totals for June 30, 2010)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2011	2010
Liabilities								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 2,972,828	5,769,902	1,793,786	762,478	1,648,060	(1,497,053)	11,450,001	12,004,093
Accrued interest payable	1,564	2,511,142	-	-	-	(799,033)	1,713,673	196,396
Loans payable to Montgomery County – current	-	2,741,835	-	-	-	-	2,741,835	2,762,493
Mortgage notes and loans payable – current	16,392,349	16,476,104	-	-	2,929,279	(12,547,177)	23,250,555	12,276,335
Capitalized lease obligations – current	243,757	2,681	-	-	-	-	246,438	161,466
Total current unrestricted liabilities	<u>19,610,498</u>	<u>27,501,664</u>	<u>1,793,786</u>	<u>762,478</u>	<u>4,577,339</u>	<u>(14,843,263)</u>	<u>39,402,502</u>	<u>27,400,783</u>
Current liabilities payable from restricted assets:								
Customer deposits payable	-	1,762,812	1,954,330	-	-	-	3,717,142	3,398,937
Mortgage notes and loans payable – current	-	-	-	6,890,000	-	(6,890,000)	-	-
Accrued interest payable	-	-	-	4,380,675	9,030,497	-	13,411,172	13,407,288
Bonds payable – current	-	-	-	34,884,017	40,093,104	-	74,977,121	104,626,741
Total current liabilities payable from restricted assets	<u>-</u>	<u>1,762,812</u>	<u>1,954,330</u>	<u>46,154,692</u>	<u>49,123,601</u>	<u>(6,890,000)</u>	<u>92,105,435</u>	<u>121,432,966</u>
Total current liabilities	<u>19,610,498</u>	<u>29,264,476</u>	<u>3,748,116</u>	<u>46,917,170</u>	<u>53,700,940</u>	<u>(21,733,263)</u>	<u>131,507,937</u>	<u>148,833,749</u>
Noncurrent liabilities:								
Bonds payable	-	-	-	269,412,810	392,303,829	-	661,716,639	662,634,978
Mortgage notes and loans payable	517,503	210,630,260	1,225,768	-	-	(191,751,843)	20,621,688	28,191,982
Loans payable to Montgomery County	4,483,883	55,569,256	-	-	-	-	60,053,139	54,089,145
Capitalized lease obligations	515,434	19,962,779	-	-	-	-	20,478,213	20,047,355
Deferred revenue	16,407,363	2,469,729	720,512	-	2,135,874	(18,783)	21,714,695	20,561,788
Escrow and other deposits	-	-	-	-	4,380,786	-	4,380,786	4,875,177
Interest rate swap	-	-	-	3,032,988	2,949,037	-	5,982,025	7,348,632
Total noncurrent liabilities	<u>21,924,183</u>	<u>288,632,024</u>	<u>1,946,280</u>	<u>272,445,798</u>	<u>401,769,526</u>	<u>(191,770,626)</u>	<u>794,947,185</u>	<u>797,749,057</u>
Total liabilities	<u>41,534,681</u>	<u>317,896,500</u>	<u>5,694,396</u>	<u>319,362,968</u>	<u>455,470,466</u>	<u>(213,503,889)</u>	<u>926,455,122</u>	<u>946,582,806</u>
Net Assets								
Invested in capital assets, net of related debt	7,234,179	(31,229,008)	62,612,041	-	-	(8,626,664)	29,990,548	26,296,666
Restricted for:								
Debt service	-	12,085,542	-	9,799,785	20,013,549	-	41,898,876	38,767,241
Customer deposits and other	-	123,236	13,039,076	-	-	-	13,162,312	12,490,371
Closing cost assistance program	996,159	-	-	-	-	-	996,159	741,671
Unrestricted (deficit)	14,561,138	68,234,188	4,100,445	15,896,071	1,013,678	-	103,805,520	110,783,129
Total net assets	<u>\$ 22,791,476</u>	<u>49,213,958</u>	<u>79,751,562</u>	<u>25,695,856</u>	<u>21,027,227</u>	<u>(8,626,664)</u>	<u>189,853,415</u>	<u>189,079,078</u>

See accompanying notes to financial statements.

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

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

Year ended June 30, 2011

(with comparative totals for June 30, 2010)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2011	2010
Operating revenues:								
Dwelling rental	\$ 688,132	51,128,455	5,487,437	-	-	-	57,304,024	51,602,384
Investment income	-	-	-	1,962,755	6,206,512	-	8,169,267	6,925,130
Unrealized gains (losses) on investments	-	-	-	(1,002,149)	(1,181,702)	-	(2,183,851)	3,848,207
Interest on mortgage and construction loans receivable	-	-	-	11,952,477	17,350,447	(10,864,414)	18,438,510	17,731,617
Management fees and other income	16,223,260	1,901,357	1,981,257	-	69,566	(11,462,796)	8,712,644	7,911,157
U.S. Department of Housing and Urban Development grants:								
Housing assistance payments (HAP)	-	-	78,529,266	-	-	-	78,529,266	75,384,843
HAP administrative fees	-	-	6,091,862	-	-	-	6,091,862	5,866,937
Other grants	-	-	10,889,692	-	-	-	10,889,692	11,254,618
State and County grants	-	-	10,069,139	-	-	-	10,069,139	10,629,223
Total operating revenues	<u>16,911,392</u>	<u>53,029,812</u>	<u>113,048,653</u>	<u>12,913,083</u>	<u>22,444,823</u>	<u>(22,327,210)</u>	<u>196,020,553</u>	<u>191,154,116</u>
Operating expenses:								
Housing Assistance Payments	-	-	79,201,987	-	-	-	79,201,987	74,850,432
Administration	10,417,672	9,300,139	18,001,948	2,888,235	2,123,121	(8,318,277)	34,412,838	34,285,500
Maintenance	927,159	9,784,286	4,109,268	-	13,668	-	14,834,381	14,202,508
Depreciation and amortization	1,017,998	10,362,117	4,695,668	-	-	-	16,075,783	15,658,584
Utilities	315,638	4,314,483	2,174,260	-	-	-	6,804,381	6,001,107
Fringe benefits	3,124,889	779,693	3,940,668	-	-	-	7,845,250	8,038,944
Interest expense	-	13,972,207	-	10,882,100	20,019,660	(10,864,414)	34,009,553	32,711,853
Other expenses	706,798	6,677,114	2,276,078	15,049	16,097	(3,144,519)	6,546,617	5,662,593
Bad debt expense	12,106	202,408	76,953	70,404	-	-	361,871	436,581
Total operating expenses	<u>16,522,260</u>	<u>55,392,447</u>	<u>114,476,830</u>	<u>13,855,788</u>	<u>22,172,546</u>	<u>(22,327,210)</u>	<u>200,092,661</u>	<u>191,848,102</u>
Operating income (loss)	\$ <u>389,132</u>	<u>(2,362,635)</u>	<u>(1,428,177)</u>	<u>(942,705)</u>	<u>272,277</u>	<u>-</u>	<u>(4,072,108)</u>	<u>(693,986)</u>

(Continued)

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

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

Year ended June 30, 2011

(with comparative totals for June 30, 2010)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2011	2010
Nonoperating revenues (expenses):								
Investment income	\$ 515,565	55,673	38,148	-	-	-	609,386	683,595
Interest on mortgage and construction loans receivable	110,358	76,901	-	-	-	-	187,259	141,505
Interest expense	(138,314)	-	-	-	-	-	(138,314)	(73,480)
Other grants	-	37,219	-	-	-	-	37,219	38,146
State and County grants	-	131,020	-	-	-	-	131,020	253,857
Total nonoperating income	487,609	300,813	38,148	-	-	-	826,570	1,043,623
Income (loss) before contributions and transfers	876,741	(2,061,822)	(1,390,029)	(942,705)	272,277	-	(3,245,538)	349,637
Capital contributions	-	-	3,283,006	-	-	-	3,283,006	3,749,082
Operating transfers in (out)	1,482,088	(279,656)	-	393,923	(1,596,355)	-	-	-
Transfer of MHLP II & Ambassador Apartments	-	736,869	-	-	-	-	736,869	-
Changes in net assets	2,358,829	(1,604,609)	1,892,977	(548,782)	(1,324,078)	-	774,337	4,098,719
Total net assets, beginning of year	20,432,647	50,818,567	77,858,585	26,244,638	22,351,305	(8,626,664)	189,079,078	184,980,359
Total net assets, end of year	\$ 22,791,476	49,213,958	79,751,562	25,695,856	21,027,227	(8,626,664)	189,853,415	189,079,078

See accompanying notes to financial statements.

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

Statement of Cash Flows – Enterprise Funds

Year ended June 30, 2011

(with comparative totals for June 30, 2010)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2011	2010
Cash flows from operating activities:								
Receipts from customers	\$ 18,041,101	58,052,517	8,767,189	-	69,566	(6,862,209)	78,068,164	59,932,173
Mortgage principle payments/receipts	-	-	-	(7,826,348)	(9,237,946)	5,562,224	(11,502,070)	(15,923,027)
Intergovernmental principal payments received	-	-	105,579,959	-	-	-	105,579,959	103,135,621
Investment income received	-	-	-	1,962,755	6,206,512	-	8,169,267	6,925,130
Mortgage interest received	-	-	-	10,890,591	17,217,839	(10,864,288)	17,244,142	17,168,904
Receipts from interfund services provided	4,157,007	-	-	399,036	-	-	4,556,043	3,679,964
Payments to suppliers	(3,522,141)	(24,866,752)	(16,380,469)	(1,946,909)	(1,533,703)	6,862,209	(41,387,765)	(34,159,880)
Payments to employees	(11,597,586)	(6,390,742)	(14,536,097)	(1,026,779)	(619,183)	-	(34,170,387)	(34,284,516)
Interest paid	(3,036)	(12,452,020)	-	(11,129,929)	(19,523,303)	10,864,288	(32,244,000)	(32,505,030)
Housing assistance payments	-	-	(79,201,987)	-	-	-	(79,201,987)	(74,850,432)
Payments to interfund services used	-	(810,899)	(2,197,756)	-	(1,547,388)	-	(4,556,043)	(3,679,964)
Net cash provided by (used in) operating activities	7,075,345	13,532,104	2,030,839	(8,677,583)	(8,967,606)	5,562,224	10,555,323	(4,561,057)
Cash flows from investing activities:								
Repayments of advances from (to) component units	867,165	(962,421)	-	-	-	-	(95,256)	(1,196,110)
Repayments of advances by component units	1,244,266	-	-	-	-	-	1,244,266	2,967,667
Investments purchased	-	-	-	(7,053,214)	(38,732,439)	-	(45,785,653)	(109,021,827)
Investments sold	-	-	-	28,277,168	53,012,522	-	81,289,690	11,044,458
Investment income received	515,565	55,673	38,148	-	-	-	609,386	683,595
Investment in mortgages receivable	(7,753,717)	890,330	-	-	-	-	(6,863,387)	(1,736,671)
Mortgage interest received	116,298	201	-	-	-	-	116,499	50,879
Net cash provided by (used in) investing activities	(5,010,423)	(16,217)	38,148	21,223,954	14,280,083	-	30,515,545	(97,208,009)
Cash flows from noncapital financing activities:								
Proceeds from sale of bonds	-	-	-	16,869,830	117,836,742	-	134,706,572	171,044,386
Bond repayments	-	-	-	(41,459,175)	(124,060,000)	-	(165,519,175)	(73,294,425)
Intergovernmental revenue	-	168,239	-	-	-	-	168,239	292,003
Net cash provided by (used in) noncapital financing activities	\$ -	168,239	-	(24,589,345)	(6,223,258)	-	(30,644,364)	98,041,964

(Continued)

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND

(A Component Unit of Montgomery County, Maryland)

Statement of Cash Flows – Enterprise Funds, continued

Year ended June 30, 2011

(with comparative totals for June 30, 2010)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2011	2010
Cash flows from capital and related financing activities:								
Payments for property, equipment and capital financing fees	\$ (963,897)	(39,810,972)	(7,275,763)	-	-	-	(48,050,632)	(36,524,807)
Proceeds from sale of property and equipment	18,399	24,200,999	2,334,372	-	-	-	26,553,770	19,044,921
Proceeds from new mortgage notes and loans payable	7,776,350	604,122	(489,236)	6,890,000	-	(11,180,973)	3,600,263	11,154,492
Payments on mortgage notes and loans payable	(1,774,839)	(3,826,110)	-	(197,936)	(16,201)	5,618,749	(196,337)	(22,122,749)
Proceeds from new loans payable to Montgomery County	1,020,748	8,403,832	-	-	-	-	9,424,580	11,868,806
Payments on loans payable to Montgomery County	-	(3,481,244)	-	-	-	-	(3,481,244)	(2,211,637)
Interest paid on mortgages	(138,314)	-	-	-	-	-	(138,314)	(73,480)
Proceeds received for FHA risk-sharing losses reserve	554,865	-	-	-	-	-	554,865	673,083
Payment of principal on capital lease obligations	518,319	(2,489)	-	-	-	-	515,830	(285,233)
Capital contributions and transfers	-	736,869	3,283,006	-	-	-	4,019,875	3,749,082
Net cash provided by (used in) capital and related financing activities	<u>7,011,631</u>	<u>(13,174,993)</u>	<u>(2,147,621)</u>	<u>6,692,064</u>	<u>(16,201)</u>	<u>(5,562,224)</u>	<u>(7,197,344)</u>	<u>(14,727,522)</u>
Net increase (decrease) in cash and cash equivalents	9,076,553	509,133	(78,634)	(5,350,910)	(926,982)	-	3,229,160	(18,454,624)
Cash and cash equivalents, beginning of year	<u>20,211,782</u>	<u>37,702,145</u>	<u>21,569,070</u>	<u>48,083,018</u>	<u>36,016,598</u>	<u>-</u>	<u>163,582,613</u>	<u>182,037,237</u>
Cash and cash equivalents, end of year	<u>\$ 29,288,335</u>	<u>38,211,278</u>	<u>21,490,436</u>	<u>42,732,108</u>	<u>35,089,616</u>	<u>-</u>	<u>166,811,773</u>	<u>163,582,613</u>
Reconciliation of cash and cash equivalents, end of year to amounts in the statement of net assets:								
Current unrestricted cash and cash equivalents	\$ 28,768,142	24,239,688	6,456,303	15,896,071	1,013,678	-	76,373,882	73,235,802
Restricted cash and cash equivalents:								
Restricted cash and cash equivalents	520,193	12,085,542	12,869,712	18,632,214	17,247,337	-	61,354,998	54,967,967
Current bonds payable	-	-	-	8,203,823	16,828,601	-	25,032,424	31,550,569
Customer deposits	-	1,886,048	2,164,421	-	-	-	4,050,469	3,828,275
Total cash and cash equivalents	<u>\$ 29,288,335</u>	<u>38,211,278</u>	<u>21,490,436</u>	<u>42,732,108</u>	<u>35,089,616</u>	<u>-</u>	<u>166,811,773</u>	<u>163,582,613</u>

(Continued)

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

Statement of Cash Flows – Enterprise Funds, continued

Year ended June 30, 2011

(with comparative totals for June 30, 2010)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2011	2010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 389,132	(2,362,635)	(1,428,177)	(942,705)	272,277	-	(4,072,108)	(693,986)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization	1,017,998	10,362,117	4,695,668	-	-	-	16,075,783	15,658,584
Unrealized losses (gains) on investments	-	-	-	1,002,149	1,181,702	-	2,183,851	(3,848,207)
Change in assets and liabilities:								
Decrease (increase) in accounts receivable and other assets	424,955	4,665,063	1,161,577	(316,592)	49,022	4,600,587	10,584,612	984,335
Decrease (increase) in mortgage and construction loans receivable	-	-	-	(7,568,021)	(3,672,375)	5,562,224	(5,678,172)	(15,093,182)
Decrease (increase) in accrued interest receivable	-	-	-	(745,294)	(181,630)	(126)	(927,050)	(563,448)
Decrease (increase) in deferred charges	-	174,021	-	191,357	(408,138)	(1,231)	(43,991)	(266,985)
Decrease (increase) in inter-fund receivable	4,157,007	(810,899)	(2,197,756)	399,036	(1,547,388)	-	-	-
(Decrease) increase in accounts payable	384,535	(199,371)	(337,391)	(449,684)	(4,552,766)	(4,600,587)	(9,755,264)	(686,787)
(Decrease) increase in deferred revenue	704,754	22,166	(19,833)	-	(110,276)	1,231	598,042	(99,750)
(Decrease) increase in accrued interest payable	(3,036)	1,520,188	-	(247,829)	496,357	126	1,765,806	239,959
(Decrease) increase in escrow and other deposits	-	161,454	156,751	-	(494,391)	-	(176,186)	(191,590)
Net cash provided by (used in) operating activities	\$ <u>7,075,345</u>	<u>13,532,104</u>	<u>2,030,839</u>	<u>(8,677,583)</u>	<u>(8,967,606)</u>	<u>5,562,224</u>	<u>10,555,323</u>	<u>(4,561,057)</u>

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, 2011

(1) Organization and Summary of Significant Accounting Policies

(a) Description of the Commission

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

Specific powers of the Commission include:

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

Housing activities sponsored by the Commission include:

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

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
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Notes to Financial Statements

June 30, 2011

- Section 8 Housing Assistance Payments 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 Section 8 Housing Choice Voucher program allows eligible families to obtain adequate rental housing while paying a minimum of 30% of their monthly income for rent;
- Opportunity Housing Program, which is a local program administered by the Commission for families of eligible income, and includes both sales and rental housing; and
- Tax Credit Partnerships, which provide rental housing for low and moderate income households. The Commission manages these properties and is a 1% or less general partner.

