



A Component Unit of Montgomery County, Maryland



Comprehensive Annual Financial Report

For the Fiscal Year Ended on June 30, 2016

**HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Issued by
Finance Department
Gail Willison, Chief Financial Officer

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



November 2, 2016

Members of the Commission
Housing Opportunities Commission of Montgomery County

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Housing Opportunities Commission of Montgomery County (the “Commission”) for the fiscal year ending June 30, 2016. The report was prepared by the Commission’s Finance staff and audited by the independent public accounting firm of CliftonLarsonAllen LLP.

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

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

This report includes all funds and component units of the Commission. The Commission’s Financial Statements include five 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) and a Limited Liability Company (LLC) are consolidated and presented as component units in the Financial Statements.

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

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

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

Local Economy

As reported in the July 2016, "Montgomery County Quarterly Economic Indicators Report," the County's economy experienced mixed economic performance during the second quarter of this year compared to the same period in 2015. Employment measured by the survey of households increased by 0.4 percent. The unemployment rate declined from 4.0 percent during the second quarter of 2015 to 3.5 percent for the second quarter of this year. However, residential construction decreased with the construction of single family homes down 36.5 percent and construction of multi-family units decreased 46.6 percent. Sales of existing homes increased 9.9 percent and median prices were up 2.1 percent during the second quarter compared to the second quarter of last year.

Although the data for the second quarter indicates a mixed economic performance, the data from July 2015 to June 2016 indicate the County experienced growth, particularly in employment and home sales.

Rental and Homeownership Market

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

- Relatively low unemployment (4.3% in Maryland compared to the national average of 4.9% in June 2016);
- Continued employment growth (12.1% increase in Maryland since 2010);
- Regional housing prices continue to rise but at a slower rate. The median sales price at the end of fiscal year 2016 was \$446,000 in Montgomery County, which represents a 1.6% increase over median prices reported at the end of fiscal year 2015.

Housing Choice Voucher and Public Housing Operating Subsidy: As of July 1, 2016, HOC manages a total of 7,174 vouchers. Federal funding for rental assistance programs has been increasingly uncertain in recent years. It remains critically important that HOC advance solutions to reduce reliance on Federal funding.

In September 2010, staff introduced the Commission to an initiative that would permit HOC to alter the status of its 669 Scattered Site Public Housing units while maintaining the same general affordability. At the end of 2015, all 669 Scattered Site Public Housing units had been converted to VPC One Development Corporation or VPC Two Development Corporation ownership within the Opportunity Housing portfolio and are currently undergoing renovations. HOC also acquired nine additional units in 2016 to be included in this group. Renovations to vacant units were completed in early 2016. In-place renovations started in the summer of 2016 and are expected to finish by early 2017. Of the 679 units, 113 are Project-Based Vouchers, 21 are scheduled to become Project-Based Vouchers in partnership with the Montgomery County Coalition for the Homeless (MCCH) and the remaining are affordable housing units for individuals and households whose incomes are at or below 80% of the AMI.

HOC continues to move forward with the conversion of its multifamily Public Housing units to project-based subsidies through the Rental Assistance Demonstration (RAD) program. RAD converts multifamily Public Housing operating and capital grants to Project Based Section 8 subsidy.

Additionally, RAD allows HOC to transfer these properties into ownership entities to access private capital for the purpose of rehabilitating or redeveloping the properties.

HOC has completed the RAD conversion of nine of its 11 multifamily public housing properties with the final two properties expected to complete conversion by June 2017. At that time, the units' deep affordability will be preserved through the use of project-based vouchers or project-based rental assistance subsidy – both forms of federal section 8 subsidy.

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

HOC Housing Path: In early FY 2016, HOC launched HOC Housing Path, re-imagining wait list management, designed to streamline program placement for clients while also improving operational efficiency. Unlike previous wait list programs, HOC Housing Path allows clients to complete one application and be considered for a growing number of HOC programs. Since the wait list opened on July 30, 2015, 36,133 applications have been submitted as of August 3, 2016. HOC Housing Path connects clients with Housing Choice Vouchers, opportunity and tax-credit housing as well as project-based vouchers. In future updates to the tool, HOC intends to broaden the available programs to include first-time homebuyer programs and other programs available through HOC partners. HOC Housing Path represents a tremendous step forward in wait list management and operational efficiency. By ensuring that applicant contact information is annually updated, HOC can more quickly connect families in need to available affordable housing units.

Property Management: In 2016, HOC re-evaluated its approach to Property Management. The agency is tremendously invested in preserving, increasing and redeveloping affordable housing. The success of this effort means a more intensive focus on property management and maintenance. To augment their efforts and improve customer service, Property Management and Property Maintenance have been re-organized as two separate divisions. Additionally, HOC has partnered with Edgewood Management Corporation to assist in property operations at five of the ten Housing Unit Based (HUB) customer service centers.

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

One program offered through HOC Academy is the Fatherhood Initiative. HOC is the first public housing agency ever awarded the Fatherhood Initiative grant from the U.S. Department of Health and Human Services' Administration for Children and Families. The \$695,000 grant is renewable for five years and provides resources for classes, counseling, workforce development training and other services to fathers and their families. HOC's Fatherhood Initiative program kicked off in June 2016.

In the area of youth enrichment, through HOC Academy, the agency has increased the number of youth programs to include STEM activities, summer camps, educational field trips and internships using grant awards totaling more than \$30,000. In November 2015, HOC launched its new Girls Got IT! program using a \$3,000 grant from the National Center for Women & Information Technology (NCWIT). Since then, the program was awarded two additional grants that allow the agency to expand and serve more youth. Girls Got IT! targets girls in middle and high school. Using a near-peer model, Girls Got IT! inspires them to pursue technology-driven interests and careers.

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

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

HOCP had an estimated gross income of \$417,000 for FY 2015-2016 and expenses estimated at \$280,000. The organization's budget for FY 2017 is \$535,000. HOCP held a fundraiser on September 26, 2016 to raise money to support and expand HOC self-sufficiency programming offered by HOC Academy and the Resident Services Division.

Customer Relationship Management System: In 2016, HOC began plans to launch a Customer Relationship Management System (CRM) to improve customer service and better respond to questions or concerns from both clients and the public. The CRM will use technology that enables HOC to respond to inquiries and answer calls as well as track incoming requests made by phone, email, through our website and from visitors to HOC offices. The launch will include a new call center at HOC's East Deer Park location in Gaithersburg. The CRM is expected to be installed and operational in early 2017.

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 2016, construction and renovation continued on several of the Commission's multifamily and scattered site projects:

- **VPC One & Two Corporation:** In June 2013, the Commission approved the renovation of 669 former Public Housing scattered site units that the Agency transitioned out of the public housing program via Section 18 Disposition. Ownership of the properties was transferred to two entities: VPC One Corporation (VPC 1), consisting of 390 units; and, VPC Two Corporation (VPC 2), consisting of 279 units. The Commission approved a total interim development budget for the project of \$41,500,000 of which VPC One was allocated \$24,100,000 and VPC Two was allocated \$17,400,000. The scope of the renovations includes new roofs, siding, gutters, windows, exterior and interior doors, mechanical system upgrades, new kitchen and bath fixtures, appliances, cabinets, flooring, and wall paint. Renovations to vacant units were completed in 2016. In-place renovations started in the summer of 2016 and are expected to finish by early 2017.

- **RAD 6:** On August 6, 2014, the Commission approved the Final Development Plan, which described the renovation, financing, and projected operations of the 268 units within six (6) former Public Housing multifamily properties: Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge (formerly known as Middlebrook Square), Towne Centre Place, and Washington Square (together, the “RAD 6”). The Commission issued \$24 million of tax exempt bonds to fund a mortgage for RAD 6, and Hamel Builders was selected as the general contractor for the renovation. The total construction budget was \$15 million, averaging \$55,701 per unit. The renovations began in February 2015 and were substantially completed in early 2016.
- **Arcola Towers & Waverly House:** Arcola Towers is a senior housing apartment community originally constructed in 1971 and located at 1135 University Boulevard West, near the intersection of University Boulevard West and Arcola Avenue in Silver Spring, Maryland. The 12-story building contains 141-units on 3.25 acres. The building unit mix is entirely 1 bedroom/1 bath units.

Waverly House is a senior housing apartment community placed into service in 1978 and located at 4521 East West Highway near the intersection with Wisconsin Avenue in Bethesda, Maryland. The 0.74-acre property is improved with a 15-story building of 157 units in which 149 are one-bedroom units and eight (8) two-bedroom units are currently used for offices.

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

The financing used approximately \$35 million in short-term and long-term bonds for the acquisition and rehabilitation of both senior communities. The planned renovations at both communities total \$24 million and will enhance the lives of our senior population and our assets. Arcola Towers and Waverly House will also benefit from a combined \$23 million in equity raised from the sale of Low Income Housing Tax Credits (LIHTC) by the property’s investors Boston Capital and R4 Capital, respectively. HOC will be the managing general partner. The PBRA contracts will provide federal subsidies for all of the units at Arcola Towers and 145 units at Waverly House. The remaining 12 units at Waverly House will be restricted to households earning 60% or less of the Area Median Income. Unit renovations began at Arcola Towers in February 2016 and Waverly House’s renovations started in March 2016. Both properties are expected to finish all renovation work in 2017.

- **TPM Development Corporation (Timberlawn Crescent, Pomander Court, Scattered Site Moderately Priced Dwelling Units (MPDUs)):** TPM is a development corporation that owns three (3) separate properties: Timberlawn Crescent, a 107-unit apartment community; Pomander Court, a 24-unit townhouse community; and 59 scattered site MDPUs. On July 7, 2013, the Commission approved a preliminary development plan, pre-development budget, and interim financing plan that provided intermediate funds to make emergency repairs and exterior renovations at Timberlawn Crescent. The work involved replacing the structurally deficient decks as well as the interconnected building envelope systems (e.g. siding and windows), repairing drainage issues on site, replacing exterior railing and painting the buildings. This work has been completed.

In October 2014, the Commission prepaid the then outstanding tax-exempt bond loan for TPM. Subsequently on May 6, 2015, it approved a final development plan and authorized interim funding from the Real Estate Line of Credit (RELOC) with PNC Bank, N.A. to complete the interior renovations at both Timberlawn Crescent and Pomander Court. The Commission also approved the selection of Hamel Builders for the renovation of Timberlawn Crescent and CBP Constructors

for the renovation of Pomander Court. The interior unit renovations of Timberlawn Crescent and Pomander Court started in 2016 and are now complete. The permanent loan will be funded by the Federal Financing Bank pursuant to the FHA Risk Share/Federal Financing Bank loan program.

- **Lakeview House:** Lakeview House represented HOC's efforts to ensure that affordable housing is preserved. HOC provided the financing for 152 deeply affordable units at Lakeview House that serve seniors through its Project Based section 8 subsidy. The property is located in Bethesda and will benefit from the investment of capital (\$4.4 million) to improve the existing units. In addition to the tax-exempt bonds provided by HOC, the development raised \$13.2 million of Low Income Housing Tax Credit (LIHTC) equity to complete the financing.
- **The Crossings at Olde Towne:** The Crossings at Olde Towne is a 199-unit, new construction project that will serve families with incomes below 60% of the area median income in 1-, 2-, and 3-bedroom units. HOC provided the financing for the project which is the only new construction affordable housing development in Old Towne Gaithersburg. The new building is expected to open in November of 2016. In addition to the tax-exempt bonds provided by HOC, the development raised \$12.6 million of LIHTC equity to complete the financing.

The Year Ahead:

- **Victory Crossing:** Victory Crossing, a 105-unit, new construction, affordable senior community in the White Oak community of Silver Spring, MD, is slated to close later this year and construction will start shortly after the closing. HOC entered into a grant agreement to fund the placement of 39 Project Based Vouchers created by the conversion of some of HOC's existing Public Housing-funded units via the RAD program. The grant agreement was revised in May 2016 to reflect an increase from \$1.8 million to \$2.25 million due to a recent regulatory change in the cost of the mortgage insurance premium and lower projected interest rate at closing. Despite the increase, Victory Crossing remains a cost effective RAD relocation project with each unit costing approximately \$58,000.
- **Alexander House:** Alexander House is an existing 16-story, 312-unit (305 post renovation) mixed-income multifamily building located in downtown Silver Spring, Maryland. The building offers studios, one bedroom and two bedroom units. Forty percent of the property is income restricted for households earning up to 60% of the Area Median Income. On July 23, 2015, the Montgomery County Planning Department approved the Administrative Site Plan Amendment that will incorporate necessary changes to enhance and support the Elizabeth Square redevelopment plan which includes major renovations at Alexander House. On January 8, 2016, HOC closed a tax-exempt interim loan with BB&T Bank in the amount of \$20.59 million for Alexander House. Renovations are expected to begin by the middle of FY 2017. A final development plan with a budget of \$120 million was approved by the Commission on October 5, 2016. This plan includes the sale of 122 affordable housing units to a LIHTC limited partnership with 183 units to be retained and offered as market rate units.

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

- **Elizabeth House:** Elizabeth House is one of the 11 Public Housing properties approved for conversion to Project Based subsidy under the U.S. Department of Housing and Urban Development's (HUD) RAD program. On August 13, 2013, the Commission approved the submission of feasibility applications to HUD for approval of the conversion of the entire multifamily portfolio. Elizabeth House, located in downtown Silver Spring, is a 160-unit senior housing

development built in 1966. The building is at the end of its useful life and functionally obsolete. The building is adjacent to another site, Fenwick Professional Park (FPP), owned by the Lee Development Group. Together with both Alexander House and FPP, the entire site is known as Elizabeth Square. On July 23, 2015, a Preliminary Plan for the redevelopment of Elizabeth Square was approved by Montgomery County Planning Department.

The preliminary plan approved a proposed mixed-use project consisting of three buildings: the new Elizabeth House III building (senior housing), the new Elizabeth House IV building (multifamily), and the renovated Alexander House. Elizabeth House III will be the first phase of new construction planned to begin in 2017 and be completed in mid-2019. Elizabeth IV is scheduled to start construction in mid-2019 and be completed in 2021.

Elizabeth Square will deliver a 90,000 square foot state of the art recreational and public use facility that will be the focal point of the square, representing a significant investment by HOC and the County inside the beltway, a mere walk from the Silver Spring Red Line Metro station.

- **Greenhills Apartments:** Greenhills is a 78-unit townhome-style apartment community in Damascus. On January 8, 2016, HOC closed a tax-exempt interim loan with BB&T Bank in the amount of \$4.30 million to repay the outstanding loan for the property funded by the RELOC. The final plan for the property is currently being developed, which anticipates the sale of the property into a LIHTC limited partnership. HOC will secure tax-exempt debt to meet the LIHTC requirement and upon completion, the permanent loan will be funded by the FHA Risk Share/Federal Financing Bank loan program. The scope of the renovation will involve exterior work to include the replacement of siding, gutters, windows, roof and decks; interior to include kitchen and bathroom upgrades; new fixtures and energy efficient lighting; and new HVAC units and water heaters. A Request for Proposal (RFP) was issued June 16, 2016 seeking contracting services to perform the renovations. Hamel Builders was selected to complete the renovation work at Greenhills.
- **Chevy Chase Lake:** Chevy Chase Lake consisted of five two-story garden style apartment buildings. The property was built in the 1950s and renovated in 2005. The site is being redeveloped because the units are functionally obsolete and it lacks modern amenities. A portion of the land was sold to Eakin-Youngentob and Associated for the development of 62 townhomes. HOC is working with EYA to redevelop the remaining portion of the site as an 11-story structure with 200 units that include affordable housing, workforce housing, and market rate units. Plans also include an underground garage and a walkway that connects the neighborhood park with the future site of the Purple Line Metro station. Construction financing is expected to close in October 2016 with construction to start immediately thereafter and delivery of the finished units in 2018. The construction loan will be funded from a United Bank loan. HOC and private equity will complete the remaining construction funding with the permanent loan funded from a 100% participation loan from the Federal Financing Bank pursuant to the FHA Risk Share/Federal Financing Bank loan program.
- **Brooke Park:** On October 2, 2013, the Commission approved the acquisition of the Brooke Park Apartments and the assumption of a contract between the County's Department of Housing and Community Affairs (DHCA) in accordance with the right of first refusal. Built in the 1950s, Brooke Park consists of 18 units, nine (9) 1-bedroom units and nine (9) 2-bedroom units. The property was approximately 50% occupied and in need of renovation. HOC seeks to redevelop the property to extend its useful life for at least another 20 years. As with other rehabilitation efforts, Brooke Park will be renovated to provide high quality, well designed, amenity rich, energy efficient affordable housing in Potomac that will be competitive within the rental marketplace. Construction is expected to begin in 2017.

- **Ambassador:** The Ambassador Apartments are located at the corner of Veirs Mill Road and University Boulevard in Wheaton. The building was originally constructed as a hotel but converted into a 162-unit apartment building in 1994. The Ambassador was funded with a tax-exempt loan from HOC and equity from the syndication of LIHTC—seven years remain on the 30-year restriction period. The Ambassador is an aging structure in need of significant renovation. HOC conducted two emergency evacuations and by July 11, 2016 relocated all residents into more appropriate affordable housing. HOC is still in discussions with the Maryland Department of Housing and Community Development regarding the years remaining under the Extended Use Covenant and anticipates reaching a resolution for placement of the 162 units for the remaining seven years. At the same time, HOC continues its negotiation with the owner of the retail units at the site to develop a long-term strategy for the site. At best, if a redevelopment plan is undertaken, construction would commence in 2019.
- **Holly Hall:** Built in 1965, Holly Hall is a Public Housing community comprising three buildings that contain a total of 96 units designated for senior citizens and non-elderly people with disabilities. Via the RAD program, all existing residents as well as the subsidy for the 96 units will be moved to a newly built community in downtown Silver Spring, which is scheduled to deliver in 2019. Once vacant, Holly Hall will be demolished and replaced with a mixed-use, mixed-income community of approximately 275 multifamily units, 96 age-restricted units, and complementary retail. Construction will begin in 2019 and be completed in 2021.
- **900 Thayer:** HOC acquired a fully entitled half-acre site in downtown Silver Spring in 2016. Originally designed as a market rate rental property, 900 Thayer will be a 124-unit, mixed-income rental property and act as the receiving site for the subsidy associated with the 96 units at Holly Hall being converted from Public Housing to Project Based Section 8 via the RAD program. Construction is expected to begin in 2017 and be completed by 2019. Funding is expected from the syndication of LIHTC and related financing during the construction period. The permanent loan will be funded from a 100% participation loan from the Federal Financing Bank in accordance with the FHA Risk Share/Federal Financing Bank program.
- **Emory Grove:** Emory Grove is being redeveloped as a part of the RAD program. All Emory Grove residents have been relocated to newly renovated homes throughout Montgomery County and the property is now vacant. It will be redeveloped into a mixed-income community that includes 40 to 60 new affordable units. HOC projects that the rezoning will be approved and all entitlements conveyed upon the property by 2020. Construction is estimated to commence in 2022.
- **Willow Manor at Fairland** is a proposed 122-unit development that will be developed by KB Companies Inc. on a portion of the site currently used as surface parking for East County Regional Services Center (“ECRSC”). Fifty percent of the development (61 units) will be leased to households at or below 60%, 50% and 30% of Area Median Income (“AMI”) and the remaining units (61 units) will be leased to households at market rate rents. The development will be financed with \$16.7 million tax-exempt construction financing issued by HOC, \$3.1 million of LIHTC equity, a \$268,000 deferred developer fee loan, and \$766,995 of developer’s equity. The total development cost is estimated at \$20.8 million.

Financial Information

The Commission’s management is responsible for establishing and maintaining a proper internal control structure to safeguard its assets and ensure accounting data is accurately stated and presented in the financial statements in conformity with generally accepted accounting principles. To ensure the cost of internal controls does not outweigh the benefit, the internal control structure provides reasonable assurance rather than absolute assurance that these objectives are met. As management,

we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

Single Audit: In compliance with Uniform Grant Requirements, the Commission is subject to an annual audit of all federal expenditures in excess of \$750,000 to be performed by an independent public accounting firm. The Single Audit was performed by CliftonLarsonAllen LLP for the year ended June 30, 2016, with no material weaknesses or significant deficiencies noted in the internal control over financial reporting. The Commission did have significant deficiencies noted in internal control over major programs. The Commission's Single Audit is available under separate cover.

Budgeting Process: The Commission, on a biennial basis in conjunction with division heads and Executive Staff, prepares a biennial Agency-wide budget by department and program. The biennial 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 biennial budget. During the off cycle year, the second year of the biennial budget is amended for major changes. The amendment process follows the same approval path as the biennial budget. The Commission is no longer required to submit an annual budget to HUD for the Housing Choice Voucher Program or the Public Housing Operating Fund but is required to submit a budget for the Public Housing Capital Fund program. During the year, current year budget amendments for all accounts and divisions are presented to the BF&A Committee and the Commission for approval. Each Division Director or program head is responsible for monitoring budget to actual performance. On a quarterly basis, budget to actual reports are prepared and presented to both the BF&A Committee and the Commission.

Component Units: The Commission has 18 discretely presented component units which consist of LIHTC limited partnerships and a LLC. 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's target population.

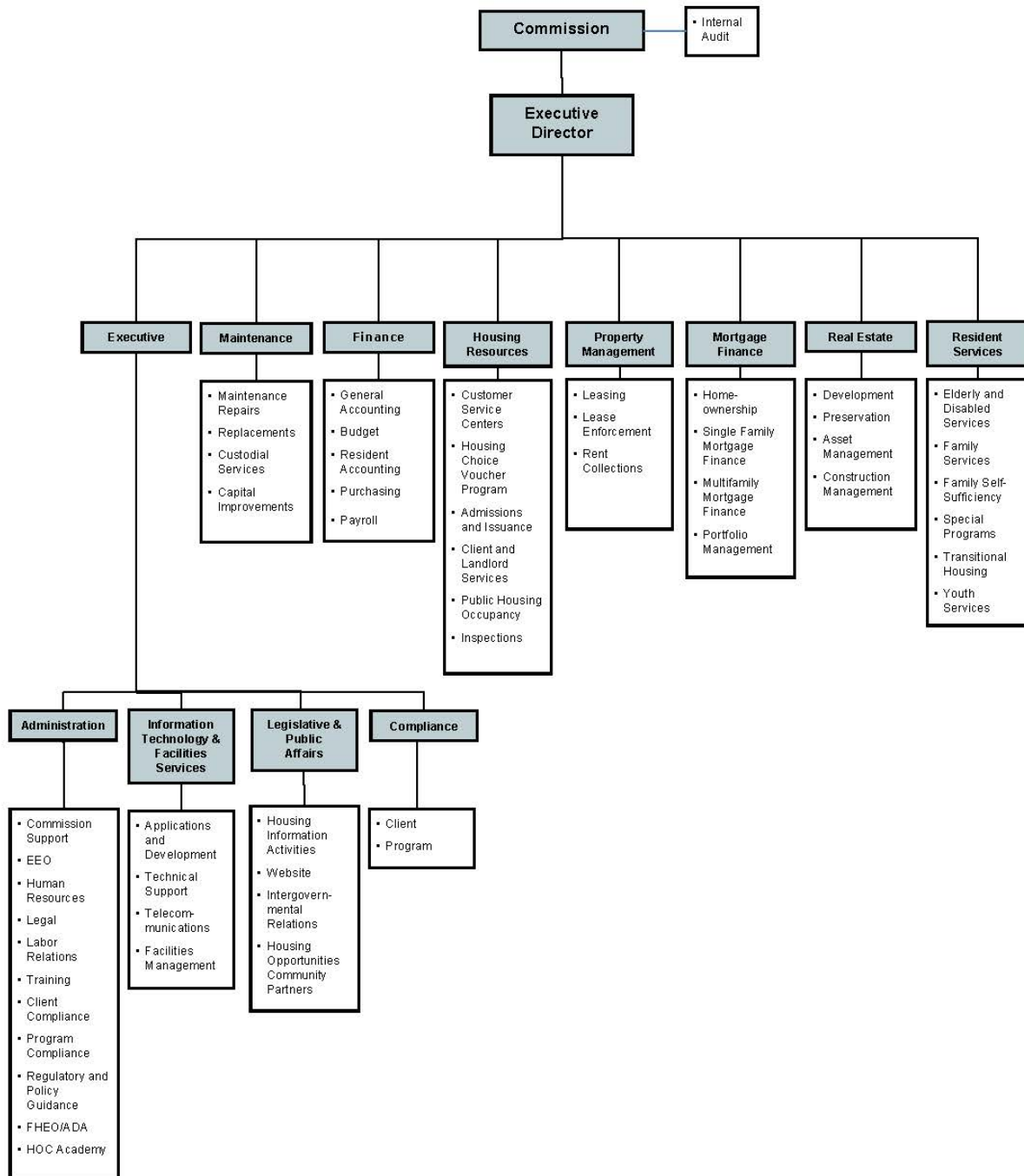
Acknowledgements: The preparation of this report has been accomplished by the efforts of the Finance Department in conjunction with the support of various division heads and staff throughout the Agency. We would also like to thank the Commission for their continued support and guidance throughout the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

Respectfully submitted,

Gail Goodman Willison

Gail Willison
Chief Financial Officer

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



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

Name, Title	Expiration of Term
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BOARD OF COMMISSIONERS

Sally Roman, Chair	August, 2016
Jackie Simon, Vice Chair	August, 2020
Richard Y. Nelson, Jr., Chair Pro Tem	August, 2018
Margaret McFarland, Commissioner	August, 2019
Christopher L. Hatcher, Commissioner	August, 2019
Linda Croom, Commissioner	August, 2017
Pamela Byrd, Commissioner	August, 2018

SENIOR MANAGEMENT

Stacy L. Spann, Executive Director
Kelly McLaughlin, General Counsel

EXECUTIVE STAFF

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

II. FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Montgomery Homes Limited Partnership IX, Montgomery Homes Limited Partnership X, Shady Grove Apartments Limited Partnership, Manchester Manor Apartments Limited Partnership, Georgian Court Silver Spring Limited Partnership, MV Affordable Housing Associates Limited Partnership, Barclay One Associates Partnership, Strathmore Court Associates Limited Partnership, Metropolitan of Bethesda Limited Partnership, Spring Garden One Associate Limited Partnership, Forest Oak Towers Limited Partnership, the Willows of Gaithersburg Associates Limited Partnership, Hampden Lane Limited Partnership, Tanglewood and Sligo Limited Partnership, and Wheaton Metro Limited Partnership, which represent 63 percent, 7 percent and 100% respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements, which were prepared in accordance with the Accounting Standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the discretely presented component units, which conform those financial statements to present in accordance with the accounting standards issued by the Governmental Accounting Standards Board. Our opinion, insofar as it relates to the amounts included for the discretely presented component units, prior to these conversion adjustments, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Commission as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, the Schedule of Commissions Proportionate Share of the Net Pension Liability on page 75, and the Schedule of Commission Contributions on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The sub-fund financial statements and budgetary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The sub-fund financial statements and budgetary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

Board of Commissioners
Housing Opportunities Commission of
Montgomery County, Maryland

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 31, 2016

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the audited basic financial statements and related notes. This discussion and analysis is focused on the activities of the Commission as a primary governmental entity.

Financial Highlights

- The Commission's net position increased by \$38.6 million (or 21.2%) from \$181.8 million at June 30, 2015 to \$220.4 million at June 30, 2016.
- The Commission's current ratio (ratio of current assets to current liabilities) decreased from 3.11 at June 30, 2015 to 2.40 at June 30, 2016 as the bond proceeds for the renovation of the RAD 6 Development Corporation (RAD 6) properties were drawn and disbursed.
- Outstanding mortgage and construction loans receivable increased from \$269.3 million at June 30, 2015 to approximately \$314.6 million at June 30, 2016. This is attributed to the seller notes receivable from Arcola Towers RAD LP and Waverly House RAD LP as well as a receivable from the Chevy Chase Lake Apartment land sale.
- The amount of U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payments (HAP) administered by the Commission increased by 1.2% from \$90.3 million in fiscal year 2015 to \$91.4 million in fiscal year 2016.
- The Multifamily Sub-fund issued bonds in the amount of \$35.9 million under the 1996 indenture for the redevelopment of the Arcola Towers RAD LP and Waverly House RAD LP properties. During fiscal year 2016, the Multifamily Sub-Fund retired and refunded bonds in the amount of \$15.7 million which consisted of \$14.4 million from the 1996 indenture, \$0.6 million from the 2002 Multiple Purpose Bonds, \$0.4 million from the 1982 indenture, and \$0.3 million from other indentures.
- The Single Family Sub-fund issued bonds in the amount of \$43.9 million under the 1979 indenture to finance mortgage loans for qualifying first-time home buyers. During fiscal year 2016, the Single Family Sub-fund retired and refunded bonds in the amount of \$27.6 million which consisted of \$18.2 million from the 1979 indenture and \$9.4 million from the 2009 indenture.

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Overview of Financial Statements

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

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

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

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

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

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

Sub-Funds

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

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

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

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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

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

Discretely Presented Component Units

Real Estate Limited Partnerships – The Commission is the managing general partner in 17 real estate limited partnerships. Steen of the partnerships have calendar year ends and two have a June 30 fiscal year end.

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

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, 2016.

Blended Component Units

Development Corporation – The Commission has 21 properties that are considered blended component units and presented with the Opportunity Housing Sub-Fund in the appropriate fund financial statement and combining statements.

Financial Analysis of the Commission as a Whole

The Commission's total net position in fiscal year 2016 increased by 21.2%.

Net investment in capital assets is -8.8% of the Commission's net position. These capital assets are used primarily to provide housing to low-income residents.

38.1% of the Commission's position reflects cash and investments, which are restricted as to their use. The preponderance of these restricted assets are used to finance and fund low-income housing.

70.7% of the Commission's net position is unrestricted. These non-restricted resources are used in the operations of the Commission.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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

	2016	2015	Change (\$)	Change (%)
Assets:				
Current and Other Assets	\$ 423.5	\$ 339.5	\$ 84.0	24.7%
Capital Assets	384.5	372.1	12.4	3.3%
Mortgage and Construction Loans Receivable	314.6	269.3	45.3	16.8%
Total Assets	1,122.6	980.9	141.7	14.4%
Deferred Outflows of Resources	16.3	11.6	4.7	40.5%
Liabilities:				
Current Liabilities (Including Current Portion of Long-Term Debt and Bonds Payable)	176.1	109.1	67.0	61.4%
Noncurrent Liabilities:				
Bonds Payable	508.5	502.8	5.7	1.1%
Other Liabilities	229.3	195.3	34.0	17.4%
Total Liabilities	913.9	807.2	106.7	13.2%
Deferred Inflows of Resources	4.6	3.5	1.1	31.4%
Net Position				
Net Investment in Capital Assets	(19.3)	(10.4)	(8.9)	85.6%
Restricted for:				
Debt Service	77.8	75.0	2.8	3.7%
Customer Deposits and Other	2.8	2.0	0.8	40.0%
Closing Cost Assistance Program	3.4	1.5	1.9	126.7%
Unrestricted	155.7	113.7	42.0	36.9%
Total Net Position	\$ 220.4	\$ 181.8	\$ 38.6	21.2%

Total assets of the Commission increased by \$141.7 million or 14.4%, with a corresponding increase in total liabilities of \$106.7 million or 13.2% from fiscal year 2015.

The increase in total assets was largely due to an increase in loans receivable from the sale of Arcola Towers Apartments and Waverly House Apartments to their respective Limited Partnerships and the partial sale of land from Chevy Chase Lake Apartments to Eakin, Youngentob & Associates (EYA) as well as an increase in cash and investments due to the new bonds issued under the Multi-family Sub-fund 1996 Indenture and the Single Family Sub-fund 1979 Indenture.

Based on Government Accounting Standards Board (GASB) 53, *Accounting and Financial Reporting for Derivative Instruments*, the changes in fair values of hedging derivative instruments are presented as either deferred inflows or outflows in the statement of net position. HOC has experienced an increase in fair value of \$.07 million in both the Single Family Sub-Fund and the Multifamily Sub-Fund in its interest rate swaps liability.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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

	2016	2015	Change (\$)	Change (%)
Operating Revenues				
Dwelling Rental	\$ 68.3	\$ 68.5	\$ (0.2)	(0.3)%
Intergovernmental Grants	116.0	115.2	0.8	0.7%
Investment Income	3.5	5.5	(2.0)	(36.4)%
Unrealized Gains (Losses) on Investments	3.4	(0.4)	3.8	(950.0)%
Interest on Mortgages and Construction Loans Receivable	12.1	13.9	(1.8)	(12.9)%
Management Fees and Other Income	10.2	11.2	(1.0)	(8.9)%
Total Operating Revenues	213.5	213.9	(0.4)	(0.2)%
Operating Expenses				
Housing Assistance Payments	91.4	90.3	1.1	1.2%
Administration	35.6	34.5	1.1	3.2%
Maintenance	17.4	17.0	0.4	2.4%
Depreciation and Amortization	13.9	15.7	(1.8)	(11.5)%
Utilities	5.4	5.8	(0.4)	(6.9)%
Fringe Benefits	10.4	10.7	(0.3)	(2.8)%
Pension Expense	0.8	(1.0)	1.8	(180.0)%
Interest Expense	22.3	23.8	(1.5)	(6.3)%
Other Expenses	9.9	9.9	-	0.0%
Total Operating Expenses	207.1	206.7	0.4	0.2%
Operating Income	6.4	7.2	(0.8)	(11.1)%
Nonoperating Revenues, Net	28.8	1.2	27.6	2300.0%
Income Before Contributions	35.2	8.4	26.8	319.0%
Capital Contributions	3.4	0.2	3.2	1600.0%
Change in Net Position	\$ 38.6	\$ 8.6	\$ 30.0	348.8%

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, 2016, the Commission has recorded all ABA received as income.

Intergovernmental grants increased by \$0.8 million as a result of an increase in County, State and HUD subsidies.

Dwelling rental income decreased by \$0.2 million as a net result of the disposition of Arcola Towers Apartments and Waverly House Apartments, and the demolition of the Chevy Chase Lake Apartment building in conjunction with the Chevy Chase Lake modernization project.

Investment interest income decreased by \$2.0 million in FY 2016. The higher investment interest income in FY 2015 was due to the termination of two swap agreements yielding about \$1.9 million of income for the Commission.

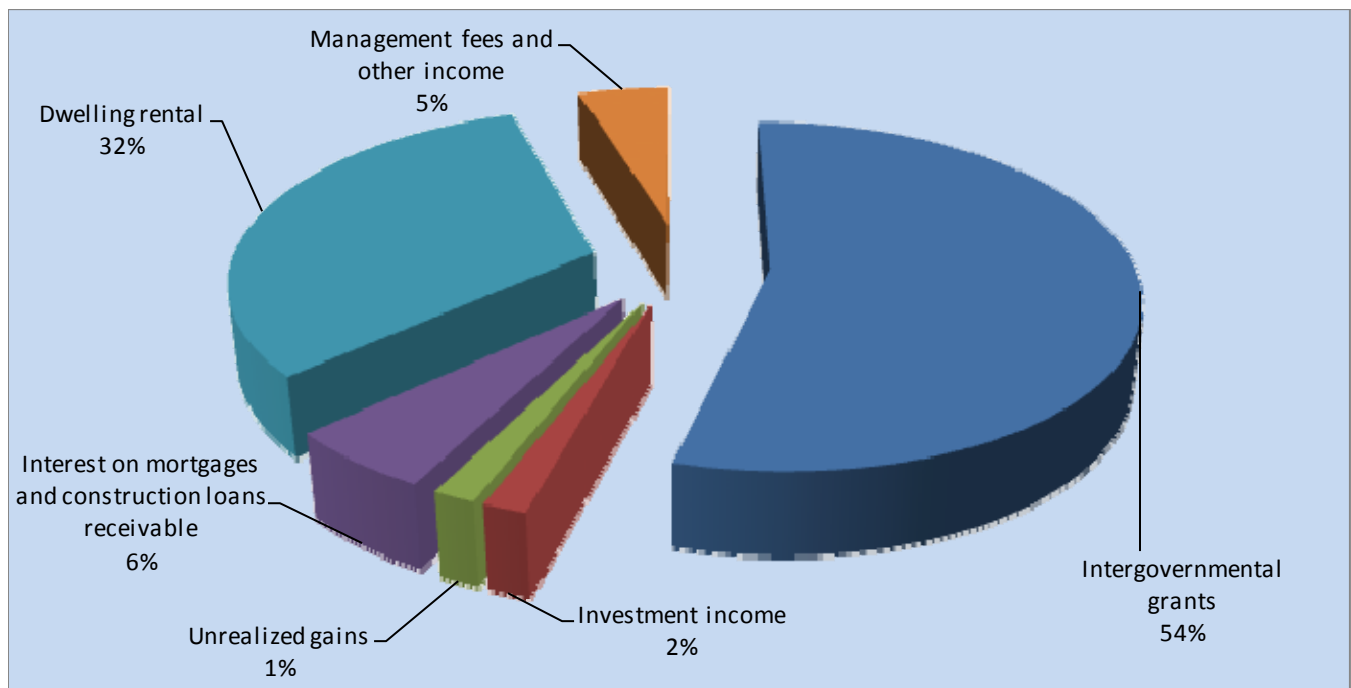
HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Interest on mortgages receivable decreased by \$1.8 million as a result of a decrease in the average outstanding mortgages in both the Single Family Sub-fund and the Multifamily Sub-fund.

Management fees and other income decreased by \$1.0 million due to a decrease in the number of Moderately Priced Dwelling Units (MPDU) sold this year and a decrease in loan management fees and other income.

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

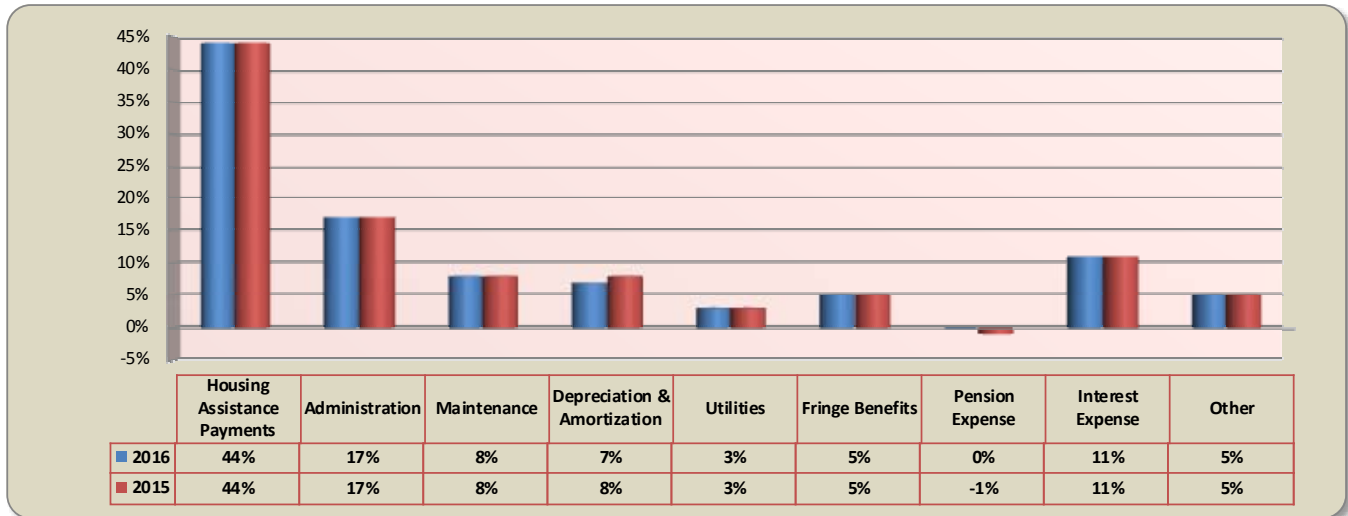
FY 2016 SOURCES OF REVENUE



HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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

FY 2016 OPERATING EXPENSES



Housing assistance payments are the major contributor to the total operating expenses of the Commission and remains flat at 44% of the total operating expenses.

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

The decrease in depreciation and amortization is due to the disposition of Arcola Towers Apartments, Waverly House Apartments, Chevy Chase Lake Apartments and the transfer of former public housing units to the new development corporation entities.

Pension expense is a new line item added in FY 2015 as a result of the GASB No. 68 implementation. Under the new accounting standards, pension expense is calculated based on several factors including the value of plan assets, funding and contributions made to the Plan. The increase in pension expense in FY 2016 is due to the changes in the most recent valuation of the County's pension plan.

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

	2016	2015	Change (\$)	Change (%)
Property and Equipment, Net of Depreciation	\$ 374.0	\$ 361.1	\$ 12.9	3.6%
Capitalized Lease (Net of Amortization)	10.5	11.0	(0.5)	(4.5)%
Total Capital Assets, Net	\$ 384.5	\$ 372.1	\$ 12.4	3.3%

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Real property is depreciated using the straight line method over a 40 year period. During the year, the Commission acquired assets of approximately \$45.7 million, while disposing of capital assets with a net book value of approximately \$19.6 million. The increase is largely attributable to the renovation work at VPC One Development Corporation and VPC Two Development Corporation, the RAD 6 multifamily properties and TPM/Pomander Court and the acquisition of a real estate property at 900 Thayer Avenue in Silver Spring. The decrease in capital assets is due to the sale of Arcola Towers Apartments, Waverly House Apartments, a portion of the Chevy Chase Lake land, demolition of the Chevy Chase Lake Apartment building and the equity contribution of the Capital One site property to Hillandale Gateway LLC.

In FY 2016 the Commission acquired nine (9) multifamily properties through the U.S. Department of HUD Rental Assistance Demonstration Program. These properties are scattered throughout Montgomery County, Maryland. These units are intended to serve low to moderate income individuals and families.

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

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

	2016	2015	Change (\$)	Change (%)
Multifamily Bonds	\$ 311.1	\$ 290.9	\$ 20.2	6.9%
Single Family Mortgage Purchase Program Bonds	253.1	236.9	16.2	6.8%
Mortgage Notes and Loans Payable	144.6	124.7	19.9	16.0%
Capitalized Lease Obligation	19.9	19.9	-	0.0%
Loans Payable to Montgomery County	66.7	64.5	2.2	3.4%
Total	\$ 795.4	\$ 736.9	\$ 58.5	7.9%

The following are key elements of the Commission's outstanding debt as of June 30, 2016:

- As of June 30, 2016, \$311.1 million of multifamily mortgage bonds was outstanding. Sources of payments for the bonds are multifamily mortgages receivable of \$304.5 million and cash, cash equivalents and investments of \$76.1 million.
- As of June 30, 2016, \$253.1 million of Single Family mortgage bonds was outstanding. Sources of payment for the bonds are Single Family mortgages receivable of \$115.5 million and cash, cash equivalents and investments of \$167.3 million.

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

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

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Economic Outlook

The FY 2017-2018 HOC Budget reflects the urgency of the work at hand – reducing the gap between affordable housing needs and supply, connecting vulnerable families to education and job training opportunities, and maintaining a focus on portfolio investments to ensure quality affordable housing remains available for the long term. HOC has accomplished what was once considered impossible – repositioning nearly all of its former public housing real estate to a more sustainable model, embarking on affordable housing development in some of the most amenity rich communities the county has to offer, and enhancing service delivery to support current and future customers. Notably, HOC is accomplishing all of this while curtailing its reliance on Public Housing's unpredictable federal funding stream.

As an agency, HOC assessed the challenges that needed to be confronted and faced them head-on to find new, innovative and more efficient ways to serve its customers. In order to continue to meet these challenges, HOC must create its own path forward. The Agency has recognized the need to re-position, re-invent and re-imagine how it meets the affordable housing needs for the approximately 14,500 families we serve – families that depend on our efforts every day, as well as the over 30,000 individuals currently on the waiting list.

The rising need for affordable housing comes at a time when the County and the State are continuing to estimate revenue shortfalls over the next several years. It is incumbent upon the Commission and management to work closely with our partners in identifying ways to meet the needs of low and moderate income County residents while facing a constrained fiscal environment.