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

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

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

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

(b) *Financial Reporting Entity*

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

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

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

Notes to Financial Statements

June 30, 2011

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, 2011. Separate financial statements for the individual limited partnerships can be obtained from the Commission.

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

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

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

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

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

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
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Notes to Financial Statements

June 30, 2011

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

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

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

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

(d) Investments

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

(e) Mortgage and Construction Loans Receivable

Mortgage and construction loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of June 30, 2011, there were no reserves for loan losses, however the Commission has experienced an increase in loan foreclosures. Note 3, Mortgage and Construction Loans Receivable, provides detailed information about loans in foreclosure and 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.

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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.

(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, 2011 is \$113,336,956 which is collateralized primarily by the underlying properties. Management has established what it deems to be an adequate reserve of \$7,729,625 against this potential loss in excess of the value of the real estate securing the notes.

(g) *Grants/Contributions from Governmental Agencies*

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

(h) *Capital Assets*

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

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

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

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

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

The Commission charges commitment and financing fees to developers within the Multifamily Fund. Loan origination and commitment fees are deferred and recognized over the life of the related loan as an adjustment of yield. Net deferred fees are amortized to income in a manner approximating the effective interest method. The Commission also incurs cost of issuance expenses for the Single Family bond issues which are deferred and amortized over the life of the bonds. Net deferred fees amounted to \$5,684,783 at June 30, 2011 and are included in deferred charges on the statement of net assets. The Commission also annually receives loan monitoring fees for the ongoing costs of monitoring mortgages and bonds for compliance under the Multifamily Fund. These fees are recognized as earned and are included in management fees and other income in the accompanying statement of revenues, expenses and changes in net assets.

(j) *Bond Discounts and Premiums*

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

(k) *Bond Accretion*

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

(l) *Cash Equivalents*

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

(m) *Compensated absences and severance*

The Commission's policy provides for the accrual of annual leave only. The accrual is based on the employee's current leave balance and the current hourly rate of pay. The maximum number of hours per employee is 240. The outstanding annual leave accrual as of June 30, 2011 amounted to \$2,069,487 and is included in accounts payable and accrued liabilities in the accompanying statement of net assets.

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

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(n) Prior-Period Comparative Financial Information

The basic financial statements include certain prior-year partial comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2010, from which the partial information was derived.

(o) Accounting Changes

The Commission has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission is comprised of proprietary enterprise funds and has determined that GASB Statement No. 54 is not applicable.

(2) Cash, Cash Equivalents, and Investments

Business-Type Activities

A. Cash

The Commission's cash balances as of June 30, 2011 were entirely insured or collateralized with securities held by the Commission's agent in the Commission's name.

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Cash:		
General Fund	\$ 12,088,290	12,084,290
Opportunity Housing Fund	28,112,277	28,102,573
Public Fund	14,690,630	14,689,330
Total cash	<u>\$ 54,891,197</u>	<u>54,876,193</u>

B. Cash Equivalents & Investments

The General Fund cash and cash equivalents balance at June 30, 2011 includes \$520,193 of cash and cash equivalents restricted for closing cost programs. The Opportunity Housing Fund cash and cash equivalents balance at June 30, 2011 includes \$13,971,590 of cash and cash equivalents restricted in accordance with various loan agreements with agencies of the State of Maryland and Montgomery County, in bond indentures and security deposits. The Public Fund cash and cash equivalent balance includes \$15,034,133 as of June 30,

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2011, of security deposits, housing choice voucher funding and home ownership reserves restricted in accordance with the HUD regulations.

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

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

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

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

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

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described in (i) and (ii) above; (v) investment agreements; (vi) tax exempt obligations; and (vii) money market funds.

Custodial Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Amounts held in trust accounts and other demand accounts within the General Fund, the Opportunity Housing Fund and the Public Fund are covered by federal depository insurance, or collateralized at a level of at least 102% of market value of principal and accrued interest. The collateral is held by the bank's agent in the Commission's name with the exception of the repurchase agreement collateral for the MLGIP which is segregated and held in the name of PNC Banks 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, 2011 was P-1.

Amounts held in money market funds and investment agreements within the Multifamily and Single Family Funds are typically collateralized at 102% by either U.S. Treasuries or other government guaranteed securities. The Bond Indenture agreements permit investments in funds that contain agency debt which are not collateralized by U.S. Treasuries or other guaranteed government securities. As of June 30, 2011, the Commission held investments in agency securities which were not collateralized but were rated A, AA, Aa2, and AAA.

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As of June 30, 2011 the Commission had the following cash, cash equivalents, investments and maturities:

<u>Cash Equivalents</u>	<u>Fair Value</u>	<u>Ratings</u>
Cash equivalents:		
General Fund		
<i>Money Market Accounts</i>	\$ 17,200,045	N/A
Opportunity Housing Fund		
<i>Investment in Maryland Local</i>		
<i>Government Investment Pool</i>	444,925	AAAm
<i>Money Market Accounts</i>	9,654,076	N/A
Public Fund		
<i>Investment in Maryland Local</i>		
<i>Government Investment Pool</i>	3,797,699	AAAm
<i>Money Market Accounts</i>	3,002,107	N/A
Multifamily Fund		
<i>Money Market Accounts</i>	35,089,616	AAA
Single Family Fund		
<i>Money Market Accounts</i>	42,732,108	AAA
<i>Total cash equivalents</i>	\$ <u><u>111,920,576</u></u>	
Short-term Investments:		
Multifamily Fund		
<i>GNMA Pool</i>	\$ 775,960	AAA
<i>Freddie Mac</i>	1,608,652	AAA
Single Family Fund		
<i>USG GSE Global Escrow Agreement</i>	31,058,950	N/A
<i>Total short-term investments</i>	\$ <u><u>33,443,562</u></u>	

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As of June 30, 2011, the Commission had the following cash, cash equivalents, investments and maturities:

<u>Long Term Investments</u>	<u>Fair Value</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Rating</u>
Long-term Investments:					
Multifamily Fund					
<i>US Treasuries</i>	\$ 2,462,829	-	1,460,390	1,002,439	AAA
<i>Fannie Mae</i>	3,965,926	-	-	3,965,926	AAA
<i>Freddie Mac</i>	1,527,935	-	-	1,527,935	AAA
<i>GNMA Pool</i>	85,153,068	19,698,523	-	65,454,545	AAA
<i>Bank One Investment Agreement</i>	591,525	-	-	591,525	AA/Aa2
<i>Federal Farms</i>	2,674,532	-	-	2,674,532	AAA
<i>Bayerische</i>	17,311,285	17,311,285	-	-	AAA
Single Family Fund					
<i>Federal Farm Credit Banks</i>	6,071,207	-	-	6,071,207	AAA
<i>Federal Home Loan Banks</i>	7,801,645	-	-	7,801,645	AAA
<i>Freddie Mac</i>	1,502,000	-	-	1,502,000	AAA
<i>Fannie Mae</i>	940,240	-	-	940,240	AAA
<i>US Treasuries</i>	8,717,581	305,876	4,296,236	4,115,469	AAA
<i>Solomon Repurchase Agreement</i>	2,345,800	2,345,800	-	-	A
<i>Tennessee Valley Authority</i>	6,185,376	-	2,599,087	3,586,289	AAA
Total long-term investments	<u>147,250,949</u>	<u>39,661,484</u>	<u>8,355,713</u>	<u>99,233,752</u>	
<i>Cash balances</i>	<u>54,891,197</u>				
	<u>\$ 347,506,284</u>				
Reconciliation of cash, cash equivalents and investments to amounts in the statement of net assets:					
Current unrestricted cash and cash equivalents	\$ 76,373,882				
Restricted cash and cash equivalents	61,354,998				
Restricted short-term investments	33,443,562				
Restricted cash and cash equivalents for current liabilities	29,082,893				
Noncurrent restricted assets	147,250,949				
	<u>\$ 347,506,284</u>				

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C. Real Estate Limited Partnership Component Units

The Real Estate Limited partnership Component unit cash and cash equivalents balance as of December 31, 2010 were as follows:

	Carrying Amount	Bank Balances
Cash	\$ 6,497,830	\$ 6,493,917
	Fair Value	Rating
Cash Equivalents		
<i>Investment in Maryland Local Government Investment Pool</i>	\$ 1,487,934	AAAm
<i>Money Market Accounts</i>	4,524,137	N/A
	6,012,071	
Total Cash, Cash Equivalents and Investments	\$ 12,509,901	
Reconciliation of cash and cash equivalents to amounts in the statement of net assets:		
Current unrestricted cash and cash equivalents	\$ 3,893,968	
Restricted cash and cash equivalents for current liabilities	705,814	
Restricted cash and cash equivalents	7,910,119	
	\$ 12,509,901	

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

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(3) Mortgage and Construction Loans Receivable

Mortgage and construction loans receivable are secured by deeds of trust evidencing first mortgage liens on applicable real property and are either insured by private mortgage insurance, the U.S. Federal Housing Administration or the Maryland Housing Fund or are guaranteed by the U.S. Department of Veterans Affairs. Mortgage and construction loans receivable as of June 30, 2011 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
General Fund		
Closing Cost Assistance Loans	5.00% \$	2,675,785
		<u>2,675,785</u>
Opportunity Housing Fund		
Home-Ownership Assistance Loan Fund (HALF)	4.500 to 6.500%	29,267
Rental Assistance Security Deposit Loan	—	8,172
Metropolitan of Bethesda Limited Partnership	—	1,142,000
Strathmore Court Associates Limited Partnership	—	1,000,000
Barclay One LP & Development Corporation	—	5,347,969
Spring Garden One Associates Limited Partnership	—	3,274,431
		<u>10,801,839</u>
Multifamily Fund		
Metropolitan of Bethesda Limited Partnership	6.38%	6,548,483
Landings Edge	4.95%	5,758,013
Strathmore Court at White Flint - B	7.62%	4,339,184
Dring's Reach	4.75%	6,317,049
TC IX Pond Ridge	6.30%	1,736,868
TC IX MPDU's	6.30%	2,963,957
Silver Spring House	6.35%	2,002,682
Shady Grove	5.20%	6,471,831

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Argent	0.85%	\$ 12,900,000
Willows	5.20%	4,440,974
Manchester	5.20%	1,943,879
Tax Credit X	6.20%	3,299,787
Ring House	6.10%	15,149,572
Stewartown	6.20%	3,614,645
Georgian Court	6.20%	4,652,570
Charter House	6.02%	12,964,711
Rockville Housing	5.21%	3,682,766
Barclay	4.55%	6,214,318
Spring Gardens	4.55%	6,294,292
Forest Oak	4.93%	16,879,321
Metro Pointe LP	6.50%	2,929,279
		<u>131,104,181</u>
Less deferred commitment fees		<u>(105,004)</u>
		130,999,177
Single Family Fund		
Mortgage loans receivable, net	4.000 to 13.445%	<u>231,022,410</u>
Total		<u>\$ 375,499,211</u>

As of June 30, 2011, the amounts available or committed for additional advances or new loans are \$1,497,053 and \$6,746,305 for the Multi-Family Fund and the Single Family Fund, respectively.

Included in the mortgage and construction loans receivable balance of the General Fund at June 30, 2011 are interfund mortgage loans receivable from the Opportunity Housing Fund, the Public Fund, the Single Family Fund and the Multifamily Bond Fund amounting to \$17,060,154 which has been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$336,663 for the year ended June 30, 2011 has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Opportunity Housing Fund at June 30, 2011 are interfund mortgage loans receivables from the Opportunity Housing Revolving Fund (an internal capital fund) amounting to \$4,223,942, which has been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$12,870 for the year ended June 30, 2011 has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Multifamily Fund are interfund mortgage loans receivable from the Opportunity Housing Fund amounting to \$189,904,924 as of June 30, 2011, which have been eliminated. The related interest revenue, amounting to \$10,514,881 for the year ended June 30, 2011 has also been eliminated.

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

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Single Family Fund

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

During fiscal year 2011 the Commission experienced an increase in the number of Single Family mortgage loans in foreclosure and Real Estate Owned (REO) status. As of June 30, 2011, approximately \$10.5 million Single Family mortgage loans were in various stages of the loan foreclosure status. An additional \$7.2 million were in REO status. During fiscal year 2011 the Commission incurred approximately \$70,000 in loan losses as a result of Single Family mortgage loan disposition.

Management takes into consideration the potential for loan losses based on the number of loans in foreclosure and REO status against the sale proceeds from properties sold and mortgage insurance received in determining if an allowance for loan losses is necessary. It employs an active loss mitigation process to ensure that servicer activities are monitored and losses to the Commission are minimized. Based on the history of loan losses and the potential exposure to the Commission after sales proceeds and mortgage insurance receipts, the Commission does not believe that an allowance for loan losses is necessary at this time. Further, based on prior analysis, losses are not expected to reach a material threshold for establishing an allowance at this time. The following table provides a breakdown of foreclosures and REO's by type of mortgage loan as of June 30, 2011.

<u>Status</u>	<u>Principal</u> <u>FHA</u>	<u>Interest</u> <u>Receivable</u>	<u>Principal</u> <u>Conventional</u>	<u>Interest</u> <u>Receivable</u>	<u>Total</u>
Foreclosure	\$ 1,619,428	\$ 64,035	\$ 8,333,057	\$ 460,352	\$ 10,476,872
REO	<u>1,983,240</u>	<u>126,491</u>	<u>4,720,497</u>	<u>387,620</u>	<u>7,217,848</u>
Total	3,602,668	190,526	13,053,554	847,972	17,694,720

Total Single Family Mortgage loans outstanding as of June 30, 2011					\$ 231,022,410
Percentage of loans in Foreclosure & REO status to outstanding mortgage loans		1.64%		6.02%	7.66%

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(4) Capital Assets

(a) Capital Assets by Proprietary Fund

The Commission's capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Land:				
General Fund	\$ 3,447,287	-	-	3,447,287
Opportunity Housing Fund	32,353,340	1,835,803	-	34,189,143
Public Fund	16,178,280	-	3,129	16,175,151
Total land	<u>51,978,907</u>	<u>1,835,803</u>	<u>3,129</u>	<u>53,811,581</u>
Site improvements:				
Public Fund	2,945,910	-	-	2,945,910
Accumulated depreciation	(2,922,421)	(3,704)	-	(2,926,125)
Total site improvements, net	<u>23,489</u>	<u>(3,704)</u>	<u>-</u>	<u>19,785</u>
Building and improvements:				
General Fund	4,807,925	194,316	-	5,002,241
Accumulated depreciation	(2,207,297)	(171,105)	-	(2,378,402)
Opportunity Housing Fund	281,944,146	32,219,961	3,935,964	310,228,143
Accumulated depreciation	(84,239,580)	(13,943,808)	(131,677)	(98,051,711)
Public Fund	97,137,958	2,232,301	32,000	99,338,259
Accumulated depreciation	(57,513,122)	(4,628,864)	(27,443)	(62,114,543)
Total building and improvements, net	<u>239,930,030</u>	<u>15,902,801</u>	<u>3,808,844</u>	<u>252,023,987</u>
Furniture and equipment:				
General Fund	7,834,917	364,731	18,399	8,181,249
Accumulated depreciation	(6,112,508)	(622,196)	(24,495)	(6,710,209)
Opportunity Housing Fund	7,734,546	2,039,346	-	9,773,892
Accumulated depreciation	(4,201,695)	(1,130,909)	-	(5,332,604)
Public Fund	4,175,232	-	605,000	3,570,232
Accumulated depreciation	(3,349,988)	(63,099)	-	(3,413,087)
Total furniture and equipment, net	<u>6,080,504</u>	<u>587,873</u>	<u>598,904</u>	<u>6,069,473</u>
Construction in progress:				
Opportunity Housing Fund	13,196,867	8,796,479	20,265,035	1,728,311
Public Fund	6,940,239	5,016,018	1,694,245	10,262,012
General Fund	-	50,516	-	50,516
Total construction in progress	<u>20,137,106</u>	<u>13,863,013</u>	<u>21,959,280</u>	<u>12,040,839</u>
Total capital assets, net	<u>\$ 318,150,036</u>	<u>32,185,786</u>	<u>26,370,157</u>	<u>323,965,665</u>

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Included in operating properties for the Opportunity Housing Fund is an interfund elimination for interest paid to the Multifamily Fund amounting to \$8,626,664 as of June 30, 2011, which was capitalized during construction of the property.