Request for information

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

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF NET POSITION – BUSINESS-TYPE ACTIVITIES AND
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2016

	Business-Type Activities	Discretely Presented Component Units
ASSETS		
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	\$ 91,148,338	\$ 6,632,272
Advances to Component Units	21,718,981	-
Accounts Receivable and Other Assets	27,490,768	33,455,766
Accrued Interest Receivable	4,885,121	-
Mortgage and Construction Loans Receivable, Current	38,690,163	-
Total Unrestricted Current Assets	183,933,371	40,088,038
Restricted Cash and Cash Equivalents and Investments:		
Restricted Cash and Cash Equivalents	135,445,467	13,133,542
Restricted Short-Term Investments	2,790,208	-
Current Bonds Payable	64,571,906	-
Customer Deposits	4,408,671	741,139
Total Restricted Cash and Cash Equivalents and Investments	207,216,252	13,874,681
Total Current Assets	391,149,623	53,962,719
NONCURRENT ASSETS		
Restricted Long-Term Investments	63,902,231	-
Mortgage and Construction Loans Receivable, Net of Current Portion	275,970,162	-
Capital Assets, Net of Depreciation	373,974,214	167,075,071
Leased Property Under Capital Lease, Net of Amortization	10,493,594	-
Other Real Estate Owned	1,790,154	-
Loans Receivable from Component Units	2,291,820	-
Investment in Component Units	3,147,221	-
Deferred Charges	-	3,105,052
Total Noncurrent Assets	731,569,396	170,180,123
Total Assets	1,122,719,019	224,142,842
DEFERRED OUTFLOWS OF RESOURCES		
Fair Value of Hedging Derivatives	11,208,458	-
Employer-Related Pension Activities	5,063,652	-
Total Deferred Outflows of Resources	16,272,110	-

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF NET POSITION – BUSINESS-TYPE ACTIVITIES AND
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2016

	Business-Type Activities	Discretely Presented Component Units
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current Unrestricted Liabilities		
Accounts Payable and Accrued Liabilities	\$ 42,812,133	\$ 2,669,068
Accrued Interest Payable	3,062,577	4,419,939
Loans Payable to Montgomery County - Current	335,421	-
Mortgage Notes and Loans Payable - Current	61,740,397	3,214,302
Capitalized Lease Obligations - Current	3,897	-
Total Current Unrestricted Liabilities	107,954,425	10,303,309
Current Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	3,587,946	716,615
Accrued Interest Payable	8,825,547	-
Bonds Payable - Current	55,772,645	-
Total Current Liabilities Payable from Restricted Assets	68,186,138	716,615
Total Current Liabilities	176,140,563	11,019,924
NONCURRENT LIABILITIES		
Bonds Payable	508,473,104	-
Mortgage Notes and Loans Payable	82,847,452	165,658,319
Loans Payable to Montgomery County	66,326,338	12,681,326
Capitalized Lease Obligations	19,945,907	-
Unearned Revenue	26,993,400	10,217
Advances Due to Primary Government	-	27,390,607
Other Noncurrent Liabilities	-	2,702,438
Escrow and Other Deposits	14,340,488	1,246,227
Net Pension Liability	7,661,755	-
Derivative Instrument	11,208,458	-
Total Noncurrent Liabilities	737,796,902	209,689,134
Total Liabilities	913,937,465	220,709,058
DEFERRED INFLOWS OF RESOURCES		
Unamortized Pension Net Difference	4,625,333	-
NET POSITION		
Net Investment in Capital Assets	(19,296,755)	(14,478,876)
Restricted for:		
Debt Service	77,765,209	13,158,066
Customer Deposits and Other	2,770,441	-
Closing Cost Assistance Program	3,420,197	-
Unrestricted	155,769,239	4,754,594
Total Net Position	\$ 220,428,331	\$ 3,433,784

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-
BUSINESS-TYPE ACTIVITIES AND DISCRETELY PRESENTED COMPONENTS UNITS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities	Discretely Presented Component Units
OPERATING REVENUES		
Dwelling Rental	\$ 68,309,329	\$ 18,625,841
Investment Income	3,520,175	-
Unrealized Gains (Losses) on Investments	3,420,019	-
Interest on Mortgage and Construction Loans Receivable	12,135,882	-
Management Fees and Other Income	10,186,560	781,918
U.S. Department of Housing and Urban Development Grants:		
Housing Assistance Payments (HAP)	89,041,875	-
HAP Administrative Fees	6,583,770	-
Other Grants	8,421,269	-
State and County Grants	11,893,150	-
Total Operating Revenues	<u>213,512,029</u>	<u>19,407,759</u>
OPERATING EXPENSES		
Housing Assistance Payments	91,387,603	-
Administration	35,563,087	3,152,799
Maintenance	17,395,244	4,444,326
Depreciation and Amortization	13,882,152	5,730,863
Utilities	5,406,906	1,626,245
Fringe Benefits	10,427,144	996,315
Pension Expense	788,176	-
Interest Expense	22,328,322	4,527,187
Other Expenses	9,928,960	2,359,655
Total Operating Expenses	<u>207,107,594</u>	<u>22,837,390</u>
Operating Income (Loss)	<u>6,404,435</u>	<u>(3,429,631)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	1,096,003	8,916
Interest on Mortgage and Construction Loans Receivable	179,651	-
Interest Expense	(545,782)	-
State and County Grants	4,536	-
Gain on Sale of Assets	27,896,767	-
Other Grants	204,554	-
Total Nonoperating Income	<u>28,835,729</u>	<u>8,916</u>
Income (Loss) Before Contributions and Transfers	35,240,164	(3,420,715)
Capital Contributions	3,412,297	6,124,483
Partner Equity Distributions	-	(187,148)
CHANGE IN NET POSITION	38,652,461	2,516,620
Total Net Position - Beginning of Year	<u>181,775,870</u>	<u>917,164</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 220,428,331</u></u>	<u><u>\$ 3,433,784</u></u>

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF CASH FLOWS – BUSINESS-TYPE ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 52,307,241
Intergovernmental Revenue	116,177,394
Investment Income Received	4,760,877
Mortgage Interest Received	7,220,649
Mortgage Loan Principle Received	33,993,433
Management Fees and Other Income	27,888,140
Pension Expense	(4,752,581)
Payments to Suppliers	(31,207,969)
Payments to Employees	(33,976,041)
Interest Paid	(22,117,242)
Housing Assistance Payments	(91,624,933)
Net Cash Provided by Operating Activities	58,668,968
CASH FLOWS FROM INVESTING ACTIVITIES	
Advances to Component Units	(9,337,572)
Issuance of Notes Receivable	(11,323,608)
Repayment of Notes Receivable	(12,811,661)
Investments Purchased	(1,598,370)
Investments Sold	2,498,502
Investment Income Received	1,096,003
Investment in Mortgages Receivable	(25,934,381)
Mortgage Interest Received	163,508
Net Cash Used by Investing Activities	(57,247,579)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Sale of Bonds	79,742,849
Bond Repayments	(43,368,043)
Disbursement to Other Indentures	(4,000)
Disbursement from Commission	315,554
Intergovernmental Revenue	209,090
Net Cash Provided by Noncapital Financing Activities	36,895,450
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Property, Equipment and Committed Financing Fees	(45,662,648)
Disposition of Capital Assets	19,572,338
Gain on Sale of Capital Assets	27,896,767
Proceeds from New Mortgage Notes and Loans Payable	116,823,068
Payments on Mortgage Notes and Loans Payable	(93,763,112)
Interest Paid on Mortgages	(545,782)
Payments on Capital Lease Obligations	(3,616)
Capital Contributions and Transfers	3,412,297
Net Cash Provided by Capital and Related Financing Activities	27,729,312
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,046,151
Cash and Cash Equivalents - Beginning of Year	229,528,231
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 295,574,382

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF CASH FLOWS – BUSINESS-TYPE ACTIVITIES
YEAR ENDED JUNE 30, 2016
(Continued)

	<u>Business-Type Activities</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR TO AMOUNTS IN THE STATEMENT OF NET POSITION	
Current Unrestricted Cash and Cash Equivalents	\$ 91,148,338
Restricted Cash and Cash Equivalents	135,445,467
Current Bonds Payable	64,571,906
Customer Deposits	4,408,671
Total Cash and Cash Equivalents	<u>295,574,382</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	6,404,435
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Increase in Capital Appreciation Bonds	20,299
Depreciation and Amortization	13,677,300
Unrealized Losses on Investments	(3,420,019)
Pension Expense	(3,964,405)
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable and Other Assets	(8,013,181)
Mortgage and Construction Loans Receivables	3,655,753
Accrued Interest Receivable	220,478
Other Real Estate Owned	1,611,679
Interfund Receivable	(311,554)
Accounts Payable	33,989,638
Unearned Revenue	14,541,125
Accrued Interest Payable	370,697
Escrow and Other Deposits	(113,277)
Net Cash Provided by Operating Activities	<u>\$ 58,668,968</u>

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2016

	12/31 MHLP IX	12/31 MHLP X	12/31 Shady Grove	12/31 Manchester	12/31 Willows	12/31 Georgian	12/31 Stewartown	6/30 Strathmore	12/31 Arcola	12/31 Waverly
Assets										
Current Assets										
Cash and Cash Equivalents	\$ 100	\$ -	\$ 1,182,507	\$ 172,935	\$ 48,504	\$ 239,241	\$ 319,131	\$ 10,494	\$ -	\$ -
Accounts Receivable and Other Assets	72,582	53,507	28,977	23,583	48,081	61,939	42,643	12,599	12,797,099	19,922,658
Total Unrestricted Current Assets	72,682	53,507	1,211,484	196,518	96,585	301,180	361,774	23,093	12,797,099	19,922,658
Restricted Cash and Cash Equivalents										
Restricted Cash and Cash Equivalents	260,088	207,278	554,628	96,748	1,111,084	472,838	274,234	131,066	1,114,562	3,946,082
Customer Deposits	49,793	28,632	57,373	22,084	141,789	106,068	50,069	24,434	-	-
Total Restricted Cash and Cash Equivalents	309,881	235,910	612,001	118,832	1,252,873	578,906	324,303	155,500	1,114,562	3,946,082
Noncurrent Assets										
Property & Equipment, Net of Depreciation	5,515,988	2,885,231	6,487,980	1,776,887	5,376,611	5,864,436	5,840,203	2,986,383	13,390,556	28,250,820
Deferred Charges	52,657	87,521	122,664	56,906	114,640	100,489	139,178	-	286,454	446,110
Total Noncurrent Assets	5,568,645	2,972,752	6,610,644	1,833,793	5,491,251	5,964,925	5,979,381	2,986,383	13,677,010	28,696,930
Total Assets	\$ 5,951,208	\$ 3,262,169	\$ 8,434,129	\$ 2,149,143	\$ 6,840,709	\$ 6,845,011	\$ 6,665,458	\$ 3,164,976	\$ 27,588,671	\$ 52,565,670
Liabilities										
Current Liabilities										
Accounts Payable and Accrued Liabilities	\$ 49,551	\$ 31,938	\$ 157,701	\$ 48,130	\$ 325,645	\$ 132,576	\$ 186,022	\$ 20,807	\$ 53,667	\$ 84,195
Accrued Interest Payable	20,248	14,659	23,235	7,096	-	6,770	12,673	22,834	-	-
Mortgage Notes and Loans Payable - Current	222,225	121,497	283,852	78,363	486,539	353,891	354,732	197,200	-	-
Total Unrestricted Current Liabilities	292,024	168,094	464,788	133,589	812,184	493,237	553,427	240,841	53,667	84,195
Current Liabilities Payable from Restricted Assets										
Customer Deposit Payable	45,850	27,041	56,707	20,775	141,373	105,621	48,876	23,364	-	-
Total Current Liabilities Payable from Restricted Assets	45,850	27,041	56,707	20,775	141,373	105,621	48,876	23,364	-	-
Noncurrent Liabilities										
Mortgage Notes and Loans Payable	5,482,579	3,854,287	5,078,112	1,559,115	2,442,401	3,115,699	2,373,073	5,850,183	26,138,105	46,762,032
Loans Payable to Montgomery County	1,405,500	800,000	282,000	800,000	600,000	1,676,298	2,425,420	-	-	-
Deferred Revenue	-	-	2,520	-	4,389	3,308	-	-	-	-
Due to Primary Government	3,209,309	(6,540)	-	411,101	(8,191)	-	-	3,494,373	1,419,912	4,309,249
Other Noncurrent Liabilities	789,314	890,847	-	304,306	311,051	346,449	-	-	-	-
Escrow and Other Deposits	-	-	-	-	-	-	-	-	-	-
Total Noncurrent Liabilities	10,886,702	5,538,594	5,362,632	3,074,522	3,349,650	5,141,754	4,798,493	9,344,556	27,558,017	51,071,281
Total Liabilities	11,224,576	5,733,729	5,884,127	3,228,886	4,303,207	5,740,612	5,400,796	9,608,761	27,611,684	51,155,476
Net Position (Deficit)	(5,273,368)	(2,471,560)	2,550,002	(1,079,743)	2,537,502	1,104,399	1,264,662	(6,443,785)	(23,013)	1,410,194
Total Liabilities and Net Position	\$ 5,951,208	\$ 3,262,169	\$ 8,434,129	\$ 2,149,143	\$ 6,840,709	\$ 6,845,011	\$ 6,665,458	\$ 3,164,976	\$ 27,588,671	\$ 52,565,670

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2016

	6/30	12/31	12/31	12/31	12/31	12/31	12/31	6/30	
	Metropolitan	Spring Garden	Barclay	Wheaton Metro	Forest Oak	Tanglewood/Sligo	Hampden Lane	Hillandale	Totals
Assets									
Current Assets									
Cash and Cash Equivalents	\$ 39,722	\$ 300,372	\$ 671,980	\$ 249,089	\$ 1,728,913	\$ 1,068,167	\$ 55,117	\$ 546,000	\$ 6,632,272
Accounts Receivable and Other Assets	46,919	38,615	30,614	111,578	45,237	113,885	5,250	-	33,455,766
Total Unrestricted Current Assets	86,641	338,987	702,594	360,667	1,774,150	1,182,052	60,367	546,000	40,088,038
Restricted Cash and Cash Equivalents									
Restricted Cash and Cash Equivalents	247,005	496,364	343,144	353,358	1,686,304	1,410,131	428,628	-	13,133,542
Customer Deposits	43,080	36,847	36,349	23,292	50,263	68,608	2,458	-	741,139
Total Restricted Cash and Cash Equivalents	290,085	533,211	379,493	376,650	1,736,567	1,478,739	431,086	-	13,874,681
Noncurrent Assets									
Property & Equipment, Net of Depreciation	6,403,214	8,942,972	7,476,312	11,037,884	21,820,292	27,308,887	3,890,415	1,820,000	167,075,071
Deferred Charges	-	250,605	352,914	351,604	461,534	268,391	13,385	-	3,105,052
Total Noncurrent Assets	6,403,214	9,193,577	7,829,226	11,389,488	22,281,826	27,577,278	3,903,800	1,820,000	170,180,123
Total Assets	\$ 6,779,940	\$ 10,065,775	\$ 8,911,313	\$ 12,126,805	\$ 25,792,543	\$ 30,238,069	\$ 4,395,253	\$ 2,366,000	\$ 224,142,842
Liabilities									
Current Liabilities									
Accounts Payable and Accrued Liabilities	\$ 58,525	\$ 73,082	\$ 95,107	\$ 81,671	\$ 337,286	\$ 634,354	\$ 298,811	\$ -	\$ 2,669,068
Accrued Interest Payable	31,582	2,084,814	1,368,350	192,911	75,325	559,442	-	-	4,419,939
Mortgage Notes and Loans Payable - Current	145,516	167,030	164,908	25,178	414,337	199,034	-	-	3,214,302
Total Unrestricted Current Liabilities	235,623	2,324,926	1,628,365	299,760	826,948	1,392,830	298,811	-	10,303,309
Current Liabilities Payable from Restricted Assets									
Customer Deposit Payable	41,321	36,880	35,049	21,490	43,706	66,791	1,771	-	716,615
Total Current Liabilities Payable from Restricted Assets	41,321	36,880	35,049	21,490	43,706	66,791	1,771	-	716,615
Noncurrent Liabilities									
Mortgage Notes and Loans Payable	6,776,301	8,737,203	8,284,766	5,972,668	15,150,336	16,816,154	719,305	546,000	165,658,319
Loans Payable to Montgomery County	-	1,382,000	-	865,279	1,500,000	-	944,829	-	12,681,326
Deferred Revenue	-	-	-	-	-	-	-	-	10,217
Due to Primary Government	11,158,279	(16,693)	(155,568)	1,823,235	-	1,521,673	230,468	-	27,390,607
Other Noncurrent Liabilities	60,471	-	-	-	-	-	-	-	2,702,438
Escrow and Other Deposits	-	-	-	-	1,246,227	-	-	-	1,246,227
Total Noncurrent Liabilities	17,995,051	10,102,510	8,129,198	8,661,182	17,896,563	18,337,827	1,894,602	546,000	209,689,134
Total Liabilities	18,271,995	12,464,316	9,792,612	8,982,432	18,767,217	19,797,448	2,195,184	546,000	220,709,058
Net Position (Deficit)	(11,492,055)	(2,398,541)	(881,299)	3,144,373	7,025,326	10,440,621	2,200,069	1,820,000	3,433,784
Total Liabilities and Net Position	\$ 6,779,940	\$ 10,065,775	\$ 8,911,313	\$ 12,126,805	\$ 25,792,543	\$ 30,238,069	\$ 4,395,253	\$ 2,366,000	\$ 224,142,842

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 2016

	12/31 MHLP IX	12/31 MHLP X	12/31 Shady Grove	12/31 Manchester	12/31 Willows	12/31 Georgian	12/31 Stewartown	6/30 Strathmore	12/31 Arcola	12/31 Waverly
Operating Revenues:										
Dwelling Rental	\$ 1,469,079	\$ 973,723	\$ 2,027,578	\$ 686,226	\$ 1,791,621	\$ 1,509,464	\$ 1,415,873	\$ 610,107	\$ -	\$ -
Management Fees and Other Income	269	17,904	3,231	756	214,719	56,086	189,376	2,729	-	-
Total Operating Revenues	1,469,348	991,627	2,030,809	686,982	2,006,340	1,565,550	1,605,249	612,836	-	-
Operating Expenses:										
Administration	152,455	167,580	294,475	79,976	349,643	276,900	244,653	122,135	-	-
Maintenance	592,975	402,610	442,832	145,968	591,923	349,078	362,839	141,863	-	-
Depreciation and Amortization	391,055	291,830	397,645	144,228	277,720	339,485	373,405	264,532	20,951	50,975
Utilities	21,831	9,183	129,059	139,296	301,317	111,185	93,340	59,201	-	-
Fringe Benefits	62,500	40,466	114,302	28,616	137,877	102,608	122,363	22,777	-	-
Interest Expense	325,836	237,344	285,305	86,939	27,008	78,090	181,352	365,307	-	-
Other	447,719	148,797	300,681	95,934	113,203	200,867	177,343	48,926	2,062	1,931
Total Operating Expenses	1,994,371	1,297,810	1,964,299	720,957	1,798,691	1,458,213	1,555,295	1,024,741	23,013	52,906
Operating Income (Loss)	(525,023)	(306,183)	66,510	(33,975)	207,649	107,337	49,954	(411,905)	(23,013)	(52,906)
Nonoperating Revenues (Expense)										
Investment Income	587	380	936	106	1,251	889	198	111	-	-
Total Nonoperating Income (Loss)	587	380	936	106	1,251	889	198	111	-	-
Capital Contributions	-	-	-	-	-	-	-	-	-	1,463,100
Partner Equity Distributions	-	-	(134,057)	(1,113)	(24,012)	-	-	-	-	-
Change in Net Position	(524,436)	(305,803)	(66,611)	(34,982)	184,888	108,226	50,152	(411,794)	(23,013)	1,410,194
Net Position - Beginning of Year	(4,748,932)	(2,165,757)	2,616,613	(1,044,761)	2,352,614	996,173	1,214,510	(6,031,991)	-	-
Net Position - End of Year	\$ (5,273,368)	\$ (2,471,560)	\$ 2,550,002	\$ (1,079,743)	\$ 2,537,502	\$ 1,104,399	\$ 1,264,662	\$ (6,443,785)	\$ (23,013)	\$ 1,410,194

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 2016

	6/30	12/31	12/31	12/31	12/31	12/31	12/31	6/30	
	Metropolitan	Spring Garden	Barclay	Wheaton Metro	Forest Oak	Tanglewood/Sligo	Hampden Lane	Hillandale	Totals
Operating Revenues:									
Dwelling Rental	\$ 744,682	\$ 1,058,230	\$ 998,273	\$ 688,177	\$ 2,666,786	\$ 1,818,748	\$ 167,274	\$ -	\$ 18,625,841
Management Fees and Other Income	21,233	4,199	20,993	5,658	65,778	142,623	36,364	-	781,918
Total Operating Revenues	765,915	1,062,429	1,019,266	693,835	2,732,564	1,961,371	203,638	-	19,407,759
Operating Expenses:									
Administration	242,803	166,198	141,906	183,688	382,107	277,208	71,072	-	3,152,799
Maintenance	236,376	172,229	166,410	122,264	414,871	270,443	31,645	-	4,444,326
Depreciation and Amortization	315,725	401,665	466,721	558,167	567,230	719,676	149,853	-	5,730,863
Utilities	146,574	82,848	77,816	41,472	149,742	233,999	29,382	-	1,626,245
Fringe Benefits	45,900	52,573	27,652	34,717	69,185	120,931	13,848	-	996,315
Interest Expense	383,343	512,118	448,063	214,611	772,950	608,921	-	-	4,527,187
Other	115,188	101,209	100,460	90,156	220,925	170,647	23,607	-	2,359,655
Total Operating Expenses	1,485,909	1,488,840	1,429,028	1,245,075	2,577,010	2,401,825	319,407	-	22,837,390
Operating Income (Loss)	(719,994)	(426,411)	(409,762)	(551,240)	155,554	(440,454)	(115,769)	-	(3,429,631)
Nonoperating Revenues (Expense)									
Investment Income	171	979	603	560	1,327	176	642	-	8,916
Total Nonoperating Income (Loss)	171	979	603	560	1,327	176	642	-	8,916
Capital Contributions	-	-	-	-	-	2,841,383	-	1,820,000	6,124,483
Partner Equity Distributions	-	-	-	-	-	(14,001)	(13,965)	-	(187,148)
Change in Net Position	(719,823)	(425,432)	(409,159)	(550,680)	156,881	2,387,104	(129,092)	1,820,000	2,516,620
Net Position - Beginning of Year	(10,772,232)	(1,973,109)	(472,140)	3,695,053	6,868,445	8,053,517	2,329,161	-	917,164
Net Position - End of Year	\$ (11,492,055)	\$ (2,398,541)	\$ (881,299)	\$ 3,144,373	\$ 7,025,326	\$ 10,440,621	\$ 2,200,069	\$ 1,820,000	\$ 3,433,784

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, 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of the Commission

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

Specific powers of the Commission include:

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

Housing activities sponsored by the Commission include:

- The Public Housing Rental Program, which provides housing for low- and moderate-income families and elderly and disabled individuals who pay either a flat rent or 30% of their adjusted gross income for rent.
- Home-Ownership Program, whereby families pay a minimum of 30% of their adjusted gross income each month to the Commission. A portion of this monthly payment is placed in an earned home-payment account, and another sum is placed in a non-routine maintenance reserve. Once a family's income is high enough to secure a mortgage, these reserve accounts can be used for the down payment and/or closing costs. Title to the home is then transferred to the family, and they assume ownership of the home along with all rights and responsibilities of home ownership.
- Housing Choice Voucher Program, sponsored by the U.S. Department of Housing and Urban Development (HUD), through which eligible persons may seek housing in the private marketplace. The Housing Choice Voucher program allows eligible families to obtain adequate rental housing while paying a minimum of 30% of their monthly income for rent.

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

(a) Description of the Commission (continued)

- Opportunity Housing Program, which is a local program administered by the Commission for families of eligible income, and includes both sales and rental housing; and
- Tax Credit Partnerships, which provide rental housing for low and moderate income households. The Commission manages these properties and is a 1% or less general partner.

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

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

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

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

(b) Financial Reporting Entity

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

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

(b) Financial Reporting Entity (Continued)

Development Corporations. The Development Corporations (the Corporations) operate exclusively for non-profit purposes and were created to assist in carrying out housing projects for persons of eligible income. Housing projects undertaken, financed, or assisted by the Corporations and their related expenditures must be approved by the Commission. The Corporations are legally separate from the Commission, and are included in the Opportunity Housing Sub-Fund as blended component units, since the Commission can significantly influence the programs, projects, or activities of, or the level of service performed by the Corporations, and their boards of directors are substantially the same as the Commission. The blended component units report on a June 30 year end.

BLENDED COMPONENT UNITS

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

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

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

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

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

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

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

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

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

BLENDED COMPONENT UNITS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

BLENDED COMPONENT UNITS (CONTINUED)

VPC One Development Corporation - Owns and operates 391 formerly public housing scattered site units, located in various parts of Montgomery County, Maryland approved for disposition by HUD to serve persons of eligible income.