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

Included in the Component Units section of the Commission's financial statements for fiscal year 2011 is the Ambassador Apartments Project, a 162 unit moderate income housing project located in Wheaton, Maryland with approximately \$6.1 million in total assets and \$118,351 in net losses through June 30, 2010. In July 2010 the Commission transferred ownership of the property to the Opportunity Housing Fund. As a result, the Ambassador Apartments total assets of \$6.1 million are included in both the Component Units section and the Opportunity Housing Fund for the fiscal year 2011 Commission financial statements. In addition a net loss of \$103,836 is reported in the Opportunity Housing Fund for the period of July 1, 2010 through June 30, 2011.

(b) Capital Lease

In September 2010, the Commission entered into a Master Equipment Lease Purchase Agreement with Banc of America Public Capital Corp with an interest rate of 2.99%. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 5 year term, with an option to purchase the equipment upon expiration of the lease for \$1.00. The Commission has the following General Fund capital lease obligation as of June 30, 2011.

Outstanding beginning of year	Issued this year	Retired this year	Outstanding end of year	Amount due within one year
\$ <u>-</u>	<u>750,000</u>	<u>72,703</u>	<u>677,297</u>	<u>161,863</u>

Year ending June 30,	Future minimum payments
2012	\$ 180,913
2013	180,913
2014	180,913
2015	180,913
Total payments	<u>723,652</u>
Less interest	<u>(46,355)</u>
	677,297
Less: current portion	<u>(161,863)</u>
Long-term portion	<u>\$ 515,434</u>

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In July 2006, the Commission entered into a lease purchase agreement with Bank of America for equipment with an interest rate of 4.0209%. The lease qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 5 year term, with an option to purchase the equipment upon expiration of the lease for \$1.00. The Commission has the following General Fund capital lease obligation as of June 30, 2011.

	Outstanding beginning of year	Issued this year	Retired this year	Outstanding end of year	Amount due within one year
\$	<u>240,872</u>	<u>-</u>	<u>158,978</u>	<u>81,894</u>	<u>81,894</u>

Future minimum lease payments under the General Fund lease are as follows:

Year ending June 30,	Future minimum payments
2012	<u>83,540</u>
Total payments	83,540
Less interest	<u>(1,646)</u>
	81,894
Less: current portion	<u>(81,894)</u>
Long-term portion	<u>\$ -</u>

In August 1997, the Commission entered into a lease agreement for building and land with an interest rate of 7.50%. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 99-year-term, with an option to purchase the land and building after 20 years for approximately \$20,000,000. The Commission has the following Opportunity Housing Fund capital lease obligation as of June 30, 2011.

	Outstanding beginning of year	Issued this year	Retired this year	Outstanding end of year	Amount due within one year
\$	<u>19,967,949</u>	<u>—</u>	<u>2,489</u>	<u>19,965,460</u>	<u>2,681</u>

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Future minimum rentals under the lease are as follows:

Year ending June 30,	<u>Future minimum rentals</u>
2012	\$ 1,763,471
2013	1,763,471
2014	1,763,471
2015	1,763,471
2016	1,763,471
2017 - 2021	8,817,357
2022 - 2026	8,817,357
2027 - 2031	8,817,357
2032 - 2036	8,817,357
2037 - 2041	8,817,357
2042 - 2046	8,817,357
2047 - 2051	8,817,357
2052 - 2056	8,817,357
2057 - 2061	8,817,357
2062 - 2066	8,817,357
2067 - 2071	8,817,357
2072 - 2076	8,817,357
2077 - 2081	8,817,357
2082 - 2086	8,817,357
2087 - 2091	8,817,357
2092 - 2096	8,817,357
2097 - 2098	<u>147,072</u>
Total payments	150,042,139
Less interest	<u>(130,076,679)</u>
	19,965,460
Less: current portion	<u>(2,681)</u>
Long-term portion	<u>\$ 19,962,779</u>

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

Westwood Towers	\$ 19,987,798
Less accumulated amortization	<u>(6,995,729)</u>
	<u>\$ 12,992,069</u>

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The Commission's capital lease activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Fund:				
<i>General Fund</i>				
Furniture and equipment	\$ 1,165,760	329,835	-	1,495,595
Accumulated amortization	<u>(870,214)</u>	<u>(224,693)</u>	-	<u>(1,094,907)</u>
Total furniture and equipment - General Fund	295,546	105,142	-	400,688
<i>Opportunity Housing Fund</i>				
Building and improvements	19,987,798	-	-	19,987,798
Accumulated amortization	<u>(6,496,034)</u>	<u>(499,695)</u>	-	<u>(6,995,729)</u>
Total Building and improvements - Opportunity Housing Fund	<u>13,491,764</u>	<u>(499,695)</u>	-	<u>12,992,069</u>
Total capital leases, net	\$ <u>13,787,310</u>	<u>(394,553)</u>	-	<u>13,392,757</u>

(c) Component Unit Capital Assets

<u>Real estate limited partnerships component units</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 18,646,780	633,153	-	19,279,933
Building and improvements	151,873,921	782,458	(3,907,406)	148,748,973
Furniture and equipment	5,106,126	133,648	(227,675)	5,012,099
Total accumulated depreciation	<u>(45,939,633)</u>	<u>(5,087,871)</u>	<u>2,287,469</u>	<u>(48,740,035)</u>
Net component unit capital assets	\$ <u>129,687,194</u>	<u>(3,538,612)</u>	<u>(1,847,612)</u>	<u>124,300,970</u>

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(5) Advances to Real Estate Partnership Component Units

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

- Include ground rent to be paid by the Partnerships to the Commission's General Fund. Ground rent for the year ended June 30, 2011, amounted to \$688,119.
- Extend from 45 to 65 years, and call for annual ground rent payments with fixed and variable upward adjustments on January 1 of each calendar year.
- Include management fees of 6.0% of monthly rental collections. Management fees paid to the Commission for the year ended June 30, 2011, amounted to \$249,166.

Due to differences in fiscal year ends, Advances to Component Units differ from Advances from the Primary Government at June 30, 2011.

(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, 2011:

	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multi family Fund</u>	<u>Total</u>
Accounts receivable:						
U.S. Department of Housing and Urban Development \$	—	—	542,246	—	—	542,246
Montgomery County, Maryland	—	107,668	461,063	—	—	568,731
Other	1,963,375	908,627	1,229,586	289,884	—	4,391,472
Other assets	<u>262,919</u>	<u>1,787,424</u>	<u>—</u>	<u>74,481</u>	<u>—</u>	<u>2,124,824</u>
	<u>\$ 2,226,294</u>	<u>2,803,719</u>	<u>2,232,895</u>	<u>364,365</u>	<u>—</u>	<u>7,627,273</u>

Included in the accounts receivable and other assets balance of the Opportunity Housing Fund are interfund accounts receivable from the Multifamily Fund amounting to \$1,497,053 as of June 30, 2011, which have been eliminated upon consolidation.

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(7) Interfund Receivables, Payables, and Transfers

Interfund receivables and payables result from cash collections and disbursements for all funds being processed through the General Fund. All amounts are expected to be repaid within one year. The composition of interfund balances as of June 30, 2011, is as follows:

Due to / from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Opportunity Housing Fund	General Fund	\$ 19,587,208
General Fund	Public Fund	(2,115,182)
General Fund	Multifamily Fund	(1,678,251)
General Fund	Single Family Fund	(5,100,704)
		<u>\$ 10,693,071</u>

Due to / from primary government and component units:

<u>Receivable entity</u>	<u>Payable entity</u>	<u>Amount</u>
Primary government – General Fund	Component units - tax credit limited partnerships	\$ 15,580,933
Opportunity Housing Fund	Component units - tax credit limited partnerships	9,649,785
		<u>\$ 25,230,718</u>

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

Interfund transfers:

	<u>Transfer in General Fund</u>
Transfer (in) out:	
Opportunity Housing Fund	\$ 279,656
Public Fund	—
Single Family Fund	(393,923)
Multifamily Fund	1,596,355
Net transfers in: General Fund	<u>\$ 1,482,088</u>

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

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

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

Interest rates on bonds payable ranged from 0.35% to 11.25% as of June 30, 2011.

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(a) Bonds Payable

The Commission has the following bonds payable outstanding as of June 30, 2011:

	Outstanding beginning of year	Issued this year	Retired this year	Outstanding end of year	Amount due within one year
Single Family Fund:					
1998 Series A – Accretio \$	30,140,778	1,702,833	3,049,175	28,794,436	1,774,017
2001 Series A	1,555,000	—	540,000	1,015,000	105,000
2002 Series A	3,155,000	—	1,030,000	2,125,000	180,000
2002 Series B – Accretions	2,790,801	166,997	—	2,957,798	—
2002 Series C	16,890,000	—	—	16,890,000	—
2004 Series A	11,550,000	—	1,505,000	10,045,000	10,000
2004 Series B	1,310,000	—	625,000	685,000	335,000
2005 Series A	13,710,000	—	1,860,000	11,850,000	60,000
2005 Series B	3,060,000	—	1,790,000	1,270,000	5,000
2005 Series C	8,690,000	—	1,185,000	7,505,000	215,000
2005 Series D	10,240,000	—	2,340,000	7,900,000	320,000
2006 Series A	14,880,000	—	2,050,000	12,830,000	10,000
2006 Series B	9,830,000	—	2,600,000	7,230,000	280,000
2007 Series A	13,005,000	—	1,840,000	11,165,000	55,000
2007 Series B	18,330,000	—	3,395,000	14,935,000	25,000
2007 Series C	1,000,000	—	—	1,000,000	—
2007 Series D	18,080,000	—	2,795,000	15,285,000	10,000
2007 Series E	13,000,000	—	—	13,000,000	—
2007 Series F	10,000,000	—	—	10,000,000	—
2008 Series A	11,675,000	—	4,215,000	7,460,000	30,000
2008 Series B	3,295,000	—	310,000	2,985,000	—
2008 Series C	8,450,000	—	—	8,450,000	—
2008 Series D	17,200,000	—	—	17,200,000	—
2009 Series A	19,825,000	—	975,000	18,850,000	15,000
2009 Series A	10,000,000	—	335,000	9,665,000	175,000
2009 Series B	15,000,000	—	20,000	14,980,000	—
2009 Series C	40,000,000	—	9,000,000	31,000,000	31,000,000
2009 Series C-1	—	9,000,000	—	9,000,000	—
2010 Series A	—	6,000,000	—	6,000,000	280,000
	<u>326,661,579</u>	<u>16,869,830</u>	<u>41,459,175</u>	302,072,234	<u>34,884,017</u>
Less: unamortized premium	<u>2,099,249</u>			<u>2,224,593</u>	
	<u>\$ 328,760,828</u>			<u>\$ 304,296,827</u>	

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	Outstanding beginning of year	Issued this year	Retired this year	Outstanding end of year	Amount due within one year
Multifamily Fund Bonds:					
1992 Series C	\$ 2,580,000	—	115,000	2,465,000	120,000
1993 Issue II	570,000	—	570,000	—	—
1984 Series A – Accretions	101,537	11,742	—	113,279	13,104
1995 Series A	2,885,000	—	140,000	2,745,000	145,000
1996 Series A	2,740,000	—	95,000	2,645,000	100,000
1996 Series B	3,080,000	—	3,080,000	—	—
1998 Issue A	10,165,000	—	340,000	9,825,000	355,000
1998 Series A	9,790,000	—	265,000	9,525,000	280,000
1998 Series B	14,480,000	—	560,000	13,920,000	585,000
2000 Series A	16,555,000	—	415,000	16,140,000	440,000
2000 Series B	24,460,000	—	640,000	23,820,000	670,000
2001 Series A	7,720,000	—	90,000	7,630,000	90,000
2002 Series A	21,550,000	—	460,000	21,090,000	480,000
2002 Series C	12,965,000	—	—	12,965,000	—
2002 Series A	7,355,000	—	175,000	7,180,000	185,000
2002 Series B	29,265,000	—	505,000	28,760,000	490,000
2003 Series A	17,825,000	—	435,000	17,390,000	445,000
2003 Series B	17,230,000	—	205,000	17,025,000	210,000
2004 Series A	13,195,000	—	260,000	12,935,000	265,000
2004 Series B	3,910,000	—	45,000	3,865,000	45,000
2004 Series C	18,120,000	—	415,000	17,705,000	430,000
2004 Series D	13,150,000	—	295,000	12,855,000	305,000
2005 Series B	5,590,000	5,440,000	5,590,000	5,440,000	160,000
2005 Series C	29,290,000	28,630,000	29,290,000	28,630,000	690,000
2007 Series A	18,390,000	—	350,000	18,040,000	365,000
2007 Series B	25,640,000	—	25,640,000	—	—
2007 Series B-1	—	22,085,000	—	22,085,000	530,000
2007 Series B-2	—	3,020,000	—	3,020,000	75,000
2007 Series C	7,595,000	—	7,595,000	—	—
2007 Series C-1	—	5,110,000	—	5,110,000	230,000
2007 Series C-2	—	2,190,000	—	2,190,000	95,000
2008 Series A	13,355,000	—	—	13,355,000	—
2009 Issue A	32,295,000	—	—	32,295,000	32,295,000
2009 Series A	46,490,000	—	46,490,000	—	—
2009 Series A-1	—	38,450,000	—	38,450,000	—
2009 Series A-2	—	8,040,000	—	8,040,000	—
2010 Series A	—	4,860,000	—	4,860,000	—
2010 Series A	12,375,000	—	—	12,375,000	—
	<u>440,711,537</u>	<u>117,836,742</u>	<u>124,060,000</u>	<u>434,488,279</u>	<u>40,093,104</u>
Less: unamortized discount	(2,210,646)			(2,091,346)	
	<u>\$ 438,500,891</u>			<u>\$ 432,396,933</u>	

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b) Mortgage Notes and Loans Payable

The Commission has the following Opportunity Housing Fund and General Fund mortgage notes and loans payable as of June 30, 2011:

	<u>Outstanding beginning of year</u>	<u>Issued this year</u>	<u>Retired this year</u>	<u>Outstanding end of year</u>	<u>Amount due within one year</u>
Opportunity Housing Fund:					
Paint Branch Townhouses	\$ 142,462	—	34,672	107,790	37,532
State Partnership Rental Programs	8,795,567	—	—	8,795,567	—
State Partnership VII	4,712,864	—	—	4,712,864	—
Alexander House	75,000	—	75,000	—	—
Diamond Square	2,000,000	—	—	2,000,000	—
The Glen	1,211,707	—	—	1,211,707	—
Tanglewood	85,000	—	7,500	77,500	7,500
Paddington Square	6,864,770	—	129,351	6,735,419	6,735,419
Dale Drive	600,000	—	—	600,000	—
Montgomery Arms	131,550	—	3,692	127,858	3,805
Kings Farm	3,215,142	—	3,215,142	—	—
Barclay Development Corp.	2,456,567	—	—	2,456,567	—
Ambassador Apartments	—	604,122	—	604,122	73,950
	<u>30,290,629</u>	<u>604,122</u>	<u>3,465,357</u>	<u>27,429,394</u>	<u>6,858,206</u>
General Fund:					
Line of Credit with PNC Bank	8,646,180	8,040,000	293,831	16,392,349	16,392,349
Tax Credit IX	50,500	—	—	50,500	—
Stewartown CDA Loan	1,481,008	—	1,481,008	—	—
	<u>10,177,688</u>	<u>8,040,000</u>	<u>1,774,839</u>	<u>16,442,849</u>	<u>16,392,349</u>
Total mortgage notes and loans payable	\$ <u>40,468,317</u>	<u>8,644,122</u>	<u>5,240,196</u>	<u>43,872,243</u>	<u>23,250,555</u>

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Interest rates on mortgage notes and loans payable ranged from Libor plus 90 basis points to 6.88% as of June 30, 2011.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Fund at June 30, 2011 are interfund mortgage loans payable to the Multi-Family Fund amounting to \$189,904,924 which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$10,514,881 for the year ended June 30, 2011 have also been eliminated.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Fund at June 30, 2011 are interfund mortgage loans payable to the General Fund amounting to \$6,015,108, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$307,593 for the year ended June 30, 2011 have also been eliminated.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Fund at June 30, 2011 are interfund mortgage loans payable to the OHRF Fund amounting to \$3,756,939, which have been eliminated in the accompanying financial statements. The related interest expense amounting to \$12,870 for the year ended June 30, 2011 have also been eliminated.