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

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

DISCRETELY PRESENTED COMPONENT UNITS

Real Estate Limited Partnerships. The Commission is the managing general partner in 17 real estate limited partnerships. The limited partnership interests are held by third parties unrelated to the Commission. As managing general partner, the Commission has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. Additionally, the Commission is financially accountable for the limited partnerships as the Commission is legally obligated to fund operating deficits in accordance with the terms of the partnership agreements. Fifteen of the partnerships have calendar year ends and two have a June 30 fiscal year end. Accordingly, the amounts included for each discretely presented component unit that comprise the aggregate component units column in the combined financial statements are as of and for the respective year ends that fall within the year ended June 30, 2016. Separate financial statements for the individual limited partnerships can be obtained from the Commission. All limited partnerships follow FASB pronouncements and have not been converted for purposes of these financial statements.

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

The following entities do not qualify for blending and are, therefore, classified as discretely presented component units of the Commission. All financial statements are prepared in accordance with Generally Accepted Accounting Principles.

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

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

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

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

Shady Grove Apartments Limited Partnership – Owns and operates a 144 unit apartment rental complex for low and moderate income families located in Rockville, Montgomery County, Maryland.

Manchester Manor Apartments Limited Partnership – Owns and operates a 53 unit apartment rental complex for low and moderate income families located in Silver Spring, Montgomery County, Maryland.

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

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

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

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

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

Spring Garden One Associates Limited Partnership – Owns and operates 58 low-income tax credit apartment units and 24 units at market rate for low and moderate income families in Silver Spring, Montgomery County, Maryland.

Forest Oak Towers Limited Partnership – Owns and operates a 175 unit apartment rental complex for elderly low and moderate income renters located in Gaithersburg, Montgomery County, Maryland.

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

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

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

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

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

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

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

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

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

(c) Basis of Accounting

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

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

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(CONTINUED)

(c) Basis of Accounting (continued)

- *Single Family Sub-Fund* – Used to account for the proceeds of Single Family Mortgage Revenue Bonds, the debt service requirements on the bonds, investments held pursuant to the indenture authorizing the issuance of the bonds and debt service collected from mortgage loans purchased for the financing of owner-occupied, single-family residences in the County.

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

Commission financial statements distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a sub-fund's principal ongoing operations. The principal operating revenues of the General and Opportunity Housing Sub-Funds are dwelling rental incomes, management fees and other income. The principal operating revenues of the Public Sub-Fund are intergovernmental grants. The principal operating revenues of the Single Family and Multifamily Sub-Funds are investment interest and interest on mortgage and construction loans receivable. Operating expenses for the General, Opportunity Housing and Public Sub-Funds include administrative, maintenance, depreciation and amortization, utilities, and other expenses. Interest expense is included as an operating expense of the Opportunity Housing Sub-Fund. Housing assistance payments are considered operating expenses of the Public Sub-Fund. The principal operating expenses of the Single Family and Multifamily Sub-Funds are interest and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP). The Commission is required to follow all statements of the GASB.

Use of Estimates in Preparing Financial Statements

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

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

(d) Investments

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

(e) Mortgage and Construction Loans Receivable

Mortgage and construction loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of June 30, 2016, there were no reserves for loan losses; however, the Commission has experienced a decrease in loan foreclosures. Note 4, Mortgage and Construction Loans Receivable, provides detailed information about loans in foreclosure and Real Estate Owned (REO) status. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are placed on non-accrual status when the mortgage insurance claim has settled. The Commission continually monitors the collectability of all loans in foreclosure and REO status against the sales proceeds and mortgage insurance held by the Commission in determining the need for an allowance for loan loss. Additionally, the Commission has an active loan mitigation procedure in place which ensures that servicer activities are monitored and losses to the Commission are minimized. Historically, the Commission's loan losses have been insignificant. Generally, loans are placed on non-accrual status when the mortgage insurance claim has settled.

(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.

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

(f) Mortgage Risk-Sharing Agreement (continued)

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, 2016 is \$112,913,572 which is collateralized primarily by the underlying properties. As of June 30, 2016, the Commission had \$12,086,415 of mortgage insurance premium deposits on hand for any future loss.

(g) Grants/Contributions from Governmental Agencies

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

(h) Capital Assets

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

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

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

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

(i) Bond Discounts and Premiums

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

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

(j) Cash Equivalents

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

(k) Compensated Absences and Severance

The Commission's policy provides for the accrual of annual leave only. The accrual is based on the employee's current leave balance and the current hourly rate of pay. The outstanding annual leave accrual as of June 30, 2016 amounted to \$1,599,457 and is included in accounts payable and accrued liabilities in the accompanying statement of net assets.

The Commission adopted a personnel policy for senior executive staff which provides for a severance package including payments of up to twenty-six weeks of wages and other benefits.

(l) Net Position

It is the Commission's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Net position is displayed in three components as follows:

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

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

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

(m) New Accounting Pronouncements

In fiscal year 2016, the Commission implemented GASB Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

GASB No. 72 improves the accounting and financial reporting related to fair value measurements. This statement clarified the definition of fair value and requires the Commission to consider other factors in determining the fair value of assets and liabilities and the valuation techniques used, considering such factors as use of acquisition price and exit price. This statement did not impact valuations for the Commission's assets and liabilities but did impact related disclosures.

GASB No. 76 identifies the hierarchy of generally accepted accounting principles (GAAP) in the context of the current governmental financial reporting environment. This Statement did not impact the financial reporting or related disclosures included in these financial statements.

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NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Business-Type Activities

(a) Cash

The Commission's cash balances as of June 30, 2016 were entirely insured or collateralized with securities held by the Commission's agent in the Commission's name.

	<u>Carrying Amount</u>	<u>Bank Balances</u>	<u>Petty Cash</u>
Cash:			
General Sub-Fund	\$ 31,171,345	\$ 31,166,746	\$ 4,599
Opportunity Housing Sub-Fund	49,015,618	49,007,988	7,630
Public Sub-Fund	5,462,739	5,461,839	900
Multifamily Sub-Fund	38,344	38,344	-
Total Cash	<u>\$ 85,688,046</u>	<u>\$ 85,674,917</u>	<u>\$ 13,129</u>

(b) Cash Equivalents & Investments

The General Sub-Fund cash and cash equivalents balance at June 30, 2016 includes \$2,717,991 of cash and cash equivalents restricted for closing cost programs. The Opportunity Housing Sub-Fund cash and cash equivalents balance at June 30, 2016 includes \$23,734,345 of cash and cash equivalents restricted in accordance with various loan agreements with agencies of the State of Maryland and Montgomery County, in bond indentures and security deposits. The Public Sub-Fund cash and cash equivalent balance includes \$4,146,591 as of June 30, 2016, of security deposits, housing choice voucher funding and home ownership reserves restricted in accordance with the HUD regulations.

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

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

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

(b) Cash Equivalents & Investments (Continued)

The Commission invests in the Maryland Local Government Investment Pool (MLGIP). The pool is not subject to regulatory oversight by the SEC. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Bank. The pool has a AAAM rating from Standard and Poors, maintains a \$1.00 per share value and measures all investments at amortized cost for reporting purposes. 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 Sub-Funds require that the Trustee invest moneys on deposit under the Indenture in Investment Obligations as defined by the respective Bond Indenture Agreements. Investment Obligations are defined as the following: (i) Government obligations; (ii) bond debentures or other obligation issued by government agencies or corporations; (iii) time deposits or certificate of deposits insured by the Federal Deposit Insurance Corporation; (iv) repurchase agreements backed by obligations described in (i) and (ii) above; (v) investment agreements; (vi) tax exempt obligations; and (vii) money market funds.

Custodial Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Amounts held in trust accounts and other demand accounts within the General, Opportunity Housing and Public Sub-Funds are covered by federal depository insurance, or collateralized at a level of at least 100% of market value of principal and accrued interest. The collateral is held by the bank's agent in the Commission's name with the exception of the repurchase agreement collateral for the MLGIP which is segregated and held in the name of PNC Bank's Safe Deposit and Trust's account at the Federal Reserve Bank. The cash and cash equivalents held by PNC Bank for the General Fund, Opportunity Housing Fund and Public Fund are in bank money market accounts and interest bearing accounts. These accounts are not rated by an independent rating agency. The Moody's rating for PNC Bank short-term deposits as of June 30, 2016 was P-1.

Amounts held in money market funds and investment agreements within the Multifamily and Single Family Sub-Funds are typically collateralized at 102% by either U.S. Treasuries or other government guaranteed securities. The Bond Indenture agreements permit investments in funds that contain agency debt which are not collateralized by U.S. Treasuries or other guaranteed government securities. As of June 30, 2016, the Commission held investments in agency securities which were not collateralized but were rated AAA, AA, Aa2, and AAAM.

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

(b) Cash Equivalents & Investments (Continued)

As of June 30, 2016 the Commission had the following cash, cash equivalents and investments with maturities of one year or less:

Cash Equivalents	Fair Value	Ratings
Cash Equivalents		
General Sub-Fund:		
Money Market Accounts	\$ 11,913,897	N/A
Opportunity Housing Sub-Fund:		
Investment in Maryland Local Government Investment Pool	353,343	AAAm
Money Market Accounts	17,165,385	N/A
Public Sub-Fund:		
Investment in Maryland Local Government Investment Pool	3,776,677	AAAm
Multifamily Sub-Fund:		
Money Market Accounts	64,448,123	N/A
Single Family Sub-Fund:		
Money Market Accounts	112,228,911	N/A
Total Cash Equivalents	<u>\$ 209,886,336</u>	
Short-Term Investments		
Single Family Sub-Fund:		
GNMA Pass-through Certificates	\$ 828,714	AAA
FNMA Pass-through Certificates	15,451	AAA
US Treasuries	1,946,043	AAA
Total Short-Term Investments	<u>\$ 2,790,208</u>	

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

(b) Cash Equivalents & Investments (Continued)

Long-Term Investments	Fair Value	1-5 Years	6-10 Years	Greater Than 10 Years	Rating
Multifamily Sub-Fund:					
US Treasuries	\$ 2,806,621	\$ 1,299,410	\$ 1,507,211	\$ -	AAA
Fannie Mae	3,412,119	-	-	3,412,119	AAA
Federal Farm Credit Banks	2,744,062	-	707,414	2,036,648	AAA
Federal Home Loan Banks	1,027,180	-	-	1,027,180	AAA
Federal Home Loan Mortgage	989,450	-	-	989,450	AAA
Bank One Investment Agreement	591,525	-	591,525	-	AA/Aa2
Single Family Sub-Fund:					
Federal Farm Credit Banks	7,334,162	-	-	7,334,162	AAA
Federal Home Loan Banks	10,250,881	-	-	10,250,881	AAA
Federal Home Loan Mtg Corp	1,817,889	-	-	1,817,889	AAA
Fannie Mae	1,149,614	-	-	1,149,614	AAA
GNMA Pass-through Certificates	17,204,530	-	-	17,204,530	AAA
FNMA Pass-through Certificates	1,693,660	-	-	1,693,660	AAA
US Treasuries	6,075,476	2,111,869	2,502,694	1,460,913	AAA
Tennessee Valley Authority	6,805,062	2,318,212	-	4,486,850	AAA
Total long-term investments	\$ 63,902,231	\$ 5,729,491	\$ 5,308,844	\$ 52,863,896	

Total Cash, Cash Equivalents and Investments

\$ 362,266,821

Reconciliation of cash, cash equivalents and investments to amounts in the statement of net position:

Current unrestricted cash and cash equivalents	\$ 91,148,338
Restricted cash and cash equivalents	135,445,467
Restricted short-term investments	2,790,208
Restricted cash and cash equivalents for current liabilities	64,571,906
Customer deposits	4,408,671
Noncurrent restricted investments	63,902,231
Total	\$ 362,266,821

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
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NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

(b) Cash Equivalents & Investments (Continued)

Fair Value Measurements: The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, fair value of investments are as follows:

	6/30/2016	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Fannie Mae	\$ 3,412,119	\$ -	\$ 3,412,119	\$ -
Federal Farm Credit Banks	10,078,224	-	10,078,224	-
Federal Home Loan Banks	11,278,061	-	11,278,061	-
U.S. Treasuries	10,828,140	10,828,140	-	-
FNMA Mortgage-Backed Securities	1,709,111	-	1,709,111	-
GNMA Mortgage-Backed Securities	18,033,244	-	18,033,244	-
Federal Home Loan Mortgage Corp	2,807,339	-	2,807,339	-
Federal National Mortgage Association	1,149,614	-	1,149,614	-
Investment Agreements	591,525	-	591,525	-
Tennessee Valley Authority	6,805,062	-	6,805,062	-
Subtotal - Debt Securities	<u>66,692,439</u>	<u>10,828,140</u>	<u>55,864,299</u>	<u>-</u>
Investment Derivative Instruments				
Interest Rate Swaps	<u>11,208,458</u>	<u>-</u>	<u>11,208,458</u>	<u>-</u>
Total Investments by Fair Value Level	<u>\$ 77,900,897</u>	<u>\$ 10,828,140</u>	<u>\$ 67,072,757</u>	<u>\$ -</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
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(c) Discretely Presented Component Units

The Discretely Presented Component unit cash and cash equivalents balance as of December 31, 2015 were as follows:

	Carrying Amount	Bank Balances	Petty Cash
Cash	\$ 13,624,009	\$ 13,621,542	\$ 2,467
	Fair Value	Rating	
Cash Equivalents			
Investment in Maryland Local Government Investment Pool	\$ 1,217,918	AAAm	
Certificate of Deposit	143,670	N/A	
Money Market Accounts	5,521,356	N/A	
Total Cash, Cash Equivalents and Investments	\$ 20,506,953		
Reconciliation of Cash and Cash Equivalents to Amounts in the Statement of Net Position:			
Current Unrestricted Cash and Cash Equivalents	\$ 6,632,272		
Restricted Cash and Cash Equivalents for Current Liabilities	13,133,542		
Restricted Cash and Cash Equivalents for Customer Deposits	741,139		
Total	\$ 20,506,953		

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

NOTE 3 MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE

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

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NOTE 3 MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE (CONTINUED)

Mortgage and construction loans receivable as of June 30, 2016 consisted of the following:

Description	Interest Rate	Balance
General Sub-Fund		
Component Unit Loans	-	\$ 2,232,833
Closing Cost Assistance Loans	5.00%	2,269,145
	Subtotal	<u>4,501,978</u>
Opportunity Housing Sub-Fund		
Home-Ownership Assistance Loan Fund (HALF)	4.50 to 6.50%	872
Rental Assistance Security Deposit Loan	-	17,818
Metropolitan of Bethesda Limited Partnership	-	1,142,000
Sligo Development Corporation	-	1,199,402
Tanglewood Apartments	-	1,991,008
Hampden Lane Limited Partnership	-	138,281
Strathmore Court Associates Limited Partnership	-	981,902
Barclay One LP & Development Corporation	-	2,891,404
Spring Garden One Associates Limited Partnership	-	3,263,953
Hillandale Gateway Limited Liability Company	-	546,000
	Subtotal	<u>12,172,640</u>
Multifamily Fund		
Arcola	2.61%	13,076,778
Argent	3.92%	8,040,000
Argent	2.00%	4,155,000
Barclay- TX CR	4.55%	5,476,754
Charter House	6.02%	11,758,811
Dring's Reach	4.75%	5,363,000
Forest Oak	4.93%	15,042,831
Georgian Court	6.20%	3,277,998
Landings Edge	4.95%	4,418,377
Manchester	5.20%	1,598,804
MetroPointe	6.50%	2,821,774
Metropolitan Tax Credit	6.38%	5,944,816
Ring House	6.10%	12,747,416
Rockville Housing	5.21%	3,452,902
Shady Grove	5.20%	5,221,881
Spring Gardens	4.55%	5,547,236
Stewartown	6.20%	2,201,752
Strathmore	7.62%	3,596,091
Tax Credit 9 MPDUs	6.30%	2,362,850
Tax Credit 9 Pond Ridge	6.30%	1,384,621
Tax Credit X	6.20%	2,777,329
Waverly	2.61%	22,305,487
Willows	5.20%	2,396,860
	Subtotal	<u>144,969,368</u>
Single Family Fund		
Mortgage Loans Receivable, Net	4.00 to 8.87%	<u>115,498,467</u>
Public Fund		
Arcola Towers RAD LP		13,061,327
Waverly House RAP LP		24,456,545
	Subtotal	<u>37,517,872</u>
Total		<u>\$ 314,660,325</u>
	Current	\$ 38,690,163
	Long-term	275,970,162
		<u>\$ 314,660,325</u>

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NOTE 3 MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE (CONTINUED)

As of June 30, 2016, the amounts available or committed for additional advances or new loans are \$32,408,977 and \$32,670,825 for the Multifamily Sub-Fund and the Single Family Sub-Fund, respectively.

Included in the mortgage and construction loans receivable balance of the General Sub-Fund at June 30, 2016 are inter sub-fund mortgage loans receivable from the Opportunity Housing Sub-Fund amounting to \$57,091,207 which have been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$488,064 for the year ended June 30, 2016 has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Opportunity Housing Sub-Fund at June 30, 2016 are inter sub-fund mortgage loans receivables from several Opportunity Housing properties amounting to \$22,925,576 and inter sub-fund mortgage loans receivable from the General Sub-Fund amounting to \$53,996 which have been eliminated in the accompanying financial statements.

Included in the mortgage and construction loans receivable balance of the Multifamily Sub-Fund are inter sub-fund mortgage loans receivable from the Opportunity Housing Sub-Fund amounting to \$159,520,775 as of June 30, 2016, which have been eliminated. The related interest revenue, amounting to \$7,369,581 for the year ended June 30, 2016 has also been eliminated.

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

Single Family Sub-Fund

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

During fiscal year 2016, the Commission experienced a decrease in the number of Single Family mortgage loans in foreclosure and other real estate owned status. As of June 30, 2016, approximately \$3.0 million in Single Family mortgage loans were in various stages of the loan foreclosure status. An additional \$1.8 million were in other real estate owned status.

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NOTE 3 MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE (CONTINUED)

Single Family Sub-Fund (continued)

Management takes into consideration the potential for loan losses based on the number of loans in foreclosure and other real estate owned status against the sale proceeds from properties sold as well as the mortgage insurance received in determining if an allowance for loan losses is necessary. It employs an active loss mitigation process to ensure that servicer activities are monitored and losses to the Commission are minimized. Based on the history of loan losses and the potential exposure to the Commission after sales proceeds and mortgage insurance receipts the Commission does not believe that an allowance for loan losses is necessary at this time. Further, based on prior analysis, losses are not expected to reach a material threshold for establishing an allowance at this time. The following table provides a breakdown of foreclosures and other real estate owned by type of mortgage loan as of June 30, 2016.

Status	Principal FHA	Int Receivable FHA	Principal Conventional	Int Receivable Conventional	Total
Foreclosure	\$ 1,676,958	\$ 118,575	\$ 1,126,558	\$ 42,721	\$ 2,964,812
Other Real Estate Owned	935,067	45,797	770,347	38,943	1,790,154
Total	<u>\$ 2,612,025</u>	<u>\$ 164,372</u>	<u>\$ 1,896,905</u>	<u>\$ 81,664</u>	<u>\$ 4,754,966</u>
Total Single Family Mortgage loans outstanding as of June 30, 2016					<u>\$ 115,498,467</u>
Percentage of loans in foreclosure status to outstanding mortgage loans		2.40%			1.71%
					4.12%

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NOTE 4 CAPITAL ASSETS

(a) Capital Assets by Business-Type Activities

The Commission's capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Transfer In / (Out)	Acc. Depr.	Ending Balance
Land						
General Sub-Fund	\$ 2,246,438	\$ -	\$ -	\$ -	\$ -	\$ 2,246,438
Opportunity Housing Sub-Fund	65,478,994	6,595,314	(2,612,241)	10,072	-	69,472,139
Public Sub-Fund	3,512,697	-	(2,515,340)	-	-	997,357
Total Land	71,238,129	6,595,314	(5,127,581)	10,072	-	72,715,934
Site Improvements:						
Public Sub-Fund	1,137	-	-	-	(764)	373
Total Site Improvements, Net	1,137	-	-	-	(764)	373
Building and Improvements:						
General Sub-Fund	2,577,976	402,983	-	-	(256,087)	2,724,872
Opportunity Housing Sub-Fund	253,731,412	12,860,853	(6,332,295)	7,988,953	(10,672,794)	257,576,129
Public Sub-Fund	7,473,043	-	(3,143,667)	542,413	(1,141,751)	3,730,038
Total Building and Improvements, Net	263,782,431	13,263,836	(9,475,962)	8,531,366	(12,070,632)	264,031,039
Furniture and Equipment:						
General Sub-Fund	1,861,270	420,234	-	-	(786,737)	1,494,767
Opportunity Housing Sub-Fund	4,110,195	185,588	(211,243)	-	(311,029)	3,773,511
Public Sub-Fund	-	46,049	-	-	(8,442)	37,607
Total Furniture and Equipment, Net	5,971,465	651,871	(211,243)	-	(1,106,208)	5,305,885
Construction in Progress:						
General Sub-Fund	221,869	-	(133,504)	(88,365)	-	-
Opportunity Housing Sub-Fund	10,705,072	23,104,446	(4,354,750)	(3,317,550)	-	26,137,218
Public Sub-Fund	9,141,406	2,047,181	(269,299)	(5,135,523)	-	5,783,765
Total Construction in Progress	20,068,347	25,151,627	(4,757,553)	(8,541,438)	-	31,920,983
Total Capital Assets, Net	\$ 361,061,509	\$ 45,662,648	\$ (19,572,339)	\$ -	\$ (13,177,604)	\$ 373,974,214

Included in operating properties for the Opportunity Housing Sub-Fund is an inter sub-fund elimination for interest paid to the Multifamily Bond Sub-Fund amounting to \$8,626,664 as of June 30, 2016, which was capitalized during construction of the property.

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

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NOTE 4 CAPITAL ASSETS (CONTINUED)

(b) Reconciliation of Net Investment in Capital Assets

Net Investment in Capital Assets	
Land	\$ 72,715,934
Construction in Progress	31,921,356
Building and Improvements, Net of Depreciation	264,031,039
Furniture and Equipment, Net of Depreciation	5,305,885
Less: Related Bonds, Mortgages and Notes Payable	<u>(383,814,759)</u>
	<u>(9,840,545)</u>
Leased Property Under Capital Lease	10,493,594
Capitalized Lease Obligations	<u>(19,949,804)</u>
	<u>(9,456,210)</u>
Total Net Investment in Capital Assets	<u><u>\$ (19,296,755)</u></u>

(c) Capital Lease

The Commission's capital lease activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Accumulated Amortization	Ending Balance
Fund:					
<i>Opportunity Housing Sub-Fund:</i>					
Building and Improvements	\$ 19,987,798	\$ -	\$ -	\$ (9,494,204)	\$ 10,493,594
Total Capital Leases, Net	<u>\$ 19,987,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,494,204)</u>	<u>\$ 10,493,594</u>

In August 1997, the Commission entered into a lease agreement for building and land with an interest rate of 7.50%. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 99-year-term, with an option to purchase the land and building after 20 years for approximately \$20,000,000. The Commission has the following Opportunity Housing Sub-Fund capital lease obligation as of June 30, 2016.

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NOTE 4 CAPITAL ASSETS (CONTINUED)

(c) Capital Lease (continued)

Future minimum rentals under the lease are as follows:

Fund:	Outstanding Beginning of Year	Issued This Year	Retired This Year	Outstanding End of Year	Amount due Within One Year
<i>Opportunity Housing Sub-Fund:</i>					
Capital Lease Obligation	\$ 19,953,420	\$ -	\$ 3,616	\$ 19,949,804	\$ 3,897
Total Capital Lease Obligations, Net	<u>\$ 19,953,420</u>	<u>\$ -</u>	<u>\$ 3,616</u>	<u>\$ 19,949,804</u>	<u>\$ 3,897</u>

Year Ending June 30,	Future Minimum Payments
2017	\$ 1,814,403
2018	1,814,403
2019	1,814,403
2020	1,814,403
2021	1,814,403
2022-2026	9,072,015
2027-2031	9,072,015
2032-2036	9,072,015
2037-2041	9,072,015
2042-2046	9,072,015
2047-2051	9,072,015
2052-2056	9,072,015
2057-2061	9,072,015
2062-2066	9,072,015
2067-2071	9,072,015
2072-2076	9,072,015
2077-2081	9,072,015
2082-2086	9,072,015
2087-2091	9,072,015
2092-2096	9,072,015
2097-2101	<u>151,200</u>
Total Payments	145,303,440
Less Interest	<u>(125,353,636)</u>
	19,949,804
Less: Current Portion	<u>3,897</u>
Long-Term Portion	<u>\$ 19,945,907</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
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NOTE 4 CAPITAL ASSETS (CONTINUED)

(d) Discretely Presented Component Units Capital Assets

	Beginning Balance	Additions	Deletions	Accumulated Amortization	Ending Balance
Discretely Presented Component Units					
Land	\$ 21,795,578	\$ 7,890,000	\$ -	\$ -	\$ 29,685,578
Building and Improvements	106,223,878	33,055,526	(587,771)	(5,285,503)	133,406,130
Furniture and Equipment	777,134	2,409,259	-	(321,575)	2,864,818
Construction in Progress	-	1,118,545	-	-	1,118,545
Net Component Unit Capital Assets	<u>\$ 128,796,590</u>	<u>\$ 44,473,330</u>	<u>\$ (587,771)</u>	<u>\$ (5,607,078)</u>	<u>\$ 167,075,071</u>

NOTE 5 ADVANCES TO DISCRETELY PRESENTED COMPONENT UNITS

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

The Partnerships' agreements:

- Include ground rent to be paid by the Partnerships to the Commission's General Sub-Fund. Ground rent for the year ended June 30, 2016, amounted to \$304,590.
- 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 ranges from 5.0% to 6.0% of monthly rental collections. Management fees paid to the Commission for the year ended June 30, 2016, amounted to \$157,943.

Due to differences in fiscal year ends, Advances to Component Units differ from Advances from the Primary Government at June 30, 2016.

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NOTE 5 ADVANCES TO REAL ESTATE PARTNERSHIP COMPONENT UNITS (CONTINUED)

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Advances to Component Units		
Primary Government - General Sub-Fund	Component Units - Tax Credit Limited partnerships	\$ 7,828,493
Primary Government - Opportunity Housing Sub-Fund	Component Units - Tax Credit Limited Partnerships	13,890,488
		21,718,981
Loans Receivable from Components Units		
Primary Government - General Sub-Fund	Component Units - Tax Credit Limited Partnerships	2,291,820
Investment in Component Units		
Primary Government - General Sub-Fund	Component Units - Tax Credit Limited Partnerships	1,873,221
Primary Government - Opportunity Housing Sub-Fund	Component Units - Tax Credit Limited Partnerships	1,274,000
		3,147,221
	Total Due from Primary Government and Component Units	\$ 27,158,022

NOTE 6 ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable consists of grants and loans due from HUD and Montgomery County, tenant rents receivable, and amounts due from property managers. All amounts are deemed to be collectible within one year. Accounts receivable and other assets consisted of the following as of June 30, 2016:

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multi Family Sub-Fund	Elimination	Total
Accounts Receivable:							
U.S. Department of Housing and Urban Development Montgomery County, Maryland	\$ -	\$ -	\$ 1,037,622	\$ -	\$ -	\$ -	\$ 1,037,622
Other	-	94,002	2,631,242	-	-	-	2,725,244
Other Assets	2,468,055	24,763,397	1,998,624	284,263	73,137	(9,052,169)	20,535,307
	732,300	2,411,856	-	14,430	34,009	-	3,192,595
Total	\$ 3,200,355	\$ 27,269,255	\$ 5,667,488	\$ 298,693	\$ 107,146	\$ (9,052,169)	\$ 27,490,768

Included in the accounts receivable and other assets balance of the Opportunity Housing Sub-Fund are inter sub-fund accounts receivable of \$6,576,557 from the Multifamily Sub-Fund, \$239,414 from the General Sub-Fund and \$199,347 from the Opportunity Housing properties as of June 30, 2016, which have been eliminated in the accompanying financial statements.

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NOTE 6 ACCOUNTS RECEIVABLE AND OTHER ASSETS (CONTINUED)

Included in the accounts receivable and other assets balance of the General Sub-Fund are inter sub-fund accounts receivable of \$1,396,005 from the Opportunity Housing Sub-Fund as of June 30, 2016, which have been eliminated in the accompanying financial statements.

Included in the accounts receivable and other assets balance of the Public Sub-Fund are inter sub-fund accounts receivable of \$401,888 from the Opportunity Housing Sub-Fund and \$238,958 within the Public Sub-Fund programs as of June 30, 2016, which have been eliminated in the accompanying financial statements.

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

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

NOTE 8 BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT

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

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

Interest rates on bonds payable ranged from 0.50% to 11.25% as of June 30, 2016. Maturity dates of the bonds payable range from 2016 to 2053.

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

(a) Bonds Payable

The Commission has the following bonds payable outstanding as of June 30, 2016:

	Outstanding Beginning of Year	Issued This Year	Retired/ Refunded This Year	Outstanding End of Year	Amount Due Within One Year
Single Family Sub-Fund Bonds:					
2005 Series C	\$ 4,335,000	\$ -	\$ 840,000	\$ 3,495,000	\$ 3,495,000
2005 Series D	2,745,000	-	725,000	2,020,000	2,020,000
2006 Series A	8,155,000	-	2,255,000	5,900,000	5,900,000
2006 Series B	4,085,000	-	-	4,085,000	4,085,000
2007 Series A	6,720,000	-	1,750,000	4,970,000	4,970,000
2007 Series B	10,390,000	-	320,000	10,070,000	10,070,000
2007 Series C	230,000	-	230,000	-	-
2007 Series D	7,690,000	-	2,025,000	5,665,000	655,000
2007 Series E	8,315,000	-	-	8,315,000	-
2007 Series F	10,000,000	-	-	10,000,000	-
2008 Series A	2,730,000	-	1,195,000	1,535,000	510,000
2008 Series B	675,000	-	250,000	425,000	240,000
2008 Series C	8,450,000	-	-	8,450,000	-
2008 Series D	17,200,000	-	-	17,200,000	-
2009 Series A	14,375,000	-	2,240,000	12,135,000	4,550,000
2013 Series A	33,035,000	-	905,000	32,130,000	895,000
2013 Series B	13,145,000	-	5,055,000	8,090,000	3,765,000
2016 Series A	-	32,805,000	-	32,805,000	675,000
2016 Series B	-	9,850,000	-	9,850,000	-
NIBP 2009 Series A	6,450,000	-	965,000	5,485,000	705,000
NIBP 2009 Series B	12,250,000	-	990,000	11,260,000	470,000
NIBP 2009 Series C-1	7,640,000	-	750,000	6,890,000	380,000
NIBP 2009 Series C-2	15,510,000	-	1,930,000	13,580,000	390,000
NIBP 2009 Series C-3	2,380,000	-	240,000	2,140,000	-
NIBP 2009 Series C-4	9,630,000	-	630,000	9,000,000	270,000
NIBP 2009 Series C-5	2,610,000	-	120,000	2,490,000	-
NIBP 2010 Series A	3,945,000	-	730,000	3,215,000	515,000
NIBP 2011 Series A	9,875,000	-	1,690,000	8,185,000	885,000
NIBP 2012 Series A	11,350,000	-	1,220,000	10,130,000	805,000
	<u>233,915,000</u>	<u>42,655,000</u>	<u>27,055,000</u>	<u>249,515,000</u>	<u>46,250,000</u>
Add: Unamortized Premium	2,950,621	1,237,850	568,044	3,620,427	-
Total Single Family Bonds Payable	<u>\$ 236,865,621</u>	<u>\$ 43,892,850</u>	<u>\$ 27,623,044</u>	<u>\$ 253,135,427</u>	<u>\$ 46,250,000</u>

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

(a) Bonds Payable (continued)

	Outstanding Beginning of Year	Issued This Year	Retired/ Refunded This Year	Outstanding End of Year	Amount Due Within One Year
Multi Family Sub-Fund Bonds:					
1984 Series A - Accretions	\$ 175,506	\$ 20,300	\$ -	\$ 195,806	\$ 22,645
1998 Issue A	8,310,000	-	425,000	7,885,000	445,000
1995 Series A	2,090,000	-	200,000	1,890,000	215,000
2002 Series A	19,025,000	-	585,000	18,440,000	615,000
2004 Series A	11,855,000	-	275,000	11,580,000	455,000
2004 Series B	3,675,000	-	50,000	3,625,000	130,000
2004 Series C	15,885,000	-	7,260,000	8,625,000	290,000
2004 Series D	11,555,000	-	355,000	11,200,000	370,000
2005 Series B	4,790,000	-	170,000	4,620,000	170,000
2005 Series C	25,840,000	-	725,000	25,115,000	740,000
2007 Series A	16,505,000	-	420,000	16,085,000	440,000
2007 Series C-1	4,160,000	-	245,000	3,915,000	250,000
2009 Series A-2	8,040,000	-	-	8,040,000	-
2010 Series A	4,405,000	-	165,000	4,240,000	170,000
2010 Series A	11,510,000	-	255,000	11,255,000	260,000
2011 Series A	32,450,000	-	415,000	32,035,000	445,000
2011 Series B	2,930,000	-	40,000	2,890,000	40,000
2012 Series A	22,705,000	-	900,000	21,805,000	910,000
2012 Series B	8,925,000	-	470,000	8,455,000	475,000
2012 Series C	20,365,000	-	1,695,000	18,670,000	1,735,000
2012 Series D	32,815,000	-	1,095,000	31,720,000	1,090,000
2014 Series A	24,000,000	-	-	24,000,000	255,000
2015 Series A-1	-	15,010,000	-	15,010,000	-
2015 Series A-2	-	20,840,000	-	20,840,000	-
	292,010,506	35,870,300	15,745,000	312,135,806	9,522,645
Less: Unamortized Premium	(1,118,708)	-	(93,224)	(1,025,484)	-
Total Multi Family Bonds Payable	<u>\$ 290,891,798</u>	<u>\$ 35,870,300</u>	<u>\$ 15,651,776</u>	<u>\$ 311,110,322</u>	<u>\$ 9,522,645</u>
Total Bonds Payable	<u>\$ 527,757,419</u>	<u>\$ 79,763,150</u>	<u>\$ 43,274,820</u>	<u>\$ 564,245,749</u>	<u>\$ 55,772,645</u>

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

(b) Mortgage Notes and Loans Payable

The Commission has the following Opportunity Housing Sub-Fund and General Sub-Fund mortgage notes and loans payable as of June 30, 2016:

	Outstanding Beginning of Year	Issued This Year	Retired This Year	Outstanding End of Year	Amount Due Within One Year
Opportunity Housing Sub-Fund:					
Alexander House Dev. Corp.	\$ -	\$ 20,592,000	\$ -	\$ 20,592,000	\$ -
Ambassador Apartments	289,748	-	86,757	202,991	90,293
Avondale Apartment	7,037,704	-	7,037,704	-	-
CDBG-9611 McAlpine Road	107,493	-	-	107,493	-
Dale Drive	600,000	-	-	600,000	-
Diamond Square	2,000,000	-	-	2,000,000	-
Glenmont Crossing Dev. Corp.	11,467,109	-	211,998	11,255,111	225,450
Glenmont Westerly Dev. Corp.	7,207,585	-	132,603	7,074,982	141,441
Greenhills	-	4,300,000	-	4,300,000	4,300,000
MHLP II	13,968	-	-	13,968	13,968
MHLP III	42,891	-	-	42,891	42,891
Montgomery Arms	111,933	-	4,290	107,643	4,421
Paddington Square Dev. Corp.	20,617,433	-	305,943	20,311,490	317,140
Scattered Site Two Dev. Corp.	4,722,600	-	97,500	4,625,100	-
Southbridge	2,042,000	-	29,363	2,012,637	33,888
State Partnership Rental Programs	8,795,567	-	-	8,795,567	-
State Partnership VII	4,712,864	-	-	4,712,864	-
The Glen	1,211,707	-	-	1,211,707	-
	<u>70,980,602</u>	<u>24,892,000</u>	<u>7,906,158</u>	<u>87,966,444</u>	<u>5,169,492</u>
General Sub-Fund:					
Line of Credit with PNC Bank	53,706,576	27,409,283	24,544,954	56,570,905	56,570,905
Tax Credit IX	50,500	-	-	50,500	-
	<u>53,757,076</u>	<u>27,409,283</u>	<u>24,544,954</u>	<u>56,621,405</u>	<u>56,570,905</u>
Total Mortgage Notes and Loans Payable	<u>\$ 124,737,678</u>	<u>\$ 52,301,283</u>	<u>\$ 32,451,112</u>	<u>\$ 144,587,849</u>	<u>\$ 61,740,397</u>

Interest rates on mortgage notes and loans payable ranged from 0.69% to 7.67% as of June 30, 2016.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2016 are inter sub-fund mortgage loans payable to the Multifamily Sub-Fund amounting to \$159,520,775 which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$7,369,581 for the year ended June 30, 2016 has also been eliminated.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2016 are inter sub-fund mortgage loans payable to the General Sub-Fund amounting to \$57,091,207, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$488,064 for the year ended June 30, 2016 has also been eliminated.

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

(b) Mortgage Notes and Loans Payable (Continued)

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2016 are inter sub-fund mortgage loans payable to the Opportunity Housing Reserve Fund (OHRF) and Barclay Development Corporation amounting to \$22,925,576, which have been eliminated in the accompanying financial statements.

Included in the mortgage notes and loans payable balance of the General Sub-Fund at June 30, 2016 are inter-subfund mortgage loans payable to the Opportunity Housing Sub-Fund amounting to \$53,996, which have been eliminated in the accompanying financial statements.

(c) Maturities

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

	Principal				Combined
	General Sub-Fund Notes Payable	Opportunity Housing Sub-Fund Notes Payable	Multifamily Sub-Fund Bonds & Notes Payable	Single Family Sub-Fund Bonds Payable	
Years Ending June 30,					
2017	\$ 56,570,905	\$ 5,169,492	\$ 9,522,645	\$ 46,250,000	\$ 117,513,042
2018	50,500	21,547,464	10,000,266	9,295,000	40,893,230
2019	-	919,859	30,643,191	8,870,000	40,433,050
2020	-	17,675,856	10,136,450	8,785,000	36,597,306
2021	-	529,028	10,470,088	8,975,000	19,974,116
2022-2026	-	6,590,901	57,303,166	38,840,000	102,734,067
2027-2031	-	4,069,220	62,465,000	33,515,000	100,049,220
2032-2036	-	2,950,501	54,100,000	33,625,000	90,675,501
2037-2041	-	3,501,293	31,630,000	53,395,000	88,526,293
2042-2046	-	4,190,628	24,735,000	7,455,000	36,380,628
2047-2051	-	3,502,065	9,560,000	510,000	13,572,065
2052-2056	-	-	1,570,000	-	1,570,000
Upon Sale of Property	-	17,320,137	-	-	17,320,137
	56,621,405	87,966,444	312,135,806	249,515,000	706,238,655
Unamortized Bond Discount/Premium	-	-	(1,025,484)	3,620,427	2,594,943
Total	\$ 56,621,405	\$ 87,966,444	\$ 311,110,322	\$ 253,135,427	\$ 708,833,598

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

(c) Maturities (Continued)

Years ending June 30,	Interest				
	General	Opportunity	Multifamily	Single Family	Combined
	Fub-Fund Notes Payable	Housing Sub-Fund Notes Payable	Sub-Fund Bonds & Notes Payable	Sub-Fund Bonds Payable	
2017	\$ 623,683	\$ 1,996,324	\$ 9,512,611	\$ 5,199,084	\$ 17,331,702
2018	-	1,958,535	9,230,387	4,978,411	16,167,333
2019	-	1,911,548	8,850,867	4,751,581	15,513,996
2020	-	1,323,078	8,454,701	4,512,514	14,290,293
2021	-	915,754	8,164,276	7,169,558	16,249,588
2022-2026	-	3,893,208	35,622,308	17,148,752	56,664,268
2027-2031	-	3,049,722	25,086,433	11,835,012	39,971,167
2032-2036	-	2,291,859	14,410,120	7,477,795	24,179,774
2037-2041	-	1,714,481	6,925,983	3,144,572	11,785,036
2042-2046	-	1,025,096	2,703,108	607,850	4,336,054
2047-2051	-	235,993	727,100	-	963,093
2052-2056	-	-	85,785	-	85,785
Total	\$ 623,683	\$ 20,315,598	\$ 129,773,679	\$ 66,825,129	\$ 217,538,089

NOTE 9 DERIVATIVE INSTRUMENTS

At June 30, 2016, the Commission had several derivative instruments outstanding as noted in the table below. The Commission used the synthetic instrument method to evaluate the hedge effectiveness of the interest rate swaps. This method evaluates effectiveness by combining the cash flows on the derivative with the cash flows on the hedged item to create a new instrument. The synthetic rate on the cash flows is calculated based on the combination of all the cash flows and is compared against the fixed rate on the derivative. A potential hedging derivative instrument is effective if the actual synthetic rate is within a range of 90-111 percent of the fixed rate of the potential hedging derivative instrument to be substantially fixed. At June 30, 2016, all hedging derivative instruments shown on the next page met the criteria for effectiveness.

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

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

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NOTE 9 DERIVATIVE INSTRUMENTS (CONTINUED)

Fair value: The termination value of all swaps had a negative fair value as of June 30, 2016 as a result of low interest rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Associated Bond Issue	Notional Amounts	Trade Date	Terms	Fair Values	Swap Termination Date	Counterparty/ Credit Rating
Multifamily 2004 Series C	\$ 8,625,000	11/5/2004	Receive 63.3% LIBOR + 0.19%, pay 3.653%	\$ (966,970)	7/1/2036	MLCS, Baa1/BBB+/A
Multifamily 2004 Series D	11,200,000	11/5/2004	Receive 63.3% LIBOR + 0.29%, pay 3.76%	(1,259,172)	7/1/2036	MLCS, Baa1/BBB+/A
Single Family 2007 Series F	10,000,000	10/17/2007	Receive 64.0% LIBOR + 0.30%, pay 4.111%	(691,280)	7/1/2038	MLCS (MLDP Termination Payment Guarantee), Baa1/BBB+/A(Aa3/AA-/NR)
Single Family 2008 Series C	8,450,000	6/10/2008	Receive 63.6% LIBOR + 0.31%, pay 3.865%	(670,181)	7/1/2039	MLDP, Aa3/AA-/NR
Multifamily 2011 Series A	30,905,000	4/3/2006	Receive 64.0% LIBOR + 0.19%, pay 4.02%	(6,693,749)	1/1/2049	MLCS, Baa1/BBB+/A
Multifamily 2011 Series B	2,750,000	4/3/2006	Receive 100% LIBOR + 0.10%, pay 6.067%	(927,106)	1/1/2049	MLCS, Baa1/BBB+/A
Total	<u>\$ 71,930,000</u>			<u>\$ (11,208,458)</u>		

Credit risk: The Commission's counterparties may become unable to meet their obligations under the swap agreement. The counterparty for the Commission's swaps is Merrill Lynch Capital Services (MLCS) and Merrill Lynch Derivative Products AG (MLDP). Under the 2004 Series C, 2004 Series D and 2007 Series F swap agreements, Merrill Lynch Derivative Products (MLDP), a Aaa rated structured entity, guarantees termination payment. As of June 30, 2016, the Commission was not exposed to credit risk with respect to termination payments as all of its swap agreements had negative fair value on this date. However, should interest rates change such that the fair value of the swap becomes positive, the Commission would be exposed to credit risk in the amount of the swap's fair value. The swap agreements do not contain any collateral agreements with the counterparties.

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

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NOTE 9 DERIVATIVE INSTRUMENTS (CONTINUED)

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

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

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

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

NOTE 10 LONG-TERM DEBT – DISCRETELY PRESENTED COMPONENT UNITS

The long-term debt of the discretely presented component units are primarily non-recourse debt of each of the limited partnerships, which is collateralized by the land, structures, and equipment of each limited partnership and have varying repayment terms and interest rates ranging from 1.20% to 7.85%.

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

	Principal	Interest
2017	\$ 3,214,302	\$ 3,873,791
2018	3,392,694	4,175,084
2019	24,001,085	4,352,090
2020	3,359,704	4,189,029
2021	4,691,609	4,000,449
2022-2026	20,224,458	16,787,499
2027-2031	21,338,601	11,205,465
2032-2036	15,767,139	7,410,815
2037-2041	13,784,480	3,671,693
2042-2046	6,101,178	2,433,808
2047-2051	7,400,283	1,010,627
2052-2056	42,118,534	4,120,349
Upon Sale of Property	3,478,554	-
Total	<u>\$ 168,872,621</u>	<u>\$ 67,230,699</u>

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NOTE 11 LONG-TERM DEBT – COMPENSATED ABSENCES

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

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year	Amount Due Within One Year
Compensated Absences	\$ 1,649,924	\$ 1,842,241	\$ (1,892,708)	\$ 1,599,457	\$ 1,599,457

NOTE 12 LOANS PAYABLE TO MONTGOMERY COUNTY

The County advances funds to the Commission and the real estate limited partnership component units (RELP component units) through two Capital Improvement Program Funds. The Commission and the RELP component units use County funds to purchase or construct various housing developments in expectation that permanent financing will be provided through a combination of state, county or federal grants or that loans or bonds will be issued by the Commission or the RELP component units. If the development is funded from another source, the Commission or the RELP component units repay the County. If no alternative funding is found for a development, the County may agree to forgive the Commission's or the RELP component unit's debt. The Commission and the RELP component units paid no interest on funds received from the County for the year ended June 30, 2016. There is no set maturity date or repayment term on borrowings from the County for the projects.