Included in the mortgage notes and loans payable balance of the General Fund at June 30, 2011 are interfund mortgage loans payable to the Opportunity Housing Fund amounting to \$467,003, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$12,870 for the year ended June 30, 2011 have also been eliminated.

Included in the mortgage notes and loans payable balance of the Public Fund at June 30, 2011 are interfund mortgage loans payable to the General Fund amounting to \$1,225,768, which have been eliminated in the accompanying financial statements.

Included in the mortgage notes and loans payable balance of the Single Family Fund and the Multifamily Fund are interfund mortgage notes and loans payable to the General Fund amounting to \$6,890,000 and \$2,929,279, respectively, which have been eliminated in the accompanying financial statements. The related interest expense, amounting \$29,070 for the Multifamily loan for the year ended June 30, 2011 have also been eliminated.

On June 1, 2011 the Commission increased the variable rate balance loan agreement with PNC Bank for an amount not to exceed \$50,000,000. A portion of the loan in the principal amount not to exceed \$5,000,000 may be used for working capital purposes. The proceeds of each advance of the PNC Bank loan shall be used solely for the purposes of providing interim financing of the costs of existing residential properties and land acquired by the Commission for future development and for working capital of the Commission. Interest is payable monthly for tax exempt borrowings at 60% of the prime rate and for taxable borrowings at LIBOR plus 90 basis points. The one-month LIBOR rate as of June 30, 2011 was .186 basis points. At June 30, 2011, the Commission had approximately \$16,392,349 due under this arrangement. The promissory note has a termination date of June 29, 2012.

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On July 1, 2010 the Commission converted into long-term securities \$38,450,000 of Multifamily Housing Bonds that were escrowed pursuant to the NIBP Series A-1. The proceeds of these bonds were used to fund a mortgage loan for the Galaxy Apartments, a 195-unit development that is currently under construction in southern Silver Spring.

On July 29, 2010, the Commission also converted to long-term securities the remaining NIBP bonds totaling \$8,040,000 and used the proceeds along with the public sale of \$4,860,000 in tax-exempt bonds to fund a \$12,900,000 mortgage that financed the acquisition and construction of the Argent Apartments, also located in southern Silver Spring. The bonds are named Multifamily Housing Bonds 2009 Series A-2 and 2010 Series A. The financing of these two developments enabled the Commission to fully utilize the total amount of its NIBP multifamily allocation and successfully convert the entire \$46,490,000 of bonds that were issued in escrow in 2009 pursuant to the Multifamily Housing Bond Resolution. The financings will add 291 new rental units to the market, 178 of which will serve households with incomes at or below 60% of the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area Median Income (AMI).

On November 2, 2010 the Commission converted to long-term securities \$9,000,000 of Single Family Housing Revenue Bonds that were escrowed pursuant to the NIBP 2009 Series C-1 and used the proceeds along with the public sale of \$6,000,000 in bonds to make moneys available to purchase new mortgage loans.

In December 2010 the Commission remarketed Multifamily Housing Development Bonds (HDB) 2005 Series B (Non-AMT) for \$5,440,000, 2005 Series C (Non-AMT) for \$28,630,000, 2007 Series B-1 (Non-AMT) for \$22,085,000, 2007 Series B-2 (Non-AMT) for \$3,020,000, 2007 Series C-1 (Non-AMT) for \$5,110,000 and 2007 Series C-2 for \$2,190,000. This transaction retired approximately \$66.5 million of HDB that were previously issued as weekly floating rate Variable Rate Demand Obligation (VRDO) bonds that were remarketed into a two-year mode and purchased by Wells Fargo following the financial market dislocation in 2008 and the inability to obtain liquidity support for VRDO bonds. The remarketing converted \$61.3 into long-term fixed rate bonds. The remaining \$5.2 million was remarketed as weekly floating VRDO bonds with liquidity support provided by PNC Bank, N.A.

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(c) *Maturities*

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

	Principal				Combined
	General Fund Notes Payable	Opportunity Housing Fund Notes Payable	Multifamily Fund Bonds & Notes Payable	Single Family Fund Notes Payable	
Years ending June 30,					
2012	\$ 16,392,349	6,858,206	40,093,104	34,884,017	98,227,676
2013	—	129,029	8,439,620	9,290,000	17,858,649
2014	—	121,271	8,716,304	10,250,000	19,087,575
2015	50,500	95,025	9,348,199	10,570,000	20,063,724
2016	—	98,548	10,775,299	10,770,000	21,643,847
2017 - 2021	—	263,976	55,447,640	33,075,000	88,786,616
2022 - 2026	—	29,781	65,463,113	24,937,795	90,430,689
2027 - 2031	—	31,691	75,795,000	61,630,422	137,457,114
2032 - 2036	—	625,184	77,245,000	23,775,000	101,645,184
2037 - 2041	—	—	48,665,000	82,890,000	131,555,000
2042 - 2046	—	—	24,840,000	—	24,840,000
2047 - 2051	—	—	8,830,000	—	8,830,000
2052 - 2056	—	—	830,000	—	830,000
Upon sale or refinance of property	—	19,176,682	—	—	19,176,682
	<u>16,442,849</u>	<u>27,429,393</u>	<u>434,488,279</u>	<u>302,072,234</u>	<u>780,432,755</u>
Less unamortized bond discount/premium	—	—	(2,091,346)	2,224,593	133,247
	<u>\$ 16,442,849</u>	<u>27,429,393</u>	<u>432,396,933</u>	<u>304,296,827</u>	<u>780,566,002</u>

	Interest				Combined
	General Fund Notes Payable	Opportunity Housing Fund Notes Payable	Multifamily Fund Bonds Payable	Single Family Fund Notes Payable	
Years ending June 30,					
2012	\$ 188,512	307,963	16,872,425	7,239,739	24,608,639
2013	—	27,627	15,930,680	6,906,532	22,864,839
2014	—	21,135	15,649,891	6,558,792	22,229,818
2015	—	16,833	15,372,603	6,183,471	21,572,907
2016	—	13,310	15,148,140	5,790,975	20,952,425
2017 - 2021	—	23,838	70,775,784	23,968,861	94,768,483
2022 - 2026	—	10,663	58,567,523	19,649,534	78,227,720
2027 - 2031	—	6,253	46,592,535	14,095,706	60,694,494
2032 - 2036	—	1,399	25,162,661	11,401,165	36,565,225
2037 - 2041	—	—	14,340,830	5,039,737	19,380,567
2042 - 2046	—	—	6,417,133	—	6,417,133
2047 - 2051	—	—	1,236,142	—	1,236,142
2052 - 2056	—	—	16,268	—	16,268
Upon sale of property	—	—	—	—	—
	<u>\$ 188,512</u>	<u>429,021</u>	<u>302,082,615</u>	<u>106,834,512</u>	<u>409,534,660</u>

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(d) Derivative Instruments

At June 30, 2011, the Commission has 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 to 111 percent of the fixed rate of the potential hedging derivative instrument to be substantially fixed. At June 30, 2011, all hedging derivative instruments shown on the next page met the criteria for effectiveness.

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

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

Fair value. The termination value of all swaps had a negative fair value as of June 30, 2011 as a result of low interest rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

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<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Trade Date</u>	<u>Terms</u>	<u>Fair Values</u>	<u>Swap Termination Date</u>	<u>Counterparty/ Credit Rating</u>
Single Family 2002 Series C	\$16,890,000	12/12/2002	Receive SIFMA, pay 3.63%	(\$1,102,956)	1/01/2013	MLCS, A2* /A/A+*-
Multifamily 2004 Series C	\$17,705,000	11/05/2004	Receive 63.3% LIBOR + 0.19%, pay 3.653%	(\$1,319,082)	7/01/2036	MLCS, A2* /A/A+*-
Multifamily 2004 Series D	\$12,855,000	11/05/2004	Receive 63.3% LIBOR + 0.29%, pay 3.76%	(\$961,738)	7/01/2036	MLCS, A2* /A/A+*-
Note Payable	\$2,910,000	4/3/2006	Receive 100% LIBOR + 0.10%, pay 6.067%	(\$668,217)	1/1/2049	MLCS, A2* /A/A+*-
Single Family 2007 Series F	\$10,000,000	10/17/2007	Receive 64.0% LIBOR + 0.30%, pay 4.111%	(\$1,121,269)	7/1/2038	MLCS, A2* /A/A+*-
Single Family 2008 Series C	\$8,450,000	6/10/2008	Receive 63.6% LIBOR + 0.31%, pay 3.865%	(\$808,763)	7/1/2039	MLDP, Aa3/AAA/ NR
Total	\$68,810,000			(\$5,982,025)		

Credit risk. The Commission's counterparties may become unable to meet their obligations under the swap agreement. The counterparty for the Commission's swaps is Merrill Lynch Capital Services (MLCS) and Merrill Lynch Derivative Products AG (MLDP). Under the 2004 Series C, 2004 Series D, 2009 Issue A, Note Payable (previously called 2006 Issue A) and 2007 Series F swap agreements, MLDP, a Aaa rated structured entity, guarantees termination payment. As of June 30, 2011, 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

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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.

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

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

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

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

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

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

In addition to the hedging derivative instruments described above, the Commission also has an interest rate swap outstanding related to the Multifamily 2009 Issue A bonds. The underlying debt contains fixed rate interest payments and the bonds are guaranteed by Montgomery County. The swap carries a notional amount of \$32,750,000 effective April 3, 2006 and terminating January 1, 2049. The fixed rate paid is 4.02% and the swap had a fair value of (\$4,847,057) at June 30, 2011. The counterparty credit rating for MLCS is A2*/-A/A+*-.

(9) Long-Term Debt – Component Units

The long-term debt of the component units are primarily non-recourse debt of each of the limited partnerships, which is collateralized by the land, structures, and equipment of each limited partnership and have varying repayment terms and interest rates ranging from 4.00% to 7.85%.

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

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2012	\$ 2,951,147	4,407,702
2013	2,603,957	4,129,142
2014	2,668,849	3,972,422
2015	2,838,673	3,805,307
2016	3,019,747	3,627,080
2017 - 2021	15,207,373	15,408,762
2022 - 2026	17,593,758	10,629,172
2027 - 2031	14,941,100	5,856,254
2032 - 2036	10,940,831	2,673,553
2037 - 2041	2,884,753	586,028
2042 - 2046	727,681	315,603
2047 - 2051	581,567	61,792
Upon sale of property	15,962,968	—
	<u>\$ 92,922,404</u>	<u>55,472,817</u>

(10) Long-Term Debt – Compensated Absences

A summary of changes in compensated absences is as follows:

	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding end of year</u>	<u>Amount due within one year</u>
Compensated Absences	\$ 1,863,064	1,893,451	1,687,028	2,069,487	2,069,487

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(11) Loans Payable to Montgomery County

The County advances funds to the Commission and the real estate limited partnership component units (component units) through two Capital Improvement Program Funds. The Commission and the component units use County funds to purchase or construct various housing developments in expectation that permanent financing will be provided through a combination of state, county or federal grants or that loans or bonds will be issued by the Commission or the component units. If the development is funded from another source, the Commission or the component units repay the County. If no alternative funding is found for a development, the County may agree to forgive the Commission's or the component unit's debt. The Commission and the component units paid no interest on funds received from the County for the year ended June 30, 2011. There is no set maturity date or repayment term on borrowings from the County for the projects. The Commission has the following Opportunity Housing Fund, General Fund and component unit loans payable to Montgomery County as of June 30, 2011:

	<u>Outstanding beginning of year</u>	<u>Issued this year</u>	<u>Retired this year</u>	<u>Outstanding end of year</u>	<u>Amount due within one year</u>
Opportunity Housing Fund	\$ 53,388,503	8,403,832	3,481,244	58,311,091	2,741,835
General fund	3,463,135	1,020,748	—	4,483,883	—
	<u>\$ 56,851,638</u>	<u>9,424,580</u>	<u>3,481,244</u>	<u>62,794,974</u>	<u>2,741,835</u>
Real estate limited partnership component units	<u>\$ 16,288,493</u>	<u>—</u>	<u>2,301,996</u>	<u>13,986,497</u>	<u>250,000</u>

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(12) Operating Lease Commitments

The Commission has six leases for its offices in Montgomery County. During fiscal year 08 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, 2011 for all office space was \$541,160. Future minimum lease obligations under these leases are as follows:

Year ending June 30,	
2012	\$ 507,788
2013	522,041
2014	536,714
2015	442,205
2016	419,960
2017 - 2019	852,015
	\$ 3,280,723
	\$ 3,280,723

(13) Restricted Net Assets

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

(14) Pension Plan and Postretirement Health Care Benefits

(a) Pension Plan

All the Commission's full-time employees hired before October 1, 1994, participate in the Employees' Retirement System of Montgomery County (the System), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 33 of the Montgomery County Code, 1965, as amended. The payroll from Commission employees covered by the System for the year ended June 30, 2011 was \$5,265,681; the Commission's total payroll was \$22,841,178.

Participation in the System is mandatory for employees hired before October 1, 1994, and provides normal retirement benefits equivalent to 2% of the average final earnings multiplied by years of credited

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service, up to a maximum of 36 years, plus sick leave credits. The benefit may be adjusted for cost of living annually. The average final earnings would be equal to the average earnings for the 36 months immediately preceding retirement or any consecutive 36-month period during employment, whichever is greater. Benefits fully vest on reaching five years of service. Vested employees may retire at or after age 45 and receive reduced retirement benefits.

During the fiscal year 2011, covered employees contributed between 4% to 6% of their salary to the system. The Commission is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirements for the three years ended June 30, 2011 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Commission contribution	\$ 1,360,983	1,272,127	1,246,154
Employee contribution	213,520	219,304	227,952
Total contribution requirement	\$ <u>1,574,503</u>	<u>1,491,431</u>	<u>1,474,106</u>
Contribution requirements as a percentage of covered payroll:			
Commission	25.85%	23.50%	22.17%
Employees	4.05%	4.05%	4.05%

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

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

The GRIP plan requires all participants to contribute 4% of their salary. Participants earning salaries exceeding the Social Security wage base must contribute 8% of the excess over the wage base. The Commission contributed 6.53% of each participant's annual salary in fiscal year 2011.

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	2011	2010
Commission contribution	\$ 222,220	251,294
Employee contribution	142,866	134,024
Total contribution requirement	\$ 365,086	385,318
Contribution requirements as a percentage of covered payroll:		
Commission	6.53%	7.50%
Employees	4.09%	4.00%

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's financial statements as of and for the year ended June 30, 2011. A publicly available annual report that includes financial statements and required supplementary information for the System and the Defined Contribution Plan can be obtained by writing the Board of Investment Trustees, Montgomery County Government, 101 Monroe Street, Rockville, Maryland, 20850.

(b) Defined Contribution Plan

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

The plan requires all participants to contribute 4% of their salaries. Participants earning salaries exceeding the Social Security wage base, which approximated \$106,800 at June 30, 2011, must contribute 8% of the excess over the wage base. The Commission must contribute 8% of each participant's annual salary. 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, 2011 totaled \$12,806,502. Commission and employee contributions to the plan totaled \$1,024,520 and \$522,804, respectively, for the year ended June 30, 2011.

(c) Other Postemployment Benefits (OPEB)

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

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Insurance Summary Plan. Postemployment benefits include medical, life, dental, vision and prescription coverage. Currently, 104 retirees meet those eligibility requirements.

Funding Policy: The Commission pays 50% to 80% of the group medical and life insurance premiums of those retirees, depending on years of service in the plan. Expenditures for postretirement health care benefits are recognized as the County bills the Commission on a quarterly basis. The annual pay-as-you-go expenditures amounted to \$458,738 during fiscal year 2011. The Commission paid the annual required contribution (ARC) amount of \$600,000 for both fiscal year 10 and fiscal year 09. The Commission did not make the ARC payment in fiscal year 11 of \$1,053,300 as a waiver was requested and granted by the County. The Commission will make an annual contribution to the ARC in fiscal year 12 of \$1,020,300 which represents 50% of the Commission's required obligation. The County has waived the remaining \$1,020,300 contribution requirement. In fiscal year 09 the annual required contribution period changed from five years to eight years.