The Commission has the following Opportunity Housing Sub-Fund, General Sub-Fund and component unit loans payable to Montgomery County as of June 30, 2016:

	Outstanding Beginning of Year	Issued This Year	Retired This Year	Outstanding End of Year	Amount Due Within One Year
Opportunity Housing Sub-Fund	\$ 53,979,198	\$ 7,705,240	\$ 5,373,684	\$ 56,310,754	\$ 335,421
General Sub-Fund	10,521,631	-	170,626	10,351,005	-
Total	<u>\$ 64,500,829</u>	<u>\$ 7,705,240</u>	<u>\$ 5,544,310</u>	<u>\$ 66,661,759</u>	<u>\$ 335,421</u>
Real Estate Limited Partnership Component Units	<u>\$ 12,681,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,681,326</u>	<u>\$ -</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
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NOTE 13 OPERATING LEASE COMMITMENTS

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

Lease expense for the year ended June 30, 2016 for all office space was \$419,960. Future minimum lease obligations under these leases are as follows:

Years ending June 30,	
2017	\$ 432,559
2018	403,029
2019	16,430
Total	<u>\$ 852,018</u>

NOTE 14 RESTRICTED NET POSITION

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

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

OHRF

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

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NOTE 14 RESTRICTED NET POSITION (CONTINUED)

OHRF (continued)

As of June 30, 2016, the Commission committed the following OHRF obligations in the Opportunity Housing Sub-Fund by resolutions of the Board of Commissioners:

Alexander House	\$ 1,025,420
The Ambassador (WUBLP)	969,499
Barclay Apartments	100,000
Bauer Park & Town Center	225,000
Chevy Chase Lake	830,313
Elizabeth House III	2,500,000
Elizabeth Square	735,404
Greenhills Apartments	1,579,000
Pre-development Fund (Real Estate Division)	716,238
Victory Housing	1,800,000
Westwood Towers	60,382
Woodfield Commons	350,000
Total	\$ 10,891,256

NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS

(a) Pension Plan

Plan Description

All of the Commission's full-time employees hired before October 1, 1994 participate in the Employees' Retirement System of Montgomery County (the System), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 33 of the Montgomery County Code (Code), 1965, as amended. In July 2009 a new retirement option, the Guaranteed Retirement Income Plan (GRIP), was implemented for employees hired after October 1, 1994. During fiscal year 2009, employees participating in the Retirement Savings Plan (RSP) were provided a one-time irrevocable election opportunity to transfer from the RSP to the GRIP effective July 1, 2009. New employees hired after July 1, 2009 have the option to participate in RSP or GRIP. The one time irrevocable election must be made within 150 days of date of hire.

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NOTE 15 PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS

(a) Pension Plan (continued)

Benefits Provided

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

For the member of the GRIP, employee contributions and earnings thereon vest immediately and employer contributions and earnings thereon are vested after three years of service or upon death, disability or reaching retirement age. At separation, a participant's benefit is determined based upon the account balance which includes contributions and earnings.

Contributions

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

The GRIP plan requires all participants to contribute 4% of their salary. Participants earning salaries exceeding the Social Security wage base must contribute 8% of the excess over the wage base. Section 33-40 of the Code requires the Commission as a participating agency to contribute 8% of regular earnings for all participants. For the year ended June 30, 2016, the Commission paid 6.61% and the balance came from plan earnings.

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

(a) Pension Plan (Continued)

Net Pension Liability

The Commission's net pension liability (NPL) of \$7,661,755 was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability is allocated among all employers which includes the County and participating agencies. Each employer's portion of the net pension liability was determined by the respective employer's share of the unfunded actuarial accrued liability, which is based on the number of participants each employer had participating in the System, relative to all participants in the System, as of July 1, 2015.

Actuarial Assumptions

Valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method for funding	Level percentage of payroll
Amortization period for funding	Closed amortization approach of 9 years as of July 1, 2015.
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases depending on service	3.25%-9.25%
Cost-of-living (inflation rate) adjustments	2.75% on the benefit attributable to credited service earned prior to June 30, 2011. 2.3% on the benefit attribution to credited service earned thereafter, reflecting the 2.5% cap.
Post-retirement increases	Consumer Price Index – by Group
Mortality rates after retirement	RP 2014 Mortality Table, sex-distinct, for healthy mortality. Rates are set forward six years for the male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvement, generational mortality improvements from 2014 using projection scale MP-2014 was used.

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

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

(a) Pension Plan (Continued)

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Long Duration Fixed Income	2.10%
High Yield Fixed Income	3.40%
Credit Opportunities	5.40%
TIPS	1.20%
Domestic Equity	4.55%
International Equity	4.55%
Emerging Equity	4.55%
Global Equity	4.75%
Private Markets	7.20%
Global REITs	3.60%
Commodities	2.00%
Master Limited Partnerships	7.50%
Cash	0.00%
Hedge Funds	4.35%

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

Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the Montgomery County Employee Retirement Plans' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The supporting actuarial information is included in the June 30, 2015, GASB Statements No. 67 and 68, *Accounting and Financial Reporting for Pensions* actuarial valuation for the System. The additional financial and actuarial information is available at: Montgomery County Employee Retirement Plans, 101 Monroe Street, 15th Floor, Rockville, Maryland 20850 or by calling 240-777-8220.

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

(a) Pension Plan (continued)

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

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

	1% Decrease (6.50)%	Current Discount (7.50)%	1% Increase (8.50)%
Total System Net Pension Liability	\$ 888,145,312	\$ 420,733,568	\$ 29,532,075
Commission's Proportionate Share	16,164,245	7,661,755	537,484

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

For the year ended June 30, 2016, the Commission recognized pension expense of \$788,176. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,532	\$ -
Changes of assumptions	-	179,965
Net differences between projected and actual earning on pension plan investments	2,982,856	3,256,046
Change in proportion applicable to Authority contributions subsequent to the measurement date	2,072,264	1,189,322
Total	<u>\$ 5,063,652</u>	<u>\$ 4,625,333</u>

The \$2,072,264 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	<u>Amount</u>
2017	\$ (997,129)
2018	(997,129)
2019	(997,130)

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

(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 \$118,500 at June 30, 2016, must contribute 8% of the excess over the wage base. The plan provides that the Commission must contribute 8% of each participant's annual salary. The County amended the employer contribution from 8% to 6% for fiscal year 2012 only. In addition to a 4% mandatory contribution, participating employees were granted the option to contribute 2% of the after tax salary for fiscal year 2012 only. Employee and employer contributions must remain in the participant's account until retirement or termination of employment. No loans are allowed.

Payroll from the Commission covered by the plan for the year ended June 30, 2016 totaled \$11,883,466. Commission and employee contributions to the plan totaled \$952,195 and \$483,689, respectively, for the year ended June 30, 2016.

(c) Other Postemployment Benefits (OPEB)

Plan Description: The Commission is a component unit of Montgomery County, Maryland and a participant in the cost-sharing multiple-employer defined healthcare plan sponsored by the County. The Commission provides postretirement health care benefits, in accordance with County statutes, to all employees who retire after achieving age and years of service requirements. Postemployment benefit provisions and eligibility requirements for retirees are described under the Montgomery County Group Insurance Summary Plan. Postemployment benefits include medical, life, dental, vision and prescription coverage. Currently, 156 retirees meet those eligibility requirements.

Funding Policy: The Commission pays 50% to 80% of the group medical and life insurance premiums of those retirees, depending on years of service in the plan. Expenditures for postretirement health care benefits are recognized as the County bills the Commission on a monthly basis. The annual pay-as-you-go expenditures amounted to \$735,353 during fiscal year 2016. The Commission paid the annual required contribution to the (ARC) in fiscal year 2016 of \$1,140,400, which represents 100% of the Commission's required obligation. The County provided a phase-in period and expects the Commission to begin paying the full annual required contribution by fiscal year 2017.

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

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

Annual OPEB Cost and Net OPEB Obligation: The ARC, or annual OPEB cost (AOC) for fiscal year 2016 was based on the actuarial valuation as of July 1, 2014 presented to Montgomery County on July 1, 2014.

Actuarial Methods and Assumptions: The actuarial valuation for fiscal year projected to 2016 was performed by AON Hewitt with a valuation date of July 1, 2014. The actuarial method used was the Projected Unit Credit Actuarial Cost Method.

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

	2016	2015	2014	2013	2012
Actual Contribution	\$ 1,140,400	\$ 1,307,100	\$ 2,195,672	\$ 1,850,572	\$ 1,020,300
Annual Required Contribution	1,140,400	1,307,100	2,923,000	2,340,000	2,040,000
Percentage Contributed	100.0%	100.0%	75.1%	79.1%	50.0%

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

NOTE 16 CONTINGENCIES

(a) Litigation

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

(b) HUD Program Grants

The Commission participates in a number of Federal, State and County assisted grant programs, principal of which are the Department of Housing and Urban Development Housing Assistance Payments (Housing Choice Voucher), Low Rent Public Housing, Comprehensive Grants, Lower Income Housing Assistance Program (Housing Choice Voucher Moderate Rehabilitation), Public Housing Capital Fund and Supportive Housing. These programs are subject to financial and compliance audits by grantors or their representatives. The audits of most of these programs for, or including, the year ended June 30, 2016, have not yet been completed. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe disallowed amounts, if any, would be material.

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NOTE 17 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in Montgomery County's self-insurance fund or purchases insurance to address such exposures. The County fund is maintained for general liability and property coverage under which participants share the costs of workers' compensation, comprehensive general, automobile and professional liability, fire and theft, the liability for errors, omissions, and other selected areas which require coverage. Commercial insurance is purchased for claims in excess of coverage by the self-insurance fund and for other risks not covered by the fund. The Commission's liability for claims is limited to insurance premiums paid to the self-insurance fund.

During the year, there were no significant reductions in commercial insurance coverage. For the past three years, no insurance settlements exceeded commercial insurance coverage.

NOTE 18 CONDUIT DEBT OBLIGATIONS

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

Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The bonds outstanding at June 30, 2016 are summarized below:

Bonds Outstanding, Beginning of Year	\$ 246,588,683
Issuances During the Year	-
Redemptions During the Year	<u>(42,301,624)</u>
Bonds Outstanding, End of Year	<u>\$ 204,287,059</u>

NOTE 19 ARBITRAGE

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

At June 30, 2016, there is a liability of \$165,275 for the Single Family, which may be due in future years. The liability is included in the liabilities balance of each fund.

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NOTE 20 PENDING GASB STANDARDS

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

Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits. This statement is effective for the period ending June 30, 2017.

Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for the period ending June 30, 2017.

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

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

Statement No. 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans. This statement is effective for the period ending June 30, 2017.

Statement No. 80 - Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14

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NOTE 20 PENDING GASB STANDARDS (CONTINUED)

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This statement is effective for the period ending June 30, 2017.

Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement addresses issues (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 21 SUBSEQUENT EVENTS

Chevy Chase Lake Multifamily Interim Financing

On July 13, 2016, the Commission approved the final development budget, financing plan and authorized the Executive Director to take all necessary actions to complete the construction and equity financing closing for the Chevy Chase Lake multifamily development project. The proposed development is a mixed-income community located on the western third of the site of HOC's Chevy Chase Lake Apartments, adjacent to the future Purple Line light rail station. The 11-story building will be comprised of 120 market-rate apartments, 40 workforce apartments, 40 moderately priced dwelling units, and a 2.5 level below-grade parking garage with 247 spaces. Total development cost is approximately \$74,000,000. To finance the project, staff has secured construction financing from United Bank and equity financing from The Morris and Gwendolyn Cafritz Foundation ("Foundation"). The United Bank construction loan is \$53,730,000, providing 73% of the total development cost. The Foundation will contribute 50% of the required cash equity while the remaining 50% cash equity will be drawn from the existing PNC Real Estate Line of Credit. Construction loan closing is projected in October 2016. As part of the financing plan, HOC permanent mortgage in an amount of up to \$65 million, utilizing the HUD/U.S. Treasury Federal Financing Bank Risk Share program, will provide take out financing at stabilization. Permanent closing is projected in November 2019. HOC will purchase an interest rate hedge to protect against interest risk during the anticipated three year construction and stabilization period.

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NOTE 21 SUBSEQUENT EVENTS (CONTINUED)

Bogman Inc. Resignation

Bogman Inc. ("Bogman") has serviced the majority of the loans in the Single Family Mortgage Purchase Program for over 18 years. Due to vast changes that have swept the mortgage industry since the financial crisis of 2008, including the requirement for larger net worth, increased regulatory oversight and sanctions, and new unfunded servicing requirements which have collectively posed significant challenges for a small servicing company and as a consequence has decreased its profitability, Bogman has opted to exit the servicing business altogether. The challenges for the firm are also exacerbated by death of the founders of the company. On June 18, 2016, Bogman notified the Commission of its resignation of its servicing contracts, pending the transition of accounts to a replacement subservicer. After exploring the possibility of expanding Mortgage Finance to include mortgage loan servicing, the Commission will issue a Request for Proposal (RFP) for Single Family's subservicing needs. A request to approve the new subservicer is expected to be presented to the Commission at its meeting on January 11, 2017. All remaining loans with Bogman will transfer to the new subservicer by the end of fiscal year 2017.

Elizabeth House III

On September 30, 2016, staff executed three separate Master Lease Agreements with Lee Development Group (LDG) for the ownership rights to develop and build the Public Use space and a multifamily building that would house Market Rate and Affordable Housing units, and related parking. Executing the leases completed the closing and therefore the acquisition of a long-term leasehold interest in the Fenwick Park site, the future location of the new Elizabeth House III development as well as Phase I of the County's aquatics and recreation facility.

Under Section 11-102(b) of the Maryland Condominium Act, an owner cannot subject a ground lease property to a condominium used for residential purposes unless the underlying fee owner of the land is a municipality or government agency. The solution required that LDG create a condominium structure to own the respective spaces above the ground and HOC to master lease the space envelope of the condominiums and build replacement housing, recreation facility, and parking within those leased space envelopes. The acquisition of a long-term leasehold interest in the Fenwick Park site enables HOC to continue to move forward with the RAD conversion and redevelopment of the current Elizabeth House property. Closing of the construction financing is anticipated to occur by the summer of 2017 when the construction will commence.

In addition, on October 6, 2016, the County Executive gave its official support for the funding and development of a state of the art public recreational facility to be housed in Elizabeth Square. This now paves the way for the project to move forward and with the redevelopment of RAD replacement housing for Elizabeth House, alongside the substantial renovation of Alexander House, and the future development of the final phase of Elizabeth Square. Altogether, an entire square block in downtown Silver Spring, mere steps away from a major Metro red line rail stop, will be completely transformed.

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NOTE 22 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

	Blended Component Units										
	The Oaks	Alexander House	Sligo	Metropolitan	TPM Development	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square	HOC at Hillandale Gateway	Chevy Chase
ASSETS											
Cash	\$ 199,090	\$ 1,130,013	\$ 116	\$ 4,057,019	\$ 1,113,889	\$ 68,864	\$ 383,840	\$ 193,363	\$ 699,252	\$ -	\$ 279,102
Restricted Cash	312,925	642,799	38,208	1,250,606	167,795	1,407,344	522,114	563,061	883,454	-	957,803
Current Assets	16,429	29,128	222,522	10,901,868	121,449	112,012	847,026	1,881,272	315,708	28,435	14,670,720
Noncurrent Assets	24,534	54,848	1,199,402	733,652	-	-	469,672	731,353	312,162	1,274,000	750,231
Capital Assets	3,299,979	16,064,721	1,310,056	20,071,650	14,146,885	17,162,856	9,877,699	29,395,350	21,538,798	-	381,507
Total Assets	<u>3,852,957</u>	<u>17,921,509</u>	<u>2,770,304</u>	<u>37,014,795</u>	<u>15,550,018</u>	<u>18,751,076</u>	<u>12,100,351</u>	<u>32,764,399</u>	<u>23,749,374</u>	<u>1,302,435</u>	<u>17,039,363</u>
LIABILITIES											
Current Liabilities	331,192	1,190,735	73,059	1,248,083	162,277	738,070	941,801	1,111,446	2,031,009	227	21,433,666
Noncurrent Liabilities	3,667,581	22,409,702	-	24,395,638	15,122,233	16,491,057	10,817,357	37,967,820	26,120,238	1,820,000	1,250,000
Total Liabilities	<u>3,998,773</u>	<u>23,600,437</u>	<u>73,059</u>	<u>25,643,721</u>	<u>15,284,510</u>	<u>17,229,127</u>	<u>11,759,158</u>	<u>39,079,266</u>	<u>28,151,247</u>	<u>1,820,227</u>	<u>22,683,666</u>
NET POSITION											
Net Investment in Capital Assets	(513,568)	(6,327,950)	1,310,056	20,071,650	(314,540)	263,310	(1,221,161)	(8,997,913)	(4,891,964)	(1,756,387)	(868,493)
Restricted	206,007	561,354	30,418	961,957	84,043	1,345,169	476,817	487,540	768,593	-	957,803
Unrestricted	161,745	87,668	1,356,771	(9,662,533)	496,005	(86,530)	1,085,537	2,195,506	(278,502)	1,238,595	(5,733,613)
Total Net Position	<u>(145,816)</u>	<u>(5,678,928)</u>	<u>2,697,245</u>	<u>11,371,074</u>	<u>265,508</u>	<u>1,521,949</u>	<u>341,193</u>	<u>(6,314,867)</u>	<u>(4,401,873)</u>	<u>(517,792)</u>	<u>(5,644,303)</u>
Total Liabilities and Net Position	<u>\$ 3,852,957</u>	<u>\$ 17,921,509</u>	<u>\$ 2,770,304</u>	<u>\$ 37,014,795</u>	<u>\$ 15,550,018</u>	<u>\$ 18,751,076</u>	<u>\$ 12,100,351</u>	<u>\$ 32,764,399</u>	<u>\$ 23,749,374</u>	<u>\$ 1,302,435</u>	<u>\$ 17,039,363</u>

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

Blended Component Units

	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Glenmont Crossing	Glenmont Westerly	Magruders	RAD 6	Community Partners	Primary Government	Total
ASSETS												
Cash	\$ 182,624	\$ -	\$ -	\$ 100	\$ -	\$ 654,177	\$ 535,524	\$ 1,268	\$ 200	\$ 172,783	\$ 81,477,114	\$ 91,148,338
Restricted Cash	500,748	3,400,956	1,241,686	307,642	211,125	758,072	1,449,703	563,984	1,673,946	-	187,572,073	204,426,044
Current Assets	1,212,244	7,250,406	2,915,397	4,213,313	1,301,889	15,122	14,289	729,582	104,307	19,447	48,652,676	95,575,241
Noncurrent Assets	467,784	-	-	-	-	60,534	36,660	210,144	351,662	-	367,190,654	373,867,292
Capital Assets	7,105,767	10,870,309	4,631,317	31,800,941	24,629,300	14,838,814	11,644,610	6,572,056	25,248,552	-	103,383,047	373,974,214
Total Assets	9,469,167	21,521,671	8,788,400	36,321,996	26,142,314	16,326,719	13,680,786	8,077,034	27,378,667	192,230	788,275,564	1,138,991,129
LIABILITIES												
Current Liabilities	390,643	722,281	62,732	1,641,061	782,572	343,290	255,389	382,246	3,887,806	1,470	138,409,508	176,140,563
Noncurrent Liabilities	10,698,842	8,346,851	5,210,523	16,136,418	13,054,504	13,053,057	9,685,724	10,717,616	16,936,871	-	478,520,203	742,422,235
Total Liabilities	11,089,485	9,069,132	5,273,255	17,777,479	13,837,076	13,396,347	9,941,113	11,099,862	20,824,677	1,470	616,929,711	918,562,798
NET POSITION												
Net Investment in Capital Assets	(3,858,039)	2,333,361	(602,891)	15,664,523	11,574,796	1,560,307	1,817,445	(4,328,279)	8,311,681	-	(48,522,699)	(19,296,755)
Restricted	438,171	3,329,920	1,262,031	1,948,703	993,696	727,786	1,415,470	498,320	1,601,387	190,760	65,669,902	83,955,847
Unrestricted	1,799,550	6,789,258	2,856,005	931,291	(263,254)	642,279	506,758	807,131	(3,359,078)	-	154,198,650	155,769,239
Total Net Position	(1,620,318)	12,452,539	3,515,145	18,544,517	12,305,238	2,930,372	3,739,673	(3,022,828)	6,553,990	190,760	171,345,853	220,428,331
Total Liabilities and Net Position	\$ 9,469,167	\$ 21,521,671	\$ 8,788,400	\$ 36,321,996	\$ 26,142,314	\$ 16,326,719	\$ 13,680,786	\$ 8,077,034	\$ 27,378,667	\$ 192,230	\$ 788,275,564	\$ 1,138,991,129

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YEAR ENDED JUNE 30, 2016

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

	Blended Component Units										
	The Oaks	Alexander House	Sligo	Metropolitan	TPM	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square	HOC at Hillandale Gateway	Chevy Chase
OPERATING REVENUES											
Tenant Revenue	\$ 1,308,854	\$ 5,129,306	\$ 278,307	\$ 6,424,189	\$ 2,806,671	\$ 2,637,331	\$ 1,779,881	\$ 2,473,476	\$ 2,813,766	\$ -	\$ 107,218
Other Revenues	6,312	55,972	1,651	514,724	20,844	19,504	38,923	20,967	63,804	32,000	20,777
Total Operating Revenues	<u>1,315,166</u>	<u>5,185,278</u>	<u>279,958</u>	<u>6,938,913</u>	<u>2,827,515</u>	<u>2,656,835</u>	<u>1,818,804</u>	<u>2,494,443</u>	<u>2,877,570</u>	<u>32,000</u>	<u>127,995</u>
OPERATING EXPENSES											
Housing Assistance Payments	-	-	-	-	-	-	-	-	-	-	-
Administrative	250,097	534,616	63,857	749,574	537,742	316,377	260,425	276,978	345,031	228	52,103
Utilities	70,670	399,983	2,315	406,695	139,811	161,487	117,341	52,569	182,099	-	25,168
Ordinary Maintenance and Operations	300,584	724,105	155,830	582,627	471,019	460,312	416,140	279,992	416,304	-	28,194
General Expenses	379,764	2,082,778	72,092	3,338,141	915,901	1,278,163	1,051,039	1,768,486	1,520,700	3,564	241,645
Depreciation	187,100	749,718	62,494	1,203,077	690,662	545,263	356,159	1,003,177	638,788	-	171,074
Total Operating Expenses	<u>1,188,215</u>	<u>4,491,200</u>	<u>356,588</u>	<u>6,280,114</u>	<u>2,755,135</u>	<u>2,761,602</u>	<u>2,201,104</u>	<u>3,381,202</u>	<u>3,102,922</u>	<u>3,792</u>	<u>518,184</u>
Operating Income (Loss)	<u>126,951</u>	<u>694,078</u>	<u>(76,630)</u>	<u>658,799</u>	<u>72,380</u>	<u>(104,767)</u>	<u>(382,300)</u>	<u>(886,759)</u>	<u>(225,352)</u>	<u>28,208</u>	<u>(390,189)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,978)</u>	<u>(265)</u>	<u>59,806</u>	<u>1,199</u>	<u>42</u>	<u>29</u>	<u>40,195</u>	<u>691</u>	<u>(1)</u>	<u>-</u>	<u>(5,610,353)</u>
Income (Loss) before Contributions and Transfers	124,973	693,813	(16,824)	659,998	72,422	(104,738)	(342,105)	(886,068)	(225,353)	28,208	(6,000,542)
Capital Contributions (Distributions)	-	(1,290,968)	-	-	(499,260)	139,610	-	398,937	-	(546,000)	-
CHANGE IN NET POSITION	124,973	(597,155)	(16,824)	659,998	(426,838)	34,872	(342,105)	(487,131)	(225,353)	(517,792)	(6,000,542)
Total Net Position - Beginning of Year	<u>(270,789)</u>	<u>(5,081,773)</u>	<u>2,714,069</u>	<u>10,711,076</u>	<u>692,346</u>	<u>1,487,077</u>	<u>683,298</u>	<u>(5,827,736)</u>	<u>(4,176,520)</u>	<u>-</u>	<u>356,239</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ (145,816)</u>	<u>\$ (5,678,928)</u>	<u>\$ 2,697,245</u>	<u>\$ 11,371,074</u>	<u>\$ 265,508</u>	<u>\$ 1,521,949</u>	<u>\$ 341,193</u>	<u>\$ (6,314,867)</u>	<u>\$ (4,401,873)</u>	<u>\$ (517,792)</u>	<u>\$ (5,644,303)</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