Annual OPEB Cost and Net OPEB Obligation: The ARC, or annual OPEB cost (AOC) for fiscal year 11 was based on the actuarial valuation as of July 1, 2010 presented to Montgomery County on March 18, 2011.

Actuarial Methods and Assumptions: The actuarial valuation for fiscal year 11 and projected 2012 was performed by AON Hewitt with a valuation date of July 1, 2010. The actuarial method used was the Projected Unit Credit Actuarial Cost Method. The estimated cost to the Commission to fund the fiscal year 12 ARC is \$2,040,600.

(15) Contingencies

(a) Litigation

As a result of the normal course of operations, the Commission currently is involved in certain litigation. This litigation involves former employee complaints, tenant matters and subcontractor claims. Management and legal counsel believe the outcome of any current litigation will not have a materially adverse impact on the financial position of the Commission.

(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 (Section 8), Low Rent Public Housing, Comprehensive Grants, Lower Income Housing Assistance Program (Section 8 Moderate Rehabilitation), Public Housing Capital Fund and Supportive Housing. These programs are subject to financial and compliance audits by grantors or their representatives. The audits of most of these programs for, or including, the year ended June 30, 2011, have not yet been completed. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe disallowed amounts, if any, would be material.

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(16) Risk Management

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

(17) Conduit Debt Obligations

Conduit debt obligations refer to certain limited-obligation revenue bonds or similar debt instruments issued by the Commission for the purpose of providing capital financing for a third party that is not part of the Commission's reporting entity. The Commission has issued a number of individual bonds for financing for Multi-Family 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, 2011 are summarized below:

Bonds outstanding, beginning of year	\$ 249,592,047
Redemptions during the year	<u>(305,190)</u>
Bonds outstanding, end of year	<u>\$ 249,286,857</u>

(18) Arbitrage

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

At June 30, 2011, there is a liability of \$178,360 and \$31,163 for the Single Family and Multifamily Fund Programs, respectively, which may be due in future years. The liability is included in the liabilities balance of each fund.

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(19) Subsequent Events

Single Family Bond Issue

The Commission plans to convert approximately \$18 million of the remaining \$31 million of escrowed Single Family NIBP bonds in October 2011, as 2009 Series C-2 and 2009 Series C-3. Approximately \$12 million of 2011 Series A bonds will also be issued which, together with the converted bonds constitutes the total \$30 million issuance of Single Family Housing Revenue Bonds. Pursuant to the NIBP requirements, all bonds must be converted by December 31, 2011 or be redeemed.

Interest Rate Swap Counterparty Rating

On September 21, 2011, Moody's Investors Services (Moody's) announced credit downgrades for several large banks. Included in the list are Merrill Lynch Capital Services (MLCS) and Bank of America Corporation (BofA), its parent. The downgrade of MLCS/BofA has implications for HOC as there are currently six interest rate swap agreements with MLCS with approximately \$93.11 million in notional amounts outstanding as of June 30, 2011. The fair value amount outstanding on the MCLS interest rate swaps as of June 30, 2011 was (\$10,020,319).

Moody's downgraded MLCS long-term and short-term ratings from A2*- and P-1 to Baa1 and P-2 NEG, respectively. Moody's stated that the rating downgrade did not reflect weakening of the credit quality of the banks, but more so the probability that the U.S. Government would not support the bank if needed and is likely to allow troubled banks to fail. Precedent to the current rating action, on June 2, 2011, Moody's placed these banks on credit watch pending the completion of its review of the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Further, all but one swap agreement has termination payments that are guaranteed by Merrill Lynch Derivative Product (MLDP), a structured entity with a current Moody's rating of Aa2 stable. Moody's current methodology looks to MLDP in its determination of the ratings on the bonds; therefore, there is currently no impact for HOC.

Pension Plan

Effective July 1, 2011, employees participating in the Employees' Retirement System (ERS) will pay an additional 1% of covered salary toward the cost of the plan for Fiscal Year 2012, increasing the employee payroll contribution, up to the Social Security Taxable Wage Base, from 4% to 5%. Effective July 1, 2012, participant contributions will increase an additional 1%. The employee payroll contribution, up to the Social Security Wage Base, will increase from 5% to 6%. The employee contributions above the Social Security Wage base will remain 5%. In addition, the Cost of Living Adjustment (COLA) for ERS plan participants will change for all benefits paid for service accrued after July 1, 2012. The COLA provision will be capped at 2.5% for all post July 1, 2012 service.

401a Plan

Effective July 1, 2011, the employer match for employees participating in the Retirement Savings Plan is reduced from 8% to 6% for Fiscal Year 2012. Participating employees will be provided the opportunity to contribute an additional 2% of their base salary on a post-tax basis.

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Guaranteed Retirement Income Plan (GRIP)

Effective July 1, 2011, the employer match for employees participating in the Guaranteed Retirement Income Plan is reduced from 8% to 6% for Fiscal Year 2012. Participating employees will be provided the opportunity to contribute an additional 2% of their base salary on a post-tax basis.

Retiree Health Benefits

Employees hired on or after July 1, 2011 will be required to complete 10 years of service to meet the eligibility requirement for retiree health coverage. At 10 years of service, the employee/employer cost share will be 50% paid by the retiree and 50% paid by the employer. Between 10 and 25 years of service, the retiree cost share will decrease by 1.33% each year of service. The maximum benefit is attained at 25 years of service with the retiree contributing 30% and the employer contributing 70%. This change does not affect employees hired prior to July 1, 2011.

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Statement of Certification of Actual Modernization Costs

Modernization Project Number MD 39-P004-501-08

From Inception through June 30, 2011

Management improvements	\$	83,709
Operations		200,000
Administration		245,212
Fees and costs		118,137
Site improvements		126,650
Dwelling structures		1,240,438
Dwelling equipment - nonexpendable		126,506
Debt service		<u>311,470</u>
Total development costs	\$	<u><u>2,452,122</u></u>

The total amount of modernization costs at June 30, 2011, as shown above, is in agreement with the Annual Performance and Evaluation Form submitted to HUD on March 8, 2011.

See accompanying independent auditor's report.

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Statement of Certification of Actual Modernization Costs

Modernization Project Number MD 39-S004-501-09

From Inception through June 30, 2011

Fees and costs	\$	59,907
Site improvements		19,383
Dwelling structures		2,958,696
Dwelling equipment - nonexpendable		17,267
Non-dwelling structures		<u>48,649</u>
Total development costs	\$	<u>3,103,902</u>

The total amount of modernization costs at June 30, 2011, as shown above, is in agreement with the Annual Performance and Evaluation Form submitted to HUD on November 9, 2010.

See accompanying independent auditor's report.

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

Real Estate Limited Partnership

Component Units Financial Statements

COMPONENT UNITS:

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

Montgomery Homes Limited Partnership II (MHLP II) – which is reported as a component unit, owns and operates 54 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 VII (MHLP VII) – which is reported as a component unit, owns and operates 35 moderately priced dwelling units located in various parts of Montgomery County, Maryland to be operated as rental housing for low and moderate income families.

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

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

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

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

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

The Willows of Gaithersburg Associates Limited Partnership - which is reported as a component unit, owns and operates a 195 unit apartment rental complex for low and moderate income families under Section 236 of the National Housing Act located in Gaithersburg, Montgomery County, Maryland.

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

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

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

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

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

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

Wheaton University Boulevard Limited Partnership - which is reported as a component unit, owns and operates a 162 rental unit apartments for moderate income families located in Wheaton, Montgomery County, Maryland.

Wheaton Metro Limited Partnership (Metro Pointe) – which is reported as a component unit, owns and operates 40 rental unit apartments for low and moderate income families located in Wheaton, Montgomery County, Maryland.

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

	Totals	Reclassification	MHLP VII	MHLP VIII	MHLP IX	MHLP X	Shady Grove	Manchester	Willows	Georgian	Stewartown	Strathmore
Assets												
Current Assets												
Unrestricted												
Cash and Cash Equivalents	\$ 3,893,968	-	-	44,964	200	-	768,215	11,092	325,700	169,128	164,283	29,146
Interfund Receivable (Payable)	-	(286,428)	-	-	-	7,651	443	-	23,275	800	-	39,216
Accounts Receivable and Other Assets	706,357	-	16,087	22,986	71,585	47,601	34,536	9,136	48,745	47,650	30,191	10,872
Total unrestricted current assets	4,600,325	(286,428)	16,087	67,950	71,785	55,252	803,194	20,228	397,720	217,578	194,474	79,234
Restricted Cash and Cash Equivalents paid for Current Liabilities												
Customer Deposits	705,814	-	14,610	24,472	49,272	28,332	50,317	26,580	118,219	91,369	47,118	23,594
Restricted Cash and Cash equivalents	7,910,119	-	10,756	-	217,644	124,007	825,100	100,745	350,784	444,647	427,898	62,365
Total restricted cash and cash equivalents	8,615,933	-	25,366	24,472	266,916	152,339	875,417	127,325	469,003	536,016	475,016	85,959
Total current assets	13,216,258	(286,428)	41,453	92,422	338,701	207,591	1,678,611	147,553	866,723	753,594	669,490	165,193
Property & equipment, net of depreciation												
Deferred Charges	124,300,970	-	2,015,943	2,600,867	7,269,126	4,303,531	7,445,761	2,458,419	6,502,352	7,335,546	7,546,240	4,193,309
Deferred Charges	3,077,290	-	-	-	70,308	138,139	168,957	73,430	159,016	134,173	173,742	-
Total noncurrent assets	127,378,260	-	2,015,943	2,600,867	7,339,434	4,441,670	7,614,718	2,531,849	6,661,368	7,469,719	7,719,982	4,193,309
Total assets	\$ 140,594,518	(286,428)	2,057,396	2,693,289	7,678,135	4,649,261	9,293,329	2,679,402	7,528,091	8,223,313	8,389,472	4,358,502
Liabilities												
Current Liabilities												
Accounts payable and accrued liabilities	\$ 2,630,331	-	22,259	9,837	553,486	27,428	62,899	259,510	179,541	129,130	51,754	15,687
Accrued interest payable	6,562,223	3,099,615	-	-	25,099	17,276	29,051	8,553	2,409	19,713	43,003	27,552
Mortgage notes and loans payable-Current	2,951,147	-	558,574	-	162,311	89,182	232,635	60,456	340,217	234,637	258,746	121,223
Loans payable to Montgomery County	250,000	-	-	-	-	-	-	-	-	-	-	-
Advances from primary government	19,228,271	19,228,271	-	-	-	-	-	-	-	-	-	-
Total current unrestricted liabilities	31,621,972	22,327,886	580,833	9,837	740,896	133,886	324,585	328,519	522,167	383,480	353,503	164,462
Current Liabilities Payable from Restricted Assets												
Customer Deposit Payable	676,229	-	12,252	19,561	46,155	25,368	49,452	22,817	116,524	90,233	45,431	23,427
Total current liabilities payable from restricted assets	676,229	-	12,252	19,561	46,155	25,368	49,452	22,817	116,524	90,233	45,431	23,427
Non-Current Liabilities												
Mortgage notes and loans payable	89,971,257	13,985,969	-	-	4,618,396	3,254,507	6,360,919	1,913,259	4,267,840	4,533,438	3,495,691	5,217,961
State Loan	-	(1,714,839)	-	-	-	-	-	-	-	-	-	-
Notes Payable HOC	-	(12,271,130)	-	-	1,153,175	1,138,645	29,427	-	293,183	350,211	418,592	-
Loans payable to Montgomery County	13,736,497	-	-	-	1,405,500	800,000	282,000	800,000	600,000	1,676,298	2,425,420	-
Deferred revenue	30,466	-	-	-	-	-	6,120	-	9,263	6,983	-	-
Interfund Payable	-	(19,514,699)	1,879,124	2,590,835	2,044,247	-	-	294,440	-	-	66,126	2,114,315
Deferred Interest Payable	-	(3,099,615)	-	-	1,100,300	600,049	-	-	187,343	-	-	1,211,923
Escrow and other deposits	1,412,422	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	105,150,642	(22,614,314)	1,879,124	2,590,835	10,321,618	5,793,201	6,678,466	3,007,699	5,357,629	6,566,930	6,405,829	8,544,199
Total Liabilities	\$ 137,448,843	(286,428)	2,472,209	2,620,233	11,108,669	5,952,455	7,052,503	3,359,035	5,996,320	7,040,643	6,804,763	8,732,088
Net Assets												
Investment in Capital Assets, Net of Related Debt	(1,836,202)	(1,836,202)	-	-	-	-	-	-	-	-	-	-
Restricted Net Assets	7,939,704	7,939,704	-	-	-	-	-	-	-	-	-	-
Unrestricted Net Assets	(2,957,827)	(2,957,827)	-	-	-	-	-	-	-	-	-	-
Partners' Equity/Retained Earnings	-	(3,145,675)	(414,813)	73,056	(3,430,534)	(1,303,194)	2,240,826	(679,633)	1,531,771	1,182,670	1,584,709	(4,373,586)
Total Net Assets	3,145,675	-	(414,813)	73,056	(3,430,534)	(1,303,194)	2,240,826	(679,633)	1,531,771	1,182,670	1,584,709	(4,373,586)
Total Liabilities and Partners' Equity	140,594,518	(286,428)	2,057,396	2,693,289	7,678,135	4,649,261	9,293,329	2,679,402	7,528,091	8,223,313	8,389,472	4,358,502

	<u>Totals</u>	<u>Reclassification</u>	<u>MHLP VII</u>	<u>MHLP VIII</u>	<u>MHLP IX</u>	<u>MHLP X</u>	<u>Shady Grove</u>	<u>Manchester</u>	<u>Willows</u>	<u>Georgian</u>	<u>Stewarttown</u>	<u>Strathmore</u>
Operating Revenues:												
Dwelling Rental	\$ 17,181,503	-	450,954	614,285	1,456,149	947,064	1,884,626	597,291	1,787,248	1,273,740	1,129,302	560,124
Management fees and other income	358,987	-	10,588	-	16,922	6,642	7,843	3,249	89,033	51,506	38,444	2,290
Total Operating Revenues	17,540,490	-	461,542	614,285	1,473,071	953,706	1,892,469	600,540	1,876,281	1,325,246	1,167,746	562,414
Operating Expenses:												
Administration	2,770,962	-	74,358	86,123	217,276	140,940	246,260	62,427	303,386	238,424	207,485	115,152
Maintenance	4,256,700	-	105,799	208,831	379,585	324,204	436,037	171,624	477,896	393,441	308,852	150,151
Depreciation and amortization	5,258,116	-	87,199	137,173	373,457	292,242	347,708	141,209	276,152	327,465	359,927	273,845
Utilities	1,669,482	-	2,231	2,958	14,180	6,857	136,366	177,397	365,910	96,817	92,438	66,208
Fringe benefits	732,236	-	14,989	23,080	64,696	42,256	92,458	21,922	99,810	89,161	78,304	21,809
Interest Expense	4,507,047	-	37,252	-	382,396	267,877	349,503	104,014	61,161	160,021	98,583	411,194
Other	2,598,878	-	221,061	276,247	431,629	200,158	203,824	103,856	114,325	154,532	159,975	23,557
Bad Debt Expense	104,542	-	911	4,846	12,011	12,821	2,960	7,167	7,817	17	1,939	1,587
Total Operating Expenses	21,897,963	-	543,800	739,258	1,875,230	1,287,355	1,815,116	789,616	1,706,457	1,459,878	1,307,503	1,063,503
Operating Income (loss)	(4,357,473)	-	(82,258)	(124,973)	(402,159)	(333,649)	77,353	(189,076)	169,824	(134,632)	(139,757)	(501,089)
Nonoperating revenues (expense)												
Investment income	17,751	-	142	1,977	701	228	1,714	315	1,260	2,860	926	110
Other grants	51,996	-	-	-	-	-	-	-	51,996	-	-	-
Total Nonoperating Income (Loss)	69,747	-	142	1,977	701	228	1,714	315	53,256	2,860	926	110
Net Income	\$ (4,287,726)	-	(82,116)	(122,996)	(401,458)	(333,421)	79,067	(188,761)	223,080	(131,772)	(138,831)	(500,979)
Capital Contributions	3,191,143											
MHLP Transfer	(1,269,985)											
Change in Net assets	(2,366,568)											
Net assets, beginning of year	5,512,243											
Net assets, end of year	\$ 3,145,675											

	<u>Metropolitan</u>	<u>Spring Garden</u>	<u>Barclay</u>	<u>Ambassador</u>	<u>Wheaton Metro</u>	<u>Forest Oak</u>	<u>Hampden Lane</u>
Assets							
Current Assets							
Unrestricted							
Cash and Cash Equivalents	78,684	309,162	587,000	119,727	166,983	934,845	184,839
Interfund Receivable (Payable)	-	35,597	179,446	-	-	-	-
Accounts Receivable and Other Assets	20,390	40,881	32,654	46,318	124,892	81,833	20,000
Total unrestricted current assets	99,074	385,640	799,100	166,045	291,875	1,016,678	204,839
Restricted Cash and Cash Equivalents paid for Current Liabilities							
Customer Deposits	37,829	29,043	31,734	62,560	26,006	44,759	-
Restricted Cash and Cash equivalents	367,814	406,769	210,127	892,512	304,836	2,315,731	848,384
Total restricted cash and cash equivalents	405,643	435,812	241,861	955,072	330,842	2,360,490	848,384
Total current assets	504,717	821,452	1,040,961	1,121,117	622,717	3,377,168	1,053,223
Property & equipment, net of depreciation							
Deferred Charges	7,899,355	10,945,194	9,757,498	4,853,083	13,833,355	24,030,819	1,310,572
	-	363,744	430,385	171,416	414,721	779,259	-
Total noncurrent assets	7,899,355	11,308,938	10,187,883	5,024,499	14,248,076	24,810,078	1,310,572
Total assets	8,404,072	12,130,390	11,228,844	6,145,616	14,870,793	28,187,246	2,363,795
Liabilities							
Current Liabilities							
Accounts payable and accrued liabilities	99,912	335,449	44,590	195,521	224,319	346,593	72,416
Accrued interest payable	34,789	981,017	574,185	1,334,313	56,890	308,758	-
Mortgage notes and loans payable-Current	105,868	133,101	131,410	180,530	18,208	324,029	-
Loans payable to Montgomery County	-	-	-	-	250,000	-	-
Advances from primary government	-	-	-	-	-	-	-
Total current unrestricted liabilities	240,589	1,449,567	750,185	1,710,364	549,417	979,380	72,416
Current Liabilities Payable from Restricted Assets							
Customer Deposit Payable	37,073	26,469	27,781	64,741	25,500	43,445	-
Total current liabilities payable from restricted assets	37,073	26,469	27,781	64,741	25,500	43,445	-
Non-Current Liabilities							
Mortgage notes and loans payable	7,419,595	6,226,986	6,147,866	2,893,487	2,920,028	16,715,315	-
State Loan	-	-	-	-	1,530,000	-	184,839
Notes Payable HOC	-	3,274,431	2,891,404	-	1,633,687	992,546	95,829
Loans payable to Montgomery County	-	1,382,000	-	2,000,000	865,279	1,500,000	-
Deferred revenue	-	-	-	8,100	-	-	-
Interfund Payable	8,323,734	-	-	2,042	1,473,703	-	726,133
Deferred Interest Payable	-	-	-	-	-	-	-
Escrow and other deposits	-	-	-	-	-	1,412,422	-
Total Non-Current Liabilities	15,743,329	10,883,417	9,039,270	4,903,629	8,422,697	20,620,283	1,006,801
Total Liabilities	16,020,991	12,359,453	9,817,236	6,678,734	8,997,614	21,643,108	1,079,217
Net Assets							
Investment in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-
Restricted Net Assets	-	-	-	-	-	-	-
Unrestricted Net Assets	-	-	-	-	-	-	-
Partners' Equity/Retained Earnings	(7,616,919)	(229,063)	1,411,608	(533,118)	5,873,179	6,544,138	1,284,578
Total Net Assets	(7,616,919)	(229,063)	1,411,608	(533,118)	5,873,179	6,544,138	1,284,578
Total Liabilities and Partners' Equity	8,404,072	12,130,390	11,228,844	6,145,616	14,870,793	28,187,246	2,363,795

	<u>Metropolitan</u>	<u>Spring Garden</u>	<u>Barclay</u>	<u>Ambassador</u>	<u>Wheaton Metro</u>	<u>Forest Oak</u>	<u>Hampden Lane</u>
Operating Revenues:							
Dwelling Rental	681,251	998,740	974,221	716,131	616,498	2,493,879	-
Management fees and other income	6,915	15,251	25,180	20,074	54,701	10,349	-
Total Operating Revenues	688,166	1,013,991	999,401	736,205	671,199	2,504,228	-
Operating Expenses:							
Administration	207,562	149,672	112,845	113,132	182,983	312,937	-
Maintenance	248,562	146,483	134,018	276,180	98,936	396,101	-
Depreciation and amortization	320,894	522,858	535,332	97,866	581,693	583,096	-
Utilities	191,812	82,409	74,149	161,356	67,358	131,036	-
Fringe benefits	43,490	24,632	20,012	13,780	32,066	49,771	-
Interest Expense	420,402	498,618	446,623	140,565	221,179	907,659	-
Other	94,939	94,077	190,451	35,149	78,521	215,977	600
Bad Debt Expense	-	11,558	19,480	16,993	1,922	2,513	-
Total Operating Expenses	1,527,661	1,530,307	1,532,910	855,021	1,264,658	2,599,090	600
Operating Income (loss)	(839,495)	(516,316)	(533,509)	(118,816)	(593,459)	(94,862)	(600)
Nonoperating revenues (expense)							
Investment income	120	1,490	694	465	1,761	2,217	771
Other grants	-	-	-	-	-	-	-
Total Nonoperating Income (Loss)	120	1,490	694	465	1,761	2,217	771
Net Income	(839,375)	(514,826)	(532,815)	(118,351)	(591,698)	(92,645)	171
Capital Contributions							
MHLP Transfer							
Change in Net assets							
Net assets, beginning of year							
Net assets, end of year							

III. STATISTICAL SECTION

**Housing Opportunities Commission of Montgomery County
Statistical Section Narrative
For the Fiscal Year Ended June 30, 2011**

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

Contents

Financial Trends

These schedules contain trend information to assist the reader in understanding how the Commission's financial performance and well-being have changed over time. See pages 75-76.

Revenue Capacity

These schedules contain information to assist the reader in accessing the factors affecting the Commission's ability to generate its own source revenue. See pages 77-79.

Debt Capacity

These schedules present information to assist the reader in assess 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 80-84.

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 85-88.

Demographic and Economic Information

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within the Commission's financial activities take place and to assist in making comparisons over time with other housing authorities. See pages 89-94.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
NET ASSETS BY COMPONENT - UNAUDITED
LAST TEN YEARS ENDED JUNE 30, 2011

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

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
CHANGE IN NET ASSETS BY ENTERPRISE FUND
LAST TEN YEARS ENDED JUNE 30, 2011**

General Fund				Opportunity Housing Fund			Public Fund		
Fiscal Year	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets
2011	\$ 19,019,403	\$ 16,660,574	\$ 2,358,829	\$ 54,067,494	\$ 55,672,103	\$ (1,604,609)	\$ 116,369,807	\$ 114,476,830	\$ 1,892,977
2010	17,829,253	17,470,766	358,487	48,723,294	50,219,840	(1,496,546)	114,291,104	110,705,670	3,585,434
2009	24,822,954	19,576,621	5,246,333	48,636,324	54,912,968	(6,276,644)	105,254,560	105,958,797	(704,237)
2008	18,605,303	16,165,334	2,439,969	49,211,864	45,662,928	3,548,936	102,866,531	98,523,036	4,343,495
2007	18,398,540	14,669,524	3,729,016	43,925,076	40,419,947	3,505,129	97,655,029	92,205,862	5,449,167
2006	13,101,933	13,271,621	(169,688)	47,084,754	39,944,912	7,139,842	92,719,426	89,976,339	2,743,087
2005	15,343,680	11,750,449	3,593,231	50,709,551	45,697,221	5,012,330	91,068,923	91,551,693	(482,770)
2004	10,965,043	14,824,658	(3,859,615)	49,191,812	42,485,568	6,706,244	90,802,701	88,609,131	2,193,570
2003	14,019,632	10,927,084	3,092,548	44,004,260	42,938,552	1,065,708	74,148,345	73,862,004	286,341
2002	16,823,607	10,412,272	6,411,335	42,404,199	43,700,672	(1,296,473)	59,047,778	60,031,473	(983,695)
Average	\$ 16,892,935	\$ 14,572,890	\$ 2,320,045	\$ 47,795,863	\$ 46,165,471	\$ 1,630,392	\$ 94,422,420	\$ 92,590,084	\$ 1,832,337
Single Family Fund				Multi-Family Fund					
Fiscal Year	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets			
2011	\$ 13,307,006	\$ 13,855,788	\$ (548,782)	\$ 22,444,823	\$ 23,768,901	\$ (1,324,078)			
2010	16,233,034	13,946,235	2,286,799	22,665,023	23,300,478	(635,455)			
2009	13,161,636	14,492,241	(1,330,605)	26,178,221	23,469,545	2,708,676			
2008	15,712,926	14,991,208	721,718	22,923,420	22,224,570	698,850			
2007	14,593,737	15,147,917	(554,180)	23,204,209	22,056,056	1,148,153			
2006	8,332,078	13,075,152	(4,743,074)	17,328,986	24,679,371	(7,350,385)			
2005	13,209,525	12,635,470	574,055	25,473,068	22,784,625	2,688,443			
2004	5,552,530	12,957,459	(7,404,929)	18,110,910	19,871,624	(1,760,714)			
2003	18,850,910	16,657,095	2,193,815	25,350,983	19,458,646	5,892,337			
2002	20,715,720	17,769,623	2,946,097	21,770,474	23,842,724	(2,072,250)			
Average	\$ 13,966,910	\$ 14,552,819	\$ (585,909)	\$ 22,545,012	\$ 22,545,654	\$ (642)			

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - UNAUDITED
LAST TEN YEARS ENDED JUNE 30, 2011**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating revenues:										
Dwelling rental	\$ 57,304,024	51,602,384	50,338,236	47,207,730	44,708,879	45,050,127	48,423,150	47,249,298	45,927,853	45,626,585
Investment income	8,169,267	6,925,130	7,638,163	12,594,626	16,949,098	15,319,779	10,620,043	13,180,090	7,077,255	8,832,261
Unrealized gains (losses) on investments	(2,183,851)	3,848,207	3,110,604	390,768	(834,397)	(9,850,434)	7,766,629	(11,187,026)	9,755,942	1,223,382
Interest on mortgage and construction loans receivable	18,438,510	17,731,617	19,819,780	17,297,737	13,710,886	12,192,024	11,603,179	12,564,013	18,173,298	21,568,065
Management fees and other income	8,712,644	7,911,157	10,397,564	9,115,619	10,485,337	9,785,159	11,599,202	6,882,011	8,718,342	5,346,584
U.S. Department of Housing and Urban Development grants:										
Housing Assistance Payments (HAP)	78,529,266	75,384,843	69,038,665	68,098,758	65,497,448	64,550,179	65,636,655	60,454,965	47,318,424	34,923,904
HAP administrative fees	6,091,862	5,866,937	5,266,978	5,132,533	4,260,881	4,580,067	4,685,801	4,683,912	4,163,245	3,303,148
Other grants	10,889,692	11,254,618	10,500,329	8,777,422	7,950,894	6,976,369	6,780,137	7,302,864	6,687,547	7,097,873
State and County grants	10,069,139	10,629,223	9,422,158	10,333,157	9,147,060	6,881,222	7,084,539	7,555,629	7,779,100	6,968,039
Total operating revenues	196,020,553	191,154,116	185,532,477	178,948,350	171,876,086	155,484,492	174,199,335	148,685,756	155,601,006	134,889,841
Operating expenses:										
Housing Assistance Payments	79,201,987	74,850,432	71,116,935	65,088,360	62,250,457	63,239,005	66,539,618	61,371,348	47,671,652	35,233,401
Administration	34,412,838	34,285,500	33,514,421	31,491,319	29,693,342	27,965,154	30,254,371	32,835,872	29,889,058	29,015,844
Maintenance	14,834,381	14,202,508	14,205,755	13,443,354	11,540,628	11,064,356	10,495,885	10,846,509	12,649,094	11,288,064
Depreciation and amortization	16,075,783	15,658,584	14,499,967	12,308,298	11,092,722	10,567,281	10,709,532	10,065,346	9,589,701	9,086,960
Utilities	6,804,381	6,001,107	5,629,351	5,381,832	5,244,849	5,231,525	4,944,260	4,059,732	3,371,986	3,246,185
Fringe benefits	7,845,250	8,038,944	7,673,443	7,176,063	6,293,777	5,620,301	5,102,332	4,682,620	4,083,488	3,148,372
Interest expense	34,009,553	32,711,853	34,520,213	35,012,776	33,017,662	33,003,609	30,781,800	29,701,596	34,443,381	37,437,659
Other expenses	6,546,617	5,662,593	6,932,322	5,269,845	5,519,503	6,443,315	7,071,134	3,605,644	4,806,847	4,779,546
Bad debt expense	361,871	436,581	379,192	634,021	269,722	250,235	181,126	203,948	209,544	221,268
Total operating expenses	200,092,661	191,848,102	188,471,599	175,805,868	164,922,662	163,384,781	166,080,058	157,372,615	146,714,751	133,457,299
Operating income/(loss)	(4,072,108)	(693,986)	(2,939,122)	3,142,482	6,953,424	(7,900,289)	8,119,277	(8,686,859)	8,886,255	1,432,542
Nonoperating revenues (expenses):										
Investment income	609,386	683,595	1,351,318	2,472,198	2,510,513	2,327,025	1,151,508	949,588	1,185,029	1,960,699
State and County grants	131,020	253,857	368,694	3,857	51,286	—	100,000	366,666	106,091	156,754
Unrealized losses on investments	—	—	—	—	—	(1,275)	(12,550)	(23,190)	(18,252)	14,170
Interest on mortgage and construction loans receivable	187,259	141,505	105,433	90,832	102,502	112,598	174,377	243,090	375,648	529,212
Interest expense	(138,314)	(73,480)	(142,965)	(247,225)	(214,060)	(186,428)	(103,156)	(188,613)	(320,342)	(478,489)
Other grants	37,219	38,146	39,698	31,034	40,689	41,099	40,601	—	34,200	99,443
Total nonoperating income	826,570	1,043,623	1,722,178	2,350,696	2,490,930	2,293,019	1,350,780	1,347,541	1,361,374	2,281,789
Income/(Loss) before contributions and transfers	(3,245,538)	349,637	(1,216,944)	5,493,178	9,444,354	(5,607,270)	9,470,057	(7,339,318)	10,247,629	3,714,331
Capital contributions	3,283,006	3,749,082	1,607,686	1,457,956	3,692,041	3,008,994	1,172,636	3,047,653	2,283,120	1,290,683
Transfer of Component Unit Entities	736,869	—	(747,219)	4,801,834	—	—	486,489	—	—	—
Change in net assets \$	774,337	4,098,719	(356,477)	11,752,968	\$ 13,136,395	(2,598,276)	11,129,182	(4,291,665)	12,530,749	5,005,014

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
SIGNIFICANT OWN-SOURCE REVENUE - UNAUDITED
LAST TEN YEARS ENDED JUNE 30, 2011**

<u>Fiscal Year</u>	<u>Tenant Revenue Total</u>	<u>% Total Operating Revenues</u>
2011	\$ 57,304,024	29.23%
2010	51,602,384	27.00%
2009	50,338,236	27.13%
2008	47,207,730	26.38%
2007	44,708,879	26.01%
2006	45,050,127	28.97%
2005	48,423,150	27.80%
2004	47,249,298	31.78%
2003	45,927,853	29.52%
2002	45,626,585	33.83%
Average	48,343,827	29%

*Revenue Base
Principal Payers*

*Opportunity Housing Fund and Public Housing
Low and Moderate Income Residents*

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
OPERATING REVENUES BY SOURCES - UNAUDITED
LAST TEN YEARS ENDED JUNE 30, 2011**

Fiscal Year	Dwelling Rental		Investment Income		Unrealized gains (losses) on investments		Interest on mortgage and construction loans receivable	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
2002	\$ 45,626,585	33.83%	\$ 8,832,261	6.55%	\$ 1,223,382	0.91%	\$ 21,568,065	15.99%
2003	45,927,853	29.52%	7,077,255	4.55%	9,755,942	6.27%	18,173,298	11.68%
2004	47,249,298	31.78%	13,180,090	8.86%	(11,187,026)	-7.52%	12,564,013	8.45%
2005	48,423,150	27.80%	10,620,043	6.10%	7,766,629	4.46%	11,603,179	6.66%
2006	45,050,127	28.97%	15,319,779	9.85%	(9,850,434)	-6.34%	12,192,024	7.84%
2007	44,708,879	26.01%	16,949,098	9.86%	(834,397)	-0.49%	13,710,886	7.98%
2008	47,207,730	26.38%	12,594,626	7.04%	390,768	0.22%	17,297,737	9.67%
2009	50,338,236	27.13%	7,638,163	4.12%	3,110,604	1.68%	19,819,780	10.68%
2010	51,602,384	27.00%	6,925,130	3.62%	3,848,207	2.01%	17,731,617	9.28%
2011	57,304,024	29.23%	8,169,267	4.17%	(2,183,851)	-1.11%	18,438,510	9.41%

Fiscal Year	Management fees and other income		Housing assistance payment subsidies		State and County grants		Total	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
2002	\$ 5,346,584	3.96%	\$ 45,324,925	33.60%	\$ 6,968,039	5.17%	\$ 134,889,841	100.00%
2003	8,718,342	5.60%	58,169,216	37.38%	7,779,100	5.00%	155,601,006	100.00%
2004	6,882,011	4.63%	72,441,741	48.72%	7,555,629	5.08%	148,685,756	100.00%
2005	11,599,202	6.66%	77,102,593	44.26%	7,084,539	4.07%	174,199,335	100.00%
2006	9,785,159	6.29%	76,106,615	48.95%	6,881,222	4.43%	155,484,492	100.00%
2007	10,485,337	6.10%	77,709,223	45.21%	9,147,060	5.32%	171,876,086	100.00%
2008	9,115,619	5.09%	82,008,713	45.83%	10,333,157	5.77%	178,948,350	100.00%
2009	10,397,564	5.60%	84,805,972	45.71%	9,422,158	5.08%	185,532,477	100.00%
2010	7,911,157	4.14%	92,506,398	48.39%	10,629,223	5.56%	191,154,116	100.00%
2011	8,712,644	4.44%	95,510,820	48.72%	10,069,139	5.14%	196,020,553	100.00%

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

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
LONG-TERM DEBT - UNAUDITED
LAST TEN YEARS ENDED JUNE 30, 2011

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

- (a) Total Personal Income data not available for 2010 and 2011.
(b) Population for Montgomery County, Maryland not available for 2011.