	Blended Component Units											
	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Glenmont Crossing	Glenmont Westerly	Magruders	RAD 6	Community Partner	Primary Government	Total
OPERATING REVENUES												
Tenant Revenue	\$ 1,206,819	\$ 2,357,817	\$ 722,835	\$ 4,782,252	\$ 3,093,497	\$ 1,956,169	\$ 1,677,480	\$ 2,197,541	\$ 1,853,376	\$ -	\$ 22,702,544	\$ 68,309,329
Other Revenues	57,056	73,546	18,762	330,448	202,491	15,180	8,773	132,556	3,488,244	164,545	139,915,621	145,202,700
Total Operating Revenues	<u>1,263,875</u>	<u>2,431,363</u>	<u>741,597</u>	<u>5,112,700</u>	<u>3,295,988</u>	<u>1,971,349</u>	<u>1,686,253</u>	<u>2,330,097</u>	<u>5,341,620</u>	<u>164,545</u>	<u>162,618,165</u>	<u>213,512,029</u>
OPERATING EXPENSES												
Housing Assistance Payments	-	-	-	-	-	-	-	-	-	-	91,387,603	91,387,603
Administrative	122,353	522,944	154,095	1,138,640	801,033	186,276	181,606	216,318	630,357	232,847	27,989,590	35,563,087
Utilities	75,830	24,301	5,579	79,646	110,701	216,422	148,092	105,323	445,480	-	2,637,394	5,406,906
Ordinary Maintenance and Operations	141,218	1,174,306	328,914	1,337,185	932,957	400,102	394,334	309,172	549,990	-	7,991,959	17,395,244
General Expenses	684,066	903,907	250,709	1,551,129	1,665,927	770,560	676,038	1,518,824	631,989	-	22,167,180	43,472,602
Depreciation	405,340	378,247	91,435	346,153	241,287	317,783	221,443	458,811	199,641	-	5,614,500	13,882,152
Total Operating Expenses	<u>1,428,807</u>	<u>3,003,705</u>	<u>830,732</u>	<u>4,452,753</u>	<u>3,751,905</u>	<u>1,891,143</u>	<u>1,621,513</u>	<u>2,608,448</u>	<u>2,457,457</u>	<u>232,847</u>	<u>157,788,226</u>	<u>207,107,594</u>
Operating Income (Loss)	<u>(164,932)</u>	<u>(572,342)</u>	<u>(89,135)</u>	<u>659,947</u>	<u>(455,917)</u>	<u>80,206</u>	<u>64,740</u>	<u>(278,351)</u>	<u>2,884,163</u>	<u>(68,302)</u>	<u>4,829,939</u>	<u>6,404,435</u>
Total Nonoperating Revenues (Expenses)	<u>(870)</u>	<u>5,869</u>	<u>4,148</u>	<u>(344)</u>	<u>22</u>	<u>(117)</u>	<u>135</u>	<u>(1,939)</u>	<u>-</u>	<u>-</u>	<u>34,339,460</u>	<u>28,835,729</u>
Income (Loss) before Contributions and Transfers	<u>(165,802)</u>	<u>(566,473)</u>	<u>(84,987)</u>	<u>659,603</u>	<u>(455,895)</u>	<u>80,089</u>	<u>64,875</u>	<u>(280,290)</u>	<u>2,884,163</u>	<u>(68,302)</u>	<u>39,169,399</u>	<u>35,240,164</u>
Capital Contributions (Distributions)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,552,166)</u>	<u>(1,080,201)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,842,345</u>	<u>3,412,297</u>
CHANGE IN NET POSITION	<u>(165,802)</u>	<u>(566,473)</u>	<u>(84,987)</u>	<u>(892,563)</u>	<u>(1,536,096)</u>	<u>80,089</u>	<u>64,875</u>	<u>(280,290)</u>	<u>2,884,163</u>	<u>(68,302)</u>	<u>47,011,744</u>	<u>38,652,461</u>
Total Net Position - Beginning of Year	<u>(1,454,516)</u>	<u>13,019,012</u>	<u>3,600,132</u>	<u>19,437,080</u>	<u>13,841,334</u>	<u>2,850,283</u>	<u>3,674,798</u>	<u>(2,742,538)</u>	<u>3,669,827</u>	<u>259,062</u>	<u>124,334,109</u>	<u>181,775,870</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ (1,620,318)</u>	<u>\$ 12,452,539</u>	<u>\$ 3,515,145</u>	<u>\$ 18,544,517</u>	<u>\$ 12,305,238</u>	<u>\$ 2,930,372</u>	<u>\$ 3,739,673</u>	<u>\$ (3,022,828)</u>	<u>\$ 6,553,990</u>	<u>\$ 190,760</u>	<u>\$ 171,345,853</u>	<u>\$ 220,428,331</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

	Blended Component Units										
	The Oaks	Alexander House	Sligo	Metropolitan	TPM	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square	HOC at Hillandale Gateway	Chevy Chase
Net Cash Provided (Used) by											
Operating Activities	\$ 303,405	\$ 215,529	\$ -	\$ 1,994,136	\$ 790,982	\$ 421,610	\$ 51,082	\$ 137,100	\$ 269,690	\$ 92,048	\$ (3,592,198)
Investing Activities	(105,269)	(1,301,276)	(881)	27,973	(3,980,160)	(356,126)	41,478	(17,062)	(54,983)	482,387	3,398,156
Capital and Related Financing Activities	<u>(139,329)</u>	<u>984,464</u>	<u>(38,208)</u>	<u>(1,005,999)</u>	<u>3,458,983</u>	<u>(249,112)</u>	<u>(271,270)</u>	<u>(7,820)</u>	<u>(305,943)</u>	<u>(574,435)</u>	<u>(65,172)</u>
Net Increase/(Decrease) in Cash	58,807	(101,283)	(39,089)	1,016,110	269,805	(183,628)	(178,710)	112,218	(91,236)	-	(259,214)
Cash and Cash Equivalents - Beginning of Year	<u>140,283</u>	<u>1,231,296</u>	<u>39,205</u>	<u>3,040,909</u>	<u>844,084</u>	<u>252,492</u>	<u>562,550</u>	<u>81,145</u>	<u>790,488</u>	<u>-</u>	<u>538,316</u>
Cash and Cash Equivalents - End of Year	<u>\$ 199,090</u>	<u>\$ 1,130,013</u>	<u>\$ 116</u>	<u>\$ 4,057,019</u>	<u>\$ 1,113,889</u>	<u>\$ 68,864</u>	<u>\$ 383,840</u>	<u>\$ 193,363</u>	<u>\$ 699,252</u>	<u>\$ -</u>	<u>\$ 279,102</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

	Blended Component Units											
	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Glenmont Crossing	Glenmont Westerly	Magruders	RAD 6	Community Partners	Primary Government	Total
Net Cash Provided (Used) by												
Operating Activities	\$ 250,884	\$ 75,622	\$ 8,808	\$ 2,634,575	\$ 161,597	\$ 397,162	\$ 296,318	\$ 169,854	\$ 5,966,383	\$ (49,975)	\$ 48,074,356	\$ 58,668,968
Investing Activities	(6,297)	107,124	116,908	1,976,924	(12,125,926)	(84,519)	(57,432)	1,931	(13,513,671)	-	(31,796,858)	(57,247,579)
Capital and Related Financing Activities	(404,718)	(182,746)	(125,716)	(4,611,499)	11,964,329	(212,000)	(132,604)	(171,419)	7,547,288	-	49,167,688	64,624,762
Net Increase/(Decrease) in Cash	(160,131)	-	-	-	-	100,643	106,282	366	-	(49,975)	65,445,186	66,046,151
Cash and Cash Equivalents - Beginning of Year	342,755	-	-	100	-	553,534	429,242	902	200	222,758	220,457,972	229,528,231
Cash and Cash Equivalents - End of Year	<u>\$ 182,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 654,177</u>	<u>\$ 535,524</u>	<u>\$ 1,268</u>	<u>\$ 200</u>	<u>\$ 172,783</u>	<u>\$ 285,903,158</u>	<u>\$ 295,574,382</u>

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Last 10 Fiscal Years*

Employees' Retirement and Pension System:

	2016	2015
Commission's proportion of the net pension liability	1.82%	1.33%
Commission's proportionate share of the net pension liability	\$ 7,661,755	\$ 4,066,724
Commission's covered employee payroll	\$ 8,319,336	\$ 7,802,241
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	92.10%	52.12%
Plan fiduciary net position as a percentage of the total pension liability	870.30%	529.97%

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

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF COMMISSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2016

Employees' Retirement and Pension System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,782,014	\$ 1,849,962	\$ 1,452,873	\$ 1,724,145	\$ 1,339,118	\$ 1,574,503	\$ 1,491,431	\$ 1,474,106	\$ 1,552,184	\$ 1,484,941
Contributions in relation to the contractually required contribution	<u>1,782,014</u>	<u>1,849,962</u>	<u>1,452,873</u>	<u>1,724,145</u>	<u>1,339,118</u>	<u>1,574,503</u>	<u>1,491,431</u>	<u>1,474,106</u>	<u>1,552,184</u>	<u>1,484,941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 8,319,336	\$ 7,802,241	\$ 3,272,000	\$ 4,292,000	\$ 4,487,000	\$ 5,266,000	\$ 5,414,000	\$ 5,622,000	\$ 5,954,000	\$ 5,780,000
Contributions as a percentage of covered-employee payroll	21.42%	23.71%	44.40%	40.17%	29.84%	29.90%	27.55%	26.22%	26.07%	25.69%

SUPPLEMENTARY INFORMATION

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF NET POSITION – SUB-FUNDS
JUNE 30, 2016
(with comparative totals for June 30, 2015)

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2016	2015
ASSETS								
CURRENT ASSETS								
Unrestricted:								
Cash and Cash Equivalents	\$ 40,367,251	\$ 42,800,001	\$ 5,092,826	\$ 1,488,137	\$ 1,400,123	\$ -	\$ 91,148,338	\$ 86,664,614
Interfund Receivable (Payable)	-	30,311,399	-	-	-	(30,311,399)	-	-
Advances to Component Units	7,828,493	13,890,488	-	-	-	-	21,718,981	19,575,076
Accounts Receivable and Other Assets	3,200,355	27,269,255	5,667,488	298,693	107,146	(9,052,169)	27,490,768	13,540,288
Accrued Interest Receivable	248,327	2,043,942	-	1,990,469	1,232,996	(630,613)	4,885,121	5,089,457
Mortgage and Construction Loans Receivable, Current	1,072,599	2,508	-	33,623,190	8,454,353	(4,462,487)	38,690,163	26,075,571
Total Unrestricted Current Assets	52,717,025	116,317,593	10,760,314	37,400,489	11,194,618	(44,456,668)	183,933,371	150,945,006
Restricted Cash and Cash Equivalents and Investments:								
Restricted Cash and Cash Equivalents	2,717,991	21,522,549	1,949,715	61,175,322	48,079,890	-	135,445,467	104,184,247
Restricted Short-Term Investments	-	-	-	2,790,208	-	-	2,790,208	3,187,915
Current Bonds Payable	-	-	-	49,565,452	15,006,454	-	64,571,906	33,855,605
Customer Deposits	-	2,211,796	2,196,875	-	-	-	4,408,671	4,823,765
Total Restricted Cash and Cash Equivalents and Investments	2,717,991	23,734,345	4,146,590	113,530,982	63,086,344	-	207,216,252	146,051,532
Total Current Assets	55,435,016	140,051,938	14,906,904	150,931,471	74,280,962	(44,456,668)	391,149,623	296,996,538
NONCURRENT ASSETS								
Restricted Long-Term Investments	-	-	-	52,331,274	11,570,957	-	63,902,231	60,984,637
Mortgage and Construction Loans Receivable, Net of Current Portion	60,520,586	35,149,702	37,517,872	81,875,277	296,035,792	(235,129,067)	275,970,162	243,219,713
Capital Assets, Net of Depreciation	6,466,077	365,585,661	10,549,140	-	-	(8,626,664)	373,974,214	361,061,509
Leased Property Under Capital Lease, Net of Amortization	-	10,493,594	-	-	-	-	10,493,594	10,993,289
Other Real Estate Owned	-	-	-	1,790,154	-	-	1,790,154	3,401,833
Loans Receivable from Component Units	2,291,820	-	-	-	-	-	2,291,820	2,291,820
Investment in Component Units	1,873,221	1,274,000	-	-	-	-	3,147,221	1,873,221
Deferred Charges	-	-	-	-	-	-	-	-
Total Noncurrent Assets	71,151,704	412,502,957	48,067,012	135,996,705	307,606,749	(243,755,731)	731,569,396	683,826,022
Total Assets	126,586,720	552,554,895	62,973,916	286,928,176	381,887,711	(288,212,399)	1,122,719,019	980,822,560
DEFERRED OUTFLOWS OF RESOURCES								
Fair Value of Hedging Derivatives	-	-	-	1,361,461	9,846,997	-	11,208,458	10,504,981
Employer Contributions Subsequent to Measurement Date	5,063,652	-	-	-	-	-	5,063,652	1,099,247
Total Assets and Deferred Outflows	\$ 131,650,372	\$ 552,554,895	\$ 62,973,916	\$ 288,289,637	\$ 391,734,708	\$ (288,212,399)	\$ 1,138,991,129	\$ 992,426,788

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF NET POSITION – SUB-FUNDS
JUNE 30, 2016
(with comparative totals for June 30, 2015)

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2016	2015
LIABILITIES								
CURRENT LIABILITIES								
Accounts Payable and Accrued Liabilities	\$ 4,699,348	\$ 11,639,607	\$ 2,617,535	\$ 471,342	\$ 32,436,470	\$ (9,052,169)	\$ 42,812,133	\$ 13,557,447
Interfund Payable	28,455,742	-	1,817,344	38,313	-	(30,311,399)	-	-
Accrued Interest Payable	-	3,693,190	-	-	-	(630,613)	3,062,577	2,715,345
Loans Payable to Montgomery County - Current	-	335,421	-	-	-	-	335,421	334,292
Mortgage Notes and Loans Payable - Current	56,570,905	9,631,979	-	-	-	(4,462,487)	61,740,397	54,534,411
Capitalized Lease Obligations - Current	-	3,897	-	-	-	-	3,897	3,616
Total Current Unrestricted Liabilities	89,725,995	25,304,094	4,434,879	509,655	32,436,470	(44,456,668)	107,954,425	71,145,111
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,004,295	1,583,651	-	-	-	3,587,946	4,050,090
Accrued Interest Payable	-	-	-	3,341,739	5,483,808	-	8,825,547	8,895,306
Bonds Payable - Current	-	-	-	46,250,000	9,522,645	-	55,772,645	24,960,300
Total Current Liabilities Payable from Restricted Assets	-	2,004,295	1,583,651	49,591,739	15,006,453	-	68,186,138	37,905,696
Total Current Liabilities	89,725,995	27,308,389	6,018,530	50,101,394	47,442,923	(44,456,668)	176,140,563	109,050,807
NONCURRENT LIABILITIES								
Bonds Payable	-	-	-	206,885,427	301,587,677	-	508,473,104	502,797,119
Mortgage Notes and Loans Payable	104,496	317,872,023	-	-	-	(235,129,067)	82,847,452	70,203,267
Loans Payable to Montgomery County	10,351,005	55,975,333	-	-	-	-	66,326,338	64,166,537
Capitalized Lease Obligations	-	19,945,907	-	-	-	-	19,945,907	19,949,804
Unearned Revenue	10,342,041	16,521,742	129,617	-	-	-	26,993,400	12,452,275
Escrow and Other Deposits	10,672,942	-	-	-	3,667,546	-	14,340,488	13,991,621
Net Pension Liability	7,661,755	-	-	-	-	-	7,661,755	4,066,724
Derivative Investment - Hedging	-	-	-	1,361,461	9,846,997	-	11,208,458	10,504,981
Total Noncurrent Liabilities	39,132,239	410,315,005	129,617	208,246,888	315,102,220	(235,129,067)	737,796,902	698,132,328
Total Liabilities	128,858,234	437,623,394	6,148,147	258,348,282	362,545,143	(279,585,735)	913,937,465	807,183,135
DEFERRED INFLOWS OF RESOURCES								
Unamortized Pension Net Difference	4,625,333	-	-	-	-	-	4,625,333	3,467,783
NET POSITION								
Net Investment in Capital Assets	6,466,077	(27,685,304)	10,549,136	-	-	(8,626,664)	(19,296,755)	(10,442,753)
Restricted for:								
Debt Service	-	21,522,549	-	28,453,218	27,789,442	-	77,765,209	74,991,824
Customer Deposits and Other	-	207,501	2,562,940	-	-	-	2,770,441	1,988,649
Closing Cost Assistance Program	3,420,197	-	-	-	-	-	3,420,197	1,498,542
Unrestricted (Deficit)	(11,719,469)	120,886,755	43,713,693	1,488,137	1,400,123	-	155,769,239	113,739,608
Total Net Position	(1,833,195)	114,931,501	56,825,769	29,941,355	29,189,565	(8,626,664)	220,428,331	181,775,870
Total Liabilities and Net Position	\$ 131,650,372	\$ 552,554,895	\$ 62,973,916	\$ 288,289,637	\$ 391,734,708	\$ (288,212,399)	\$ 1,138,991,129	\$ 992,426,788

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – SUB-FUNDS
YEAR ENDED JUNE 30, 2016
(with comparative totals for June 30, 2015)

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2016	2015
OPERATING REVENUES								
Dwelling Rental	\$ 331,859	\$ 66,038,336	\$ 1,953,423	\$ -	\$ -	\$ (14,289)	\$ 68,309,329	\$ 68,471,662
Investment Income	-	-	-	2,251,056	1,269,119	-	3,520,175	5,523,274
Unrealized Gains (Losses) on Investments	-	-	-	2,750,931	669,088	-	3,420,019	(379,610)
Interest on Mortgage and Construction Loans receivable	-	-	-	6,280,071	13,225,392	(7,369,581)	12,135,882	13,933,659
Management Fees and Other Income	17,051,901	2,263,292	3,272,635	-	-	(12,401,268)	10,186,560	11,139,945
U.S. Department of Housing and Urban Development Grants:								
Housing Assistance Payments (HAP)	-	-	89,041,875	-	-	-	89,041,875	88,010,013
HAP Administrative Fees	-	-	6,583,770	-	-	-	6,583,770	6,158,651
Other Grants	-	-	8,658,599	-	-	(237,330)	8,421,269	9,629,839
State and County Grants	-	-	11,893,150	-	-	-	11,893,150	11,399,128
Total Operating Revenues	17,383,760	68,301,628	121,403,452	11,282,058	15,163,599	(20,022,468)	213,512,029	213,886,561
OPERATING EXPENSES								
Housing Assistance Payments	-	-	91,624,933	-	-	(237,330)	91,387,603	90,324,278
Administration	12,246,223	10,918,247	14,977,071	2,143,103	1,664,593	(6,386,150)	35,563,087	34,514,669
Maintenance	1,781,276	14,825,275	788,693	-	-	-	17,395,244	16,965,337
Depreciation and Amortization	1,042,826	11,688,370	1,150,956	-	-	-	13,882,152	15,684,194
Utilities	194,075	4,239,323	973,508	-	-	-	5,406,906	5,832,573
Fringe Benefits	4,258,040	2,331,689	3,386,525	264,098	186,792	-	10,427,144	10,754,584
Pension Expense	788,176	-	-	-	-	-	788,176	(1,042,200)
Interest Expense	-	12,602,044	-	6,291,160	11,292,763	(7,857,645)	22,328,322	23,766,914
Other Expenses	565,131	12,343,886	2,986,315	63,035	-	(6,029,407)	9,928,960	9,854,552
Total Operating Expenses	20,875,747	68,948,834	115,888,001	8,761,396	13,144,148	(20,510,532)	207,107,594	206,654,901
Operating Income (Loss)	(3,491,987)	(647,206)	5,515,451	2,520,662	2,019,451	488,064	6,404,435	7,231,660

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – SUB-FUNDS
YEAR ENDED JUNE 30, 2016
(with comparative totals for June 30, 2015)
(Continued)

	General	Housing	Public	Single Family	Multifamily	Eliminations	Combined Totals	
	Sub-Fund	Sub-Fund	Sub-Fund	Sub-Fund	Sub-Fund		2016	2015
NONOPERATING REVENUES (EXPENSES)								
Investment Income	\$ 1,422,630	\$ 156,799	\$ 4,638	\$ -	\$ -	\$ (488,064)	\$ 1,096,003	\$ 1,008,868
Interest on Mortgage and Construction Loans Receivable	94,642	85,009	-	-	-	-	179,651	177,022
Interest Expense	(545,782)	-	-	-	-	-	(545,782)	(430,115)
Other Grants	-	204,554	-	-	-	-	204,554	244,484
State and County Grants	-	4,536	-	-	-	-	4,536	4,536
Gain/(Loss) on Sale of Assets	-	(5,610,505)	33,507,272	-	-	-	27,896,767	-
Real Estate Equity Transfer in/(out)	-	8,381,642	(8,381,642)	-	-	-	-	197,129
Total Nonoperating Income	971,490	3,222,035	25,130,268	-	-	(488,064)	28,835,729	1,201,924
 Income (Loss) Before Contributions and Transfers	 (2,520,497)	 2,574,829	 30,645,719	 2,520,662	 2,019,451	 -	 35,240,164	 8,433,584
Capital Contributions	-	-	3,412,297	-	-	-	3,412,297	182,091
Operating Transfers in (out)	792,960	(1,099,735)	(4,779)	-	311,554	-	-	-
CHANGES IN NET POSITION	(1,727,537)	1,475,094	34,053,237	2,520,662	2,331,005	-	38,652,461	8,615,675
Total Net Position - Beginning of Year	(105,658)	113,456,407	22,772,532	27,420,693	26,858,560	(8,626,664)	181,775,870	173,160,195
TOTAL NET POSITION - END OF YEAR	\$ (1,833,195)	\$ 114,931,501	\$ 56,825,769	\$ 29,941,355	\$ 29,189,565	\$ (8,626,664)	\$ 220,428,331	\$ 181,775,870

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF CASH FLOWS – SUB-FUNDS
YEAR ENDED JUNE 30, 2016
(with comparative totals for June 30, 2015)