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

Single Family Fund - Debt Outstanding, Issued and Retired
Fiscal Year Ended June 30, 2011

Series	Authorized (a)	Unissued (b)	Outstanding		Issued		Retired		Refunded		Outstanding End of Year (h)	Interest Expensed This Year (i)	Current Maturities
			Beginning of Year (c)	Prior Years (d)	This Year (e)	Prior Years (f)	This Year (g)	Prior Years	This Year				
Single Family Bonds:													
1998 Series A - Accretions	30,140,778	-	30,140,778	30,140,778	1,702,833	-	3,049,175	-	-	-	28,794,436	1,702,836	1,774,017
2001 Series A	17,590,000	-	1,555,000	17,590,000	-	16,035,000	540,000	-	-	-	1,015,000	61,153	105,000
2002 Series A	13,200,000	-	3,155,000	13,200,000	-	10,045,000	1,030,000	-	-	-	2,125,000	104,020	180,000
2002 Series B - Accretions	2,790,800	-	2,790,800	2,790,800	166,997	-	-	-	-	-	2,957,798	166,997	-
2002 Series C	16,890,000	-	16,890,000	16,890,000	-	-	-	-	-	-	16,890,000	611,918	-
2004 Series A	19,645,000	-	11,550,000	19,645,000	-	8,095,000	1,505,000	-	-	-	10,045,000	404,274	10,000
2004 Series B	5,355,000	-	1,310,000	5,355,000	-	4,045,000	625,000	-	-	-	685,000	59,415	335,000
2005 Series A	18,500,000	-	13,710,000	18,500,000	-	4,790,000	1,860,000	-	-	-	11,850,000	504,251	60,000
2005 Series B	6,500,000	-	3,060,000	6,500,000	-	3,440,000	1,790,000	-	-	-	1,270,000	109,752	5,000
2005 Series C	11,600,000	-	8,690,000	11,600,000	-	2,910,000	1,185,000	-	-	-	7,505,000	324,151	215,000
2005 Series D	13,400,000	-	10,240,000	13,400,000	-	3,160,000	2,340,000	-	-	-	7,900,000	456,124	320,000
2006 Series A	18,705,000	-	14,880,000	18,705,000	-	3,825,000	2,050,000	-	-	-	12,830,000	519,985	10,000
2006 Series B	11,295,000	-	9,830,000	11,295,000	-	1,465,000	2,600,000	-	-	-	7,230,000	408,639	280,000
2007 Series A	15,875,000	-	13,005,000	15,875,000	-	2,870,000	1,840,000	-	-	-	11,165,000	456,043	55,000
2007 Series B	19,125,000	-	18,330,000	19,125,000	-	795,000	3,395,000	-	-	-	14,935,000	819,713	25,000
2007 Series C	1,000,000	-	1,000,000	1,000,000	-	-	-	-	-	-	1,000,000	36,418	-
2007 Series D	20,000,000	-	18,080,000	20,000,000	-	1,920,000	2,795,000	-	-	-	15,285,000	823,738	10,000
2007 Series E	13,000,000	-	13,000,000	13,000,000	-	-	-	-	-	-	13,000,000	37,835	-
2007 Series F	10,000,000	-	10,000,000	10,000,000	-	-	-	-	-	-	10,000,000	392,125	-
2008 Series A	13,205,000	-	11,675,000	13,205,000	-	1,530,000	4,215,000	-	-	-	7,460,000	310,016	30,000
2008 Series B	3,900,000	-	3,295,000	3,900,000	-	605,000	310,000	-	-	-	2,985,000	219,109	-
2008 Series C	8,450,000	-	8,450,000	8,450,000	-	-	-	-	-	-	8,450,000	309,805	-
2008 Series D	17,200,000	-	17,200,000	17,200,000	-	-	-	-	-	-	17,200,000	50,059	-
2009 Series A	20,000,000	-	19,825,000	20,000,000	-	175,000	975,000	-	-	-	18,850,000	800,017	15,000
NIBP 2009 Series A	10,000,000	-	10,000,000	10,000,000	-	-	335,000	-	-	-	9,665,000	329,744	175,000
NIBP 2009 Series B	15,000,000	-	15,000,000	15,000,000	-	-	20,000	-	-	-	14,980,000	593,886	-
NIBP 2009 Series C	40,000,000	-	40,000,000	40,000,000	-	-	9,000,000	-	-	-	31,000,000	55,444	31,000,000
NIBP 2009 Series C-1	9,000,000	-	-	-	9,000,000	-	-	-	-	-	9,000,000	126,320	-
NiBP 2010 Series A	6,000,000	-	-	-	6,000,000	-	-	-	-	-	6,000,000	103,428	280,000
SUB-TOTAL	407,366,578	-	326,661,578	392,366,578	16,869,830	65,705,000	41,459,175	-	-	-	302,072,234	10,897,215	34,884,017
Less: Unamortized discount			2,099,249		-					(125,344)	2,224,593	(15,114)	
Total Single Family Bonds Payable	407,366,578	-	328,760,827	392,366,578	16,869,830	65,705,000	41,459,175	-	(125,344)	304,296,827	10,882,100	34,884,017	

Multifamily Fund - Debt Outstanding, Issued and Retired
Fiscal Year Ended June 30, 2011

Series	Date Issued	Authorized (a)	Unissued (b)	Outstanding Beginning of Year (c)	Issued		Retired		Outstanding End of Year (h)	Interest Expensed This Year (i)	Current Maturities
					Prior Years (d)	This Year (e)	Prior Years (f)	This Year (g)			
1993 Issue II		6,505,000	-	570,000	6,505,000	-	5,935,000	570,000	-	-	-
2009 Issue A		32,295,000	-	32,295,000	32,295,000	-	-	-	32,295,000	2,042,653	32,295,000
1998 Issue A		12,900,000	-	10,165,000	12,900,000	-	2,735,000	340,000	9,825,000	488,543	355,000
2002 Series A		22,325,000	-	21,550,000	22,325,000	-	775,000	460,000	21,090,000	1,171,040	480,000
2002 Series C		12,965,000	-	12,965,000	12,965,000	-	-	-	12,965,000	32,086	-
2008 Series A		13,355,000	-	13,355,000	13,355,000	-	-	-	13,355,000	33,251	-
1992 Series C		4,425,000	-	2,580,000	4,425,000	-	1,845,000	115,000	2,465,000	176,123	120,000
1995 Series A		23,910,000	-	2,885,000	23,910,000	-	21,025,000	140,000	2,745,000	164,170	145,000
1996 Series A		3,625,000	-	2,740,000	3,625,000	-	885,000	95,000	2,645,000	164,425	100,000
1996 Series B		13,610,000	-	3,080,000	13,610,000	-	10,530,000	3,080,000	-	118,119	-
1984 Series A - Accretions		585,000	-	101,538	101,538	11,741	-	-	113,279	11,741	13,104
1998 Series A		11,935,000	-	9,790,000	11,935,000	-	2,145,000	265,000	9,525,000	489,643	280,000
1998 Series B		18,905,000	-	14,480,000	18,905,000	-	4,425,000	560,000	13,920,000	723,123	585,000
2000 Series A		19,465,000	-	16,555,000	19,465,000	-	2,910,000	415,000	16,140,000	969,565	440,000
2000 Series B		28,600,000	-	24,460,000	28,600,000	-	4,140,000	640,000	23,820,000	1,469,460	670,000
2001 Series A		8,240,000	-	7,720,000	8,240,000	-	520,000	90,000	7,630,000	420,723	90,000
2002 Series A		8,330,000	-	7,355,000	8,330,000	-	975,000	175,000	7,180,000	337,933	185,000
2002 Series B		31,465,000	-	29,265,000	31,465,000	-	2,200,000	505,000	28,760,000	1,451,445	490,000
2003 Series A		20,265,000	-	17,825,000	20,265,000	-	2,440,000	435,000	17,390,000	747,945	445,000
2003 Series B		17,840,000	-	17,230,000	17,840,000	-	610,000	205,000	17,025,000	785,098	210,000
2007 Series A		19,055,000	-	18,390,000	19,055,000	-	665,000	350,000	18,040,000	811,796	365,000
2007 Series B		26,400,000	-	25,640,000	26,400,000	-	760,000	25,640,000	-	761,250	-
2007 Series B-1		22,085,000	-	-	-	22,085,000	-	-	22,085,000	474,129	530,000
2007 Series B-2		3,020,000	-	-	-	-	3,020,000	-	3,020,000	4,446	75,000
2007 Series C		8,010,000	-	7,595,000	8,010,000	-	415,000	7,595,000	-	242,125	-
2007 Series C-1		5,110,000	-	-	-	5,110,000	-	-	5,110,000	89,726	230,000
2007 Series C-2		2,190,000	-	-	-	2,190,000	-	-	2,190,000	3,224	95,000
2004 Series A		13,700,000	-	13,195,000	13,700,000	-	505,000	260,000	12,935,000	574,155	265,000
2004 Series B		4,085,000	-	3,910,000	4,085,000	-	175,000	45,000	3,865,000	183,230	45,000
2004 Series C		19,460,000	-	18,120,000	19,460,000	-	1,340,000	415,000	17,705,000	630,707	430,000
2004 Series D		14,110,000	-	13,150,000	14,110,000	-	960,000	295,000	12,855,000	463,215	305,000
2005 Series B		5,805,000	-	5,590,000	5,805,000	-	215,000	5,590,000	-	179,238	-
2005 Series B		5,440,000	-	-	-	5,440,000	-	-	5,440,000	110,722	160,000
2005 Series C		30,235,000	-	29,290,000	30,235,000	-	945,000	29,290,000	-	868,800	-
2005 Series C		28,630,000	-	-	-	28,630,000	-	-	28,630,000	614,663	690,000
2009 Series A		46,490,000	-	46,490,000	46,490,000	-	-	46,490,000	-	5,865	-
2009 Series A-1		38,450,000	-	-	-	38,450,000	-	-	38,450,000	1,298,328	-
2009 Series A-2		8,040,000	-	-	-	8,040,000	-	-	8,040,000	248,177	-
2010 Series A		4,860,000	-	-	-	4,860,000	-	-	4,860,000	161,045	-
2010 Series A		12,375,000	-	12,375,000	12,375,000	-	-	-	12,375,000	497,686	-
SUB-TOTAL		629,095,000	-	440,711,538	510,786,538	117,836,741	70,075,000	124,060,000	434,488,279	20,019,609	40,093,104
Less: Unamortized discount		-	-	(2,210,647)	-	-	-	(119,301)	(2,091,346)	-	-
Total Multifamily Fund Bonds Payable		629,095,000	-	438,500,891	510,786,538	117,836,741	70,075,000	123,940,699	432,396,933	20,019,609	40,093,104

MULTI-FAMILY HOUSING BONDS (As of June 30, 2011)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Non-Obligation Bond Issues:					
<u>Multi-Family Housing Revenue Bonds</u>					
2010 Issue A	Wynnfield	Private	5/1/2026	\$31,680,000	\$31,680,000
2010 Issue B	Oak Mill II	Private	5/1/2026	9,600,000	9,600,000
2003 Issue A	Randolph Manor	Private	8/1/2045	5,500,000	5,303,072
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,770,657
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	2,093,039
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,572,066
2005 Issue I	Oakfield	Private	10/15/2039	38,000,000	38,000,000
2006 Issue A	Covenant Village	Private	12/1/2048	6,418,000	6,324,023
2008 Issue A	Victory Forest	Private	9/1/2045	6,600,000	6,600,000
<u>Multi-Family Housing Revenue Refunding Bonds</u>					
2001 Issue A	Draper Lane	Private	3/1/2040	35,000,000	35,000,000
2001 Issue B	Draper Lane	Private	3/1/2040	11,000,000	11,000,000
2001 Issue C	Draper Lane	Private	3/1/2040	6,000,000	6,000,000
<u>Variable Housing Revenue Bonds</u>					
1985 Issue II	Falkland Apartments	Private	12/1/2030	24,695,000	24,695,000
1997 Issue I	The Grand	Private	6/1/2030	57,000,000	57,000,000
1998 Issue I	Byron Housing	Private	9/1/2023	2,319,000	1,649,000
TOTAL				\$251,312,000	\$249,286,857

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
NUMBER OF UNITS BY PROGRAM-UNAUDITED
LAST TEN YEARS ENDED JUNE 30, 2011**

<u>Fiscal Year</u>	<u>Public Housing Rental</u>	<u>Public Housing Homeownership</u>	<u>Section 8</u>	<u>Opportunity Housing</u>	<u>Transitional Housing</u>	<u>Specialized Programs</u>	<u>Component Units</u>	<u>Total</u>
2002	1,547	16	4,874	3,041	158	315	1,283	11,234
2003	1,545	12	5,751	3,056	158	330	1,283	12,135
2004	1,545	12	5,804	3,088	158	330	1,251	12,188
2005	1,537	11	5,692	3,047	151	355	1,491	12,284
2006	1,539	11	5,436	2,842	151	405	1,653	12,037
2007	1,539	11	5,674	2,853	165	402	1,653	12,297
2008	1,544	11	5,754	3,049	165	430	1,621	12,574
2009	1,543	11	5,793	3,225	165	591	1,659	12,987
2010	1,546	10	5,926	3,249	165	614	1,659	13,169
2011	1,546	9	6,306	3,495	165	566	1,455	13,542

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
Property Characteristics and Dwelling Unit Composition
June 30, 2011

Public Housing		
Name of development	Address	Number of units
Elderly Communities		
Arcola Towers	1135 University Boulevard, Silver Spring MD 20902	141
Elizabeth House	1400 Fenwick Avenue, Silver Spring, MD 20910	160
Holly Hall Apartments	10110 New Hampshire Avenue, Silver Spring, MD 20903	96
Waverly House	4521 East West Highway, Bethesda MD 20814	158
	<i>Total Elderly Communities</i>	<u>555</u>
Family Communities		
Emory Grove Village	8211 Morningview Drive, Gaithersburg, MD 20877	54
Sandy Spring	1 Branchwood Court, Sandy Spring, MD 20860	55
Seneca Ridge	11400 Scenery Drive, Germantown, MD 20876	71
Tobytown	90 Monroe Street, Rockville, MD 20850	9
Towne Centre Place	3502 Morningwood Drive, Olney, MD 20832	49
Washington Square	8343 Fairhaven Drive, Gaithersburg, MD 20877	50
	<i>Total Family Communities</i>	<u>288</u>
Scattered Units		
Scattered Site Central	various addresses spread throughout Montgomery County	130
Scattered Site East	various addresses spread throughout Montgomery County	110
Scattered Site Gaithersburg	various addresses spread throughout Montgomery County	140
Scattered Site North	various addresses spread throughout Montgomery County	139
Scattered Site West	various addresses spread throughout Montgomery County	150
Ken Gar	various addresses spread throughout Montgomery County	19
Parkway Woods	various addresses spread throughout Montgomery County	24
	<i>Total units - Scattered units</i>	<u>712</u>
	<i>Total units - Public Housing</i>	<u><u>1,555</u></u>

Housing Choice Voucher/Transitional Housing		
Name of development	Address	Number of units
Housing Choice Vouchers	Various	6,032
Transitional Housing Programs	Various	165
Specialized Programs	Various	566
	<i>Total units - Housing Choice Voucher/Transitional Housing</i>	<u><u>6,763</u></u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
Property Characteristics and Dwelling Unit Composition
June 30, 2011

Opportunity Housing		
Name of development	Address	Number of units
Elderly Communities		
The Oaks @ Four Corners	321 University Boulevard, West, Silver Spring, MD 20901	120
	<i>Total Elderly Communities</i>	120
Family Communities		
Tanglewood	8902 Manchester Road, Silver Spring, MD 20901	83
Magruder's Discovery	10508 Westlake Drive, Bethesda, MD 20817	134
Chelsea Towers	7401 Westlake Terrace, Bethesda MD, 20817	21
Dale Drive	527 Dale Drive, Silver Spring, Maryland 20910	10
Sligo Hills	8902 Manchester Road, Silver Spring, MD 20901	50
Pomander Court	1620 University Boulevard West, Silver Spring, MD 20802	24
Paddington Square	8800 Lanier Drive, Silver Spring, MD 20910	165
Fairfax Court	1 Fairfax Court, Chevy Chase, MD 20815	18
Pooks Hill High-Rise	3 Pooks Hill Road, Bethesda, MD 20814	189
Pooks Hill Mid-Rise	3 Pooks Hill Road, Bethesda, MD 20814	50
Greenhills	10572 Tralee Terrace, Damascus, MD 20872	78
Strathmore Court @ White Flint	5440 Marinelli Drive, North Bethesda, MD 20852	151
Westwood Towers	5401 Westbard Avenue, Bethesda, MD 20816	212
The Glen	2399 Jones Lane, Wheaton, MD 20902	90
Diamond Square	80 Bureau Drive, Gaithersburg, MD 20878	124
Alexander House	8560 Second Avenue, Silver Spring, MD 20910	311
The Metropolitan	7600 Old Georgetown Road, Bethesda, MD 20814	216
Timberlawn	5707 Luxumburg Street, Rockville, MD 20852	107
Montgomery Arms	8627 Fenton Street, Silver Spring, MD 20910	129
Chevy Chase Lake	3719 Chevy Chase lake, Chevy Chase, MD 20815	68
The Barclay	4716 Bradley Boulevard, Chevy Chase, MD 20815	76
Metro Pointe	11175 Georgia Avenue, Silver Spring, MD 20902	120
7411 Aspen Court	7411 Aspen Court, Takoma Park, MD 20912	11
7423 Aspen Court	7423 Aspen Court, Takoma Park, MD 20912	16
717 Sligo Creek Parkway	717 Sligo Creek Parkway, Takoma Park, MD 20912	12
Jubilee House	2305 Hermitage Avenue, Silver Spring, Maryland 20902	3
Ambassador One Associates LP	2715 University Boulevard West, Silver Spring, MD 20902	162
	<i>Total Family Communities</i>	2,630
Scattered Units		
McHome	various addresses spread throughout Montgomery County	38
Holiday Park	various addresses spread throughout Montgomery County	20
Montgomery Homes Limited Partnership I	various addresses spread throughout Montgomery County	29
Montgomery Homes Limited Partnership II	various addresses spread throughout Montgomery County	54
Montgomery Homes Limited Partnership III	various addresses spread throughout Montgomery County	44
Montgomery Homes Limited Partnership IV	various addresses spread throughout Montgomery County	60
Montgomery Homes Limited Partnership V	various addresses spread throughout Montgomery County	27
Montgomery Homes Limited Partnership VI-A	various addresses spread throughout Montgomery County	15
Paint Branch	various addresses spread throughout Montgomery County	14
McKendree	various addresses spread throughout Montgomery County	23
MPDU I	various addresses spread throughout Montgomery County	64
State Rental Combined	various addresses spread throughout Montgomery County	196
MPDU III	various addresses spread throughout Montgomery County	23
MPDU II	various addresses spread throughout Montgomery County	59
CDBG Units	various addresses spread throughout Montgomery County	2
NSP Units	various addresses spread throughout Montgomery County	6
NCI Units	various addresses spread throughout Montgomery County	15
MPDU 2007	various addresses spread throughout Montgomery County	18
MPDU 2004	various addresses spread throughout Montgomery County	38
	<i>Total units - Scattered units</i>	745
	<i>Total units - Opportunity Housing</i>	<u>3,495</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
Property Characteristics and Dwelling Unit Composition
June 30, 2011

Component Units		
Name of development	Address	Number of units
Family Communities		
Manchester Manor Apartments, LP	8401 Manchester Road, Silver Spring MD 20901	53
MetroPointe 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	7600 Old Georgetown Road, Bethesda, MD 20814	92
Shady Grove Apartments, LP	16525 Crabbs Branch Way, Derwood, MD 20855	144
The Willows of Gaithersburg Associates, LP	407 West Diamond Avenue, Gaithersburg, MD 20877	195
MV Affordable Housing Associates LP	9310 Merust Lane, Gaithersburg, MD 20874	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	8007A Eastern Avenue, Silver Spring, MD 20910	83
Hampden Lane LP	4913 Hampden Lane, Bethesda, MD 20814	12
Forest Oak Towers LP	101 Odenhal Road, Gaithersburg, MD 20877	175
Scattered Units		1,180
Montgomery Homes Limited Partnership II	various addresses spread throughout Montgomery County	54
Montgomery Homes Limited Partnership VII	various addresses spread throughout Montgomery County	35
Montgomery Homes Limited Partnership VIII	various addresses spread throughout Montgomery County	49
Montgomery Homes Limited Partnership IX - Pond Ridge	18100 Pond Ridge Court, Olney, MD 20832	40
Montgomery Homes Limited Partnership IX - MPDU units	various addresses spread throughout Montgomery County	76
Montgomery Homes Limited Partnership X	various addresses spread throughout Montgomery County	75
		329
	<i>Total units - Component Units</i>	1,509

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
REGULAR STAFF HEADCOUNT BY DEPARTMENT - UNAUDITED
LAST TEN YEARS ENDED JUNE 30, 2011**

<u>Fiscal year</u>	<u>Executive</u>	<u>Finance</u>	<u>Housing Management</u>	<u>Housing Resources</u>	<u>Mortgage Finance</u>	<u>Real Estate</u>	<u>Rental Assistance</u>	<u>Resident Services</u>	<u>Total</u>
2002	39.20	44.10	120.70	0.00	10.50	8.00	46.25	67.55	336.30
2003	36.70	44.10	121.35	0.00	10.50	9.00	58.75	71.55	351.95
2004	38.70	42.10	120.35	0.00	11.50	10.00	47.75	75.40	345.80
2005	38.70	44.10	126.35	0.00	13.50	10.00	41.00	76.90	350.55
2006	38.60	43.00	124.35	0.00	13.50	10.00	40.00	77.40	346.85
2007	41.00	42.00	125.35	0.00	13.50	12.00	42.00	80.50	356.35
2008	40.00	42.00	126.60	53.60	14.50	10.00	42.00	84.60	413.30
2009 *	49.50	42.00	128.60	49.60	14.50	8.00	0.00	80.60	372.80
2010	40.00	43.00	138.60	45.50	14.50	6.00	0.00	90.20	377.80
2011	40.00	43.00	139.10	50.00	14.50	6.00	0.00	92.20	384.80

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

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

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
Demographics & Economic Statistics
Last Nine Years Ended December 31, 2010
Montgomery County, MD

Year	Population (1)	Median Age (1)	Households (1)	Per Capita Income (current dollars) (2)	Per Capita Income (constant 2005\$) (2)	Civilian Labor Force Number (1)	% of Pop 16+	Employment Number (1)	% of Pop 16+	Unemployment Number (3)	DLLR Rate	Total Personal Income
2002	900,706	37.1	334,069	\$51,991	\$50,212	500,729	71.7%	475,441	68.1%	25,288	3.3	\$47,069,098
2003	909,411	38.0	336,613	\$53,262	\$56,289	494,030	70.2%	470,157	66.9%	23,873	3.2	\$48,728,619
2004	912,279	38.0	337,838	\$56,889	\$58,589	499,000	71.0%	475,522	67.7%	23,478	3.1	\$52,392,771
2005	918,046	38.3	344,038	\$60,303	\$60,303	505,157	70.6%	479,077	67.5%	22,308	2.8	\$56,016,278
2006	932,131	38.4	341,438	\$64,665	\$62,937	515,757	70.7%	495,236	67.8%	20,521	2.7	\$60,472,607
2007	930,813	38.9	343,540	\$66,811	\$63,327	521,226	71.3%	500,870	68.6%	20,356	3.0	\$62,901,647
2008	950,680	39.0	341,812	\$67,531	\$61,937	546,489	73.0%	520,287	69.5%	16,400	3.2	\$64,403,687
2009	971,600	38.2	345,301	\$66,323	Not Available	549,530	72.3%	514,836	67.7%	27,360	5.3	\$64,438,944
2010	971,777	38.5	357,086	(4)	(4)	567,747	73.8%	523,897	68.1%	28,834	5.6	Not Available

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

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

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

(4) Per capita income for 2010 not yet released.

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
 PERMITS ISSUED TO CONSTRUCT NEW RESIDENTIAL UNITS IN MONTGOMERY COUNTY, MD
 LAST NINE YEARS ENDED DECEMBER 31, 2010**

Year	welliing Uni	Construction Cost
2002	4,653	\$502,978,600
2003	4,428	\$440,212,306
2004	3,821	\$561,183,552
2005	3,591	\$717,384,014
2006	3,031	\$574,209,600
2007	3,459	\$664,048,150
2008	1,476	\$336,061,807
2009	862	\$244,499,105
2010	1,899	\$343,321,569

Source: U. S. Bureau of the Census

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
MONTGOMERY COUNTY TOP TEN EMPLOYERS
AS OF JUNE 30, 2011**

Rank	Employer	Number of Employees
1	National Institutes of Health	14,761
2	Adventist Healthcare	8,572
3	National Naval Medical Center	8,108
4	U.S. Food and Drug Administration	5,745
5	Marriott International	5,025
6	Lockheed Martin	4,741
7	Giant Food	4,377
8	Montgomery College	3,451
9	Kaiser Foundation Health Plan	3,389
10	National Geospatial-Intelligence Agency	3,000

Source: www.ChooseMaryland.org

Income Source	# of Households
Business	50
Child Support	243
Federal Wage	1
General Assistance	178
Indian	1
Medical Reimburse	0
Military	3
Other Non-Wage Income	215
Pension	114
PHA Wage	1
Social Security	520
SSI	539
TANF	39
Unemployment	50
Wages	830

Average Length of Stay for Current Tenants (in Years)	8
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Public Housing Statistics
All Properties
As of 06/30/2011

Gender	Female	Male	Total
Count of Head of Household	1183	317	1500
% of Head of Households	78.87%	21.13%	
Count of All Family Members	2358	1387	3745
% of All Family Members	62.96%	37.04%	

Seniors	Under 62	62 +
Count of HOH	871	629
% of HOH	59.25%	42.79%
Count All Members	2945	800
% All Members	78.64%	21.36%

Disabled	
Count of Head of Household	265
Count of All Family Members	352

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
# of Families	212	442	237	127	99	93	63	65	51	33	61	17	1500
Average Income in Range	\$ 1,711	\$ 7,785	\$ 12,333	\$ 17,307	\$ 22,575	\$ 27,574	\$ 32,654	\$ 37,201	\$ 42,834	\$ 46,513	\$ 58,003	#####	\$ 17,451
Cumulative % of Families	14.13%	43.60%	59.40%	67.87%	74.47%	80.67%	84.87%	89.20%	92.60%	94.80%	98.87%	100.00%	

Age Ranges	0-5	6-13	14-17	18-20	21-29	30-39	40-49	50-61	62-69	70-79	80-89	90 +	Totals
Count of Head of Household	0	0	0	1	94	223	283	270	131	296	179	23	1500
Count of All Family Members	228	717	321	280	403	295	361	340	189	378	206	27	3745

Race	White	Black	American Indian	Asian	Pacific Islander	Not Reported	Total
Count of Head of Household	433	842	4	219	2	0	1500
% of Head of Household	28.87%	56.13%	0.27%	14.60%	0.13%	0.00%	100%
Count of All Family Members	956	2329	7	421	6	26	3745
% of All Family Members	25.53%	62.19%	0.19%	11.24%	0.16%	0.69%	100%

Ethnicity	Hispanic	Non-Hispanic	Not Reported	Totals
HOH	225	1275	0	1500
% HOH	15.00%	85.00%	0.00%	100%
Fam Mbrs	608	3069	68	3745
% FM	16.23%	81.95%	1.82%	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	47	45	45	0	0	0	0	0	0	0	1.0 Person
1 Bedroom	495	488	381	107	0	0	0	0	0	0	1.2 People
2 Bedrooms	305	292	66	154	60	11	1	0	0	0	2.1 People
3 Bedrooms	582	560	43	73	174	164	88	17	1	0	3.4 People
4 Bedrooms	122	112	1	5	13	21	30	24	9	9	5.0 People
5 Bedrooms	4	3	0	0	0	0	0	2	0	1	6.7 People
Total # of PH Units	1555	1500	556	350	250	183	121	37	19	6	2.5 People

Note: Total number of Occupied Units excludes Vacant, HOC Employee, and HOC Law Enforcement units.

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

Average Length of Stay for Current Tenants (in Years)

Gender	Male	Female	Total
Count of Head of Household	1,034	4,680	5,714
% of Head of Households	18.10%	81.90%	
Count of All Family Members	5,269	9,133	14,402
% of All Family Members	36.59%	63.41%	

Disabled	
Count of Head of Household	107
Count of All Family Members	173

Housing Choice Voucher Statistics As of 6/30/2011

Seniors	Under 62	62 +
Count of HOH	4,573	1,141
% of HOH	80.03%	19.97%
Count All Members	13,039	1,363
% All Members	90.54%	9.46%

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	896	1,648	884	649	474	345	301	202	315	5,714
Average Income in Range	\$ 1,914	\$ 7,963	\$12,281	\$17,342	\$ 22,448	\$27,566	\$ 32,421	\$ 37,444	\$48,610	\$ 15,704
Cumulative % of Families	15.68%	44.52%	59.99%	71.35%	79.65%	85.68%	90.95%	94.49%	100.00%	

Age Ranges	0-5	6-12	13-17	18-20	21-29	30-39	40-49	50-61	62-69	70-79	80-99	100+	Totals
Count of Head of Household	0	0	0	15	578	1,312	1,321	1,347	475	376	288	2	5,714
Count of All Family Members	0	0	0	7,281	1,258	1,493	1,485	1,522	547	474	340	2	14,402

Race	White	Black	American Indian	Asian	Pacific Islander	Multiple	Unknown	Ethnicity	Hispanic	Non-Hispanic	Not Reported
Count of Head of Household	1,507	3,856	42	291	7	11	0		655	5,059	0
% of Head of Household	26.37%	67.48%	0.74%	5.09%	0.12%	0.19%	0.00%		11.46%	88.54%	0.00%
Count of All Family Members	2,950	10,602	83	582	18	46	121		1,625	12,554	223
% of All Family Members	20.48%	73.61%	0.58%	4.04%	0.12%	0.32%	0.84%		11.28%	87.17%	1.55%

Family Size by Bedroom Size	# of HCV Units	Occupied Units	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8+ People	Average Family Size
Efficiency	0	135	100	16	12	4	1	0	2	0	1.5 Person
1 Bedroom	0	1,551	1,425	122	3	0	1	0	0	0	1.1 People
2 Bedrooms	0	2,103	403	1019	543	108	27	3	0	0	2.2 People
3 Bedrooms	0	1,533	49	199	374	544	281	78	4	4	3.7 People
4 Bedrooms	0	330	8	11	26	59	75	87	50	14	5.2 People
5 Bedrooms	0	55	0	1	0	4	5	12	5	28	6.8 People
6 Bedrooms	0	7	0	0	0	0	0	0	0	7	8.0 People
Total # of HCV Units	0	5714	1985	1368	958	719	390	180	61	53	2.5 People