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from Customers	\$ 331,859	\$ 56,836,366	\$ 2,464,957	\$ -	\$ -	\$ (7,325,941)	\$ 52,307,241	\$ 77,558,457
Intergovernmental Revenue	-	-	116,177,394	-	-	-	116,177,394	115,396,809
Investment Income Received	-	-	-	2,610,992	2,164,174	(14,289)	4,760,877	5,774,530
Mortgage Interest Received	-	-	-	6,295,586	925,063	-	7,220,649	21,428,231
Mortgage Loan Principal Received	-	-	-	25,672,186	8,321,247	-	33,993,433	52,531,919
Management Fees and Other Income	21,048,444	16,370,441	2,870,523	-	-	(12,401,268)	27,888,140	(7,155,253)
Transfer of Capital Assets to Other Sub-Funds	-	8,381,642	(8,381,642)	-	-	-	-	-
Pension Expense	(4,752,581)	-	-	-	-	-	(4,752,581)	-
Payments to Suppliers	(2,038,672)	(28,395,827)	(4,748,516)	(63,035)	(1,991,326)	6,029,407	(31,207,969)	(31,013,104)
Payments to Employees	(11,721,497)	(9,900,667)	(23,662,237)	(2,271,457)	-	13,579,817	(33,976,041)	(33,717,118)
Interest Paid	-	(12,391,088)	-	(6,692,490)	(10,847,669)	7,814,005	(22,117,242)	(24,213,344)
Housing Assistance Payments	-	-	(91,624,933)	-	-	-	(91,624,933)	(90,523,456)
Net Cash Provided (Used) by Operating Activities	2,867,553	30,900,867	(6,904,454)	25,551,782	(1,428,511)	7,681,731	58,668,968	86,067,671
CASH FLOWS FROM INVESTING ACTIVITIES								
Advances to Component Units	(1,396,026)	(747,879)	-	-	-	(7,193,667)	(9,337,572)	5,358,355
Issuance of Notes Receivable	-	(11,323,608)	-	-	-	-	(11,323,608)	3,172,632
Repayments of Notes Receivable	24,347,777	358,434	(37,517,872)	-	-	-	(12,811,661)	9,747,833
Investments Purchased	-	-	-	(1,598,370)	-	-	(1,598,370)	(1,018,365)
Investments Sold	-	44,479	-	2,454,023	-	-	2,498,502	6,621,183
Investment Income Received	1,422,630	156,799	4,638	-	-	(488,064)	1,096,003	593,077
Investment in Mortgages Receivable	(25,934,381)	-	-	-	-	-	(25,934,381)	(53,339,672)
Mortgage Interest Received	78,499	85,009	-	-	-	-	163,508	92,576
Net Cash Provided (Used) by Investing Activities	(1,481,501)	(11,426,766)	(37,513,234)	855,653	-	(7,681,731)	(57,247,579)	(28,772,381)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Proceeds from Sale of Bonds	-	-	-	43,892,849	35,850,000	-	79,742,849	24,018,199
Bond Repayments	-	-	-	(27,623,043)	(15,745,000)	-	(43,368,043)	(76,050,000)
Disbursement to Other Indentures	-	-	-	-	(4,000)	-	(4,000)	-
Disbursements from (to) the Commission	-	-	-	-	315,554	-	315,554	-
Intergovernmental Revenue	-	209,090	-	-	-	-	209,090	244,484
Net Cash Provided (Used) by Noncapital Financing Activities	-	209,090	-	16,269,806	20,416,554	-	36,895,450	(51,787,317)

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF CASH FLOWS – SUB-FUNDS
YEAR ENDED JUNE 30, 2016
(with comparative totals for June 30, 2015)

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2016	2015
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Payments for Property, Equipment and Capital Financing Fees	\$ (823,217)	\$ (42,746,201)	\$ (2,093,230)	\$ -	\$ -	\$ -	(45,662,648)	\$ (36,841,898)
Disposition of Capital Assets	221,866	8,829,053	10,521,419	-	-	-	19,572,338	
Gain on Disposal of Capital Assets	-	(5,610,505)	33,507,272	-	-	-	27,896,767	202,882
Proceeds from New Mortgage Notes and Loans Payable	26,713,289	89,965,297	(904,373)	-	-	1,048,855	116,823,068	85,762,425
Payments on Mortgage Notes and Loans Payable	(24,019,586)	(68,694,671)	-	-	-	(1,048,855)	(93,763,112)	(33,762,570)
Proceeds from New Loans Payable to Montgomery County	-	-	-	-	-	-	-	8,980,055
Interest Paid on Mortgages	(545,782)	-	-	-	-	-	(545,782)	(430,115)
Proceeds Received for FHA Risk-Sharing Losses Reserve	-	-	-	-	-	-	-	-
Payment of Principal on Capital Lease Obligations	-	(3,616)	-	-	-	-	(3,616)	(180,291)
Capital Contributions and Transfers	-	-	3,412,297	-	-	-	3,412,297	182,091
Net Cash Provided (Used) by Capital and Related Financing Activities	1,546,570	(18,260,643)	44,443,385	-	-	-	27,729,312	23,912,579
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,932,622	1,422,548	25,697	42,677,241	18,988,043	-	66,046,151	29,420,552
Cash and Cash Equivalents - Beginning of Year	40,152,620	65,111,798	9,213,719	69,551,670	45,498,424	-	229,528,231	200,107,679
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 43,085,242	\$ 66,534,346	\$ 9,239,416	\$ 112,228,911	\$ 64,486,467	\$ -	\$ 295,574,382	\$ 229,528,231
RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR TO AMOUNTS IN THE STATEMENT OF NET ASSETS								
Current Unrestricted Cash and Cash Equivalents	\$ 40,367,251	\$ 42,800,001	\$ 5,092,826	\$ 1,488,137	\$ 1,400,123	\$ -	\$ 91,148,338	\$ 86,664,614
Restricted Cash and Cash Equivalents	2,717,991	21,522,549	1,949,715	61,175,322	48,079,890	-	135,445,467	104,184,247
Current Bonds Payable	-	-	-	49,565,452	15,006,454	-	64,571,906	33,855,605
Customer Deposits	-	2,211,796	2,196,875	-	-	-	4,408,671	4,823,765
Total Cash and Cash Equivalents	\$ 43,085,242	\$ 66,534,346	\$ 9,239,416	\$ 112,228,911	\$ 64,486,467	\$ -	\$ 295,574,382	\$ 229,528,231

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
SCHEDULE OF CASH FLOWS – SUB-FUNDS
YEAR ENDED JUNE 30, 2016
(with comparative totals for June 30, 2015)

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Operating Income (Loss)	\$ (3,491,987)	\$ (647,206)	\$ 5,515,451	\$ 2,520,662	\$ 2,019,451	\$ 488,064	\$ 6,404,435	\$ 7,231,660
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Increase in Capital Appreciation Bonds	-	-	-	-	20,299	-	20,299	-
Depreciation and Amortization	1,042,826	11,483,518	1,150,956	-	-	-	13,677,300	15,684,194
Unrealized Losses (Gains) on Investments	-	-	-	(2,750,931)	(669,088)	-	(3,420,019)	379,610
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	-
Pension Expense	(3,964,405)	-	-	-	-	-	(3,964,405)	-
Transfer of Capital Assets to Other Sub-Funds	-	8,381,642	(8,381,642)	-	-	-	-	-
Effects of Changes in Operating Assets and Liabilities:								
Accounts Receivable and Other Assets	589,530	(9,091,057)	862,765	(298,693)	(75,726)	-	(8,013,181)	(21,141,019)
Mortgage and Construction Loans Receivable	-	-	-	24,359,198	(20,703,445)	-	3,655,753	71,639,776
Accrued Interest Receivable	-	(179,916)	-	375,453	(18,699)	43,640	220,478	261,677
Other Real Estate Owned	-	-	-	1,611,679	-	-	1,611,679	(204,441)
Deferred Charges	-	-	-	-	-	-	-	(414,102)
Interfund Receivable / (Payable)	2,570,925	3,349,269	(6,270,061)	38,313	-	-	(311,554)	4,300,507
Accounts Payable and Accrued Liabilities	4,782,766	3,217,509	971,420	97,431	17,726,845	7,193,667	33,989,638	7,400,046
Unearned Revenue	836,088	14,107,149	(402,112)	-	-	-	14,541,125	1,422,655
Accrued Interest Payable	-	390,872	-	(401,330)	424,795	(43,640)	370,697	(515,346)
Escrow and Other Deposits	501,810	(110,913)	(351,231)	-	(152,943)	-	(113,277)	22,454
Net Cash Provided (Used) by Operating Activities	\$ 2,867,553	\$ 30,900,867	\$ (6,904,454)	\$ 25,551,782	\$ (1,428,511)	\$ 7,681,731	\$ 58,668,968	\$ 86,067,671

III. STATISTICAL SECTION

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Statistical Section Narrative
FISCAL YEAR ENDED JUNE 30, 2016

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

Contents

Financial Trends

These schedules contain trend information to assist the reader in understanding how the Commission's financial performance and well-being have changed over time. See pages 87-88.

Revenue Capacity

These schedules contain information to assist the reader in assessing the factors affecting the Commission's ability to generate its own source revenue. See pages 89-91.

Debt Capacity

These schedules present information to assist the reader in assessing the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future. See pages 92-96.

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 97-101.

Demographic and Economic Information

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within the Commission's financial activities and to assist in making comparisons over time with other housing authorities. See pages 102-105.

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

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

Fiscal year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2007	\$ 43,431,423	\$ 30,809,793	\$ 99,342,652	\$ 173,583,868
2008	39,974,579	44,853,616	100,508,641	185,336,836
2009	34,340,554	43,134,354	107,505,451	184,980,359
2010	26,296,666	51,999,283	110,783,129	189,079,078
2011	29,990,548	56,057,347	103,805,520	189,853,415
2012	28,827,815	65,819,359	101,755,151	196,402,325
2013	21,051,981	61,935,432	102,705,620	185,693,033
2014	16,074,021	76,183,757	88,379,877	180,637,655
2015	(10,442,753)	78,479,015	113,739,608	181,775,870
2016	(19,296,755)	83,955,847	155,769,239	220,428,331

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

Fiscal Year	General Sub-Fund			Opportunity Housing Sub-Fund			Public Sub-Fund		
	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Position	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Position	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Position
2007	\$ 18,398,540	\$ 14,669,524	\$ 3,729,016	\$ 43,925,076	\$ 40,419,947	\$ 3,505,129	\$ 97,655,029	\$ 92,205,862	\$ 5,449,167
2008	18,605,303	16,165,334	2,439,969	49,211,864	45,662,928	3,548,936	102,866,531	98,523,036	4,343,495
2009	24,822,954	19,576,621	5,246,333	48,636,324	54,912,968	(6,276,644)	105,254,560	105,958,797	(704,237)
2010	17,829,253	17,470,766	358,487	48,723,294	50,219,840	(1,496,546)	114,291,104	110,705,670	3,585,434
2011	19,019,403	16,660,574	2,358,829	54,067,494	55,672,103	(1,604,609)	116,369,807	114,476,830	1,892,977
2012	17,333,709	16,257,318	1,076,391	56,348,180	54,860,040	1,488,140	113,904,951	118,512,902	(4,607,951)
2013	14,693,427	27,663,976	(12,970,549)	80,487,987	56,472,382	24,015,605	118,477,738	121,685,876	(3,208,138)
2014	17,821,727	27,858,709	(10,036,982)	65,624,561	61,731,480	3,893,081	112,756,686	122,710,906	(9,954,220)
2015	28,025,115	21,513,649	6,511,466	110,071,212	70,725,192	39,346,020	121,446,115	160,654,836	(39,208,721)
2016	19,693,992	21,421,529	(1,727,537)	77,134,168	75,659,074	1,475,094	158,327,659	124,274,422	34,053,237

Fiscal Year	Single Family Sub-Fund			Multifamily Sub-Fund		
	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Position	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Position
2007	\$ 14,593,737	\$ 15,147,917	\$ (554,180)	\$ 23,204,209	\$ 22,056,056	\$ 1,148,153
2008	15,712,926	14,991,208	721,718	22,923,420	22,224,570	698,850
2009	13,161,636	14,492,241	(1,330,605)	26,178,221	23,469,545	2,708,676
2010	16,233,034	13,946,235	2,286,799	22,665,023	23,300,478	(635,455)
2011	13,307,006	13,855,788	(548,782)	22,444,823	23,768,901	(1,324,078)
2012	17,881,445	14,206,488	3,674,957	27,130,176	22,212,803	4,917,373
2013	9,731,627	15,907,696	(6,176,069)	16,650,293	19,319,152	(2,668,859)
2014	18,082,818	10,597,451	7,485,367	18,662,498	15,105,122	3,557,376
2015	10,207,010	9,516,276	690,734	16,685,755	15,409,579	1,276,176
2016	11,282,058	8,761,396	2,520,662	15,475,153	13,144,148	2,331,005

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
OPERATING REVENUES										
Dwelling Rental	\$ 68,309,329	\$ 68,471,661	\$ 65,395,495	\$ 62,210,614	\$ 58,531,965	\$ 57,304,024	\$ 51,602,384	\$ 50,338,236	\$ 47,207,730	\$ 44,708,879
Investment Income	3,520,175	5,523,274	3,711,854	7,274,297	7,720,354	8,169,267	6,925,130	7,638,163	12,594,626	16,949,098
Unrealized Gains (Losses) on Investments Interest on Mortgage and Construction loans receivable	3,420,019	(379,610)	798,251	(8,251,610)	9,190,260	(2,183,851)	3,848,207	3,110,604	390,768	(834,397)
Management Fees and Other Income U.S. Department of Housing and Urban Development Grants:	12,135,882	13,933,659	14,979,124	16,877,656	16,880,359	18,438,510	17,731,617	19,819,780	17,297,737	13,710,886
Housing Assistance Payments (HAP)	10,186,560	11,139,946	11,181,613	18,504,567	9,180,604	8,712,644	7,911,157	10,397,564	9,115,619	10,485,337
HAP Administrative Fees	89,041,875	88,010,013	81,090,732	84,760,830	77,868,323	78,529,266	75,384,843	69,038,665	68,098,758	65,497,448
Other Grants	6,583,770	6,158,651	5,385,511	5,352,487	5,799,380	6,091,862	5,866,937	5,266,978	5,132,533	4,260,881
State and County Grants	8,421,269	9,629,839	9,601,698	10,152,883	11,249,981	10,889,692	11,254,618	10,500,329	8,777,422	7,950,894
Total Operating Revenues	11,893,150	11,399,128	9,639,934	10,158,784	10,831,271	10,069,139	10,629,223	9,422,158	10,333,157	9,147,060
	<u>213,512,029</u>	<u>213,886,561</u>	<u>201,784,212</u>	<u>207,040,508</u>	<u>207,252,497</u>	<u>196,020,553</u>	<u>191,154,116</u>	<u>185,532,477</u>	<u>178,948,350</u>	<u>171,876,086</u>
OPERATING EXPENSES										
Housing Assistance Payments	91,387,603	90,324,278	89,425,241	86,882,476	83,980,027	79,201,987	74,850,432	71,116,935	65,088,360	62,250,457
Administration	35,563,087	34,514,669	33,983,811	33,869,057	33,932,375	34,412,838	34,285,500	33,514,421	31,491,319	29,693,342
Maintenance	17,395,244	16,965,337	16,845,515	15,810,786	15,554,691	14,834,381	14,202,508	14,205,755	13,443,354	11,540,628
Depreciation and Amortization	13,882,152	15,684,194	17,440,751	19,428,350	16,607,553	16,075,783	15,658,584	14,499,967	12,308,298	11,092,722
Utilities	5,406,906	5,832,573	5,309,368	5,342,576	6,180,231	6,804,381	6,001,107	5,629,351	5,381,832	5,244,849
Fringe Benefits	10,427,144	10,754,584	11,145,646	10,086,973	8,372,560	7,845,250	8,038,944	7,673,443	7,176,063	6,293,777
Pension Expense	788,176	(1,042,200)	-	-	-	-	-	-	-	-
Interest Expense	22,328,322	23,766,914	24,157,117	29,306,374	31,544,664	34,009,553	32,711,853	34,520,213	35,012,776	33,017,662
Other Expenses	9,928,960	9,854,552	9,054,221	8,134,409	6,363,970	6,546,617	5,662,593	6,932,322	5,269,845	5,519,503
Bad Debt Expense	-	-	-	1,067,155	784,371	361,871	436,581	379,192	634,021	269,722
Total Operating Expenses	<u>207,107,594</u>	<u>206,654,901</u>	<u>207,361,670</u>	<u>209,928,156</u>	<u>203,320,442</u>	<u>200,092,661</u>	<u>191,848,102</u>	<u>188,471,599</u>	<u>175,805,868</u>	<u>164,922,662</u>
Operating Income (Loss)	<u>6,404,435</u>	<u>7,231,660</u>	<u>(5,577,458)</u>	<u>(2,887,648)</u>	<u>3,932,055</u>	<u>(4,072,108)</u>	<u>(693,986)</u>	<u>(2,939,122)</u>	<u>3,142,482</u>	<u>6,953,424</u>
NONOPERATING REVENUES (EXPENSES)										
Investment Income	1,096,003	1,008,868	420,759	452,092	577,972	609,386	683,595	1,351,318	2,472,198	2,510,513
Interest on Mortgage and Construction Loans Receivable	179,651	177,022	188,841	203,121	166,394	187,259	141,505	105,433	90,832	102,502
Interest Expense	(545,782)	(430,115)	(188,415)	(108,011)	(115,534)	(138,314)	(73,480)	(142,965)	(247,225)	(214,060)
Gain (Loss) on Transfer of Component Unit Entities	-	197,129	(774,123)	-	-	736,869	-	(747,219)	4,801,834	-
Other Grants	204,554	244,484	33,359	42,325	41,229	37,219	38,146	39,698	31,034	40,689
State and County Grants	4,536	4,536	371,962	241,004	765,279	131,020	253,857	368,694	3,851	51,286
Gain on Sale of Assets	27,896,767	-	-	-	-	-	-	-	-	-
Total Nonoperating Income	<u>28,835,729</u>	<u>1,201,924</u>	<u>52,383</u>	<u>830,531</u>	<u>1,435,340</u>	<u>1,563,439</u>	<u>1,043,623</u>	<u>974,959</u>	<u>7,152,524</u>	<u>2,490,930</u>
Income (Loss) Before Contributions and Transfers	<u>35,240,164</u>	<u>8,433,584</u>	<u>(5,525,075)</u>	<u>(2,057,117)</u>	<u>5,367,395</u>	<u>(2,508,669)</u>	<u>349,637</u>	<u>(1,964,163)</u>	<u>10,295,006</u>	<u>9,444,354</u>
Capital Contributions	<u>3,412,297</u>	<u>182,091</u>	<u>469,697</u>	<u>1,049,107</u>	<u>1,181,515</u>	<u>3,283,006</u>	<u>3,749,082</u>	<u>1,607,686</u>	<u>1,457,956</u>	<u>3,692,041</u>
CHANGES IN NET POSITION	<u>\$ 38,652,461</u>	<u>\$ 8,615,675</u>	<u>\$ (5,055,378)</u>	<u>\$ (1,008,010)</u>	<u>\$ 6,548,910</u>	<u>\$ 774,337</u>	<u>\$ 4,098,719</u>	<u>\$ (356,477)</u>	<u>\$ 11,752,962</u>	<u>\$ 13,136,395</u>

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

Fiscal year	Tenant Revenue Total	% Total Operating Revenue
2007	\$ 44,708,879	26.01%
2008	47,207,730	26.38%
2009	50,338,236	27.13%
2010	51,602,384	27.00%
2011	57,304,024	29.23%
2012	58,531,965	28.24%
2013	62,210,614	30.05%
2014	65,395,495	32.41%
2015	68,471,662	32.01%
2016	68,309,329	31.99%
Average	<u>\$ 57,408,032</u>	<u>29.05%</u>

*Revenue Base:
Principal Payers:*

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

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

Fiscal Year	Dwelling Rental		Investment Income		Unrealized Gains (Losses) on Investments		Interest on Mortgage and Construction Loans Receivable	
	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue
	2007	\$ 44,708,879	26.01%	\$ 16,949,098	9.86%	\$ (834,397)	(0.49)%	\$ 13,710,886
2008	47,207,730	26.38%	12,594,626	7.04%	390,768	0.22%	17,297,737	9.67%
2009	50,338,236	27.13%	7,638,163	4.12%	3,110,604	1.68%	19,819,780	10.68%
2010	51,602,384	27.00%	6,925,130	3.62%	3,848,207	2.01%	17,731,617	9.28%
2011	57,304,024	29.23%	8,169,267	4.17%	(2,183,851)	(1.11)%	18,438,510	9.41%
2012	58,531,965	28.24%	7,720,354	3.73%	9,190,260	4.43%	16,880,359	8.14%
2013	62,210,614	30.05%	7,274,297	3.51%	(8,251,610)	(3.99)%	16,877,656	8.15%
2014	65,395,495	32.41%	3,711,854	1.84%	798,251	0.40%	14,979,124	7.42%
2015	68,471,662	32.01%	5,523,274	2.58%	(379,610)	(0.18)%	13,933,659	6.51%
2016	68,309,329	31.99%	3,520,175	1.65%	3,420,019	1.60%	12,135,882	5.68%

Fiscal Year	Management Fees and Other Income		Housing Assistance Payment Subsidies		State and County Grants		Total	
	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue	Amount	% Total Op Revenue
	2007	\$ 10,485,337	6.10%	\$ 77,709,223	45.21%	\$ 9,147,060	5.32%	\$171,876,086
2008	9,115,619	5.09%	82,008,713	45.83%	10,333,157	5.77%	178,948,350	100.00%
2009	10,397,564	5.60%	84,805,972	45.71%	9,422,158	5.08%	185,532,477	100.00%
2010	7,911,157	4.14%	92,506,398	48.39%	10,629,223	5.56%	191,154,116	100.00%
2011	8,712,644	4.44%	95,510,820	48.72%	10,069,139	5.14%	196,020,553	100.00%
2012	9,180,604	4.43%	94,917,684	45.80%	10,831,271	5.23%	207,252,497	100.00%
2013	18,504,567	8.94%	90,113,317	43.52%	20,311,667	9.81%	207,040,508	100.00%
2014	11,181,613	8.21%	86,476,243	40.19%	19,241,632	9.54%	201,784,212	100.00%
2015	11,139,945	5.21%	94,168,664	44.03%	21,028,967	9.83%	213,886,561	100.00%
2016	10,186,560	4.77%	95,625,645	44.79%	20,314,419	9.51%	213,512,029	100.00%

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

Fiscal Year	Bonds Payable	Mortgage Notes and Loans Payable	Loans Payable to Montgomery County	Capitalized Lease Obligations	Other	Total	% Net Position to Debt	\$ Total Debt Per Capita	\$ Total Debt to Personal Income
2007	\$ 647,651,771	\$ 40,327,022	\$ 34,086,460	\$ 20,945,760	\$ 4,630,765	\$ 747,641,778	23.22%	\$ 803	1160%
2008	742,169,119	44,728,335	43,467,729	20,724,750	4,933,088	856,023,021	21.65%	908	1270%
2009	669,267,092	51,436,575	47,194,468	20,494,054	4,910,269	793,302,458	23.32%	827	1203%
2010	767,261,719	40,468,317	56,851,638	20,208,821	4,875,177	889,665,672	21.25%	912	1308%
2011	736,693,760	43,872,243	62,794,974	20,724,651	4,380,786	868,466,414	21.86%	876	1211%
2012	732,670,865	36,372,309	62,916,742	20,478,214	4,112,218	856,550,348	22.93%	853	1165%
2013	610,041,974	59,366,795	61,900,801	20,308,586	13,377,243	764,995,399	24.27%	752	1022%
2014	579,609,553	57,250,235	73,591,111	20,133,711	13,922,795	744,507,405	24.26%	731	949%
2015	527,757,419	124,737,678	64,500,829	19,953,420	13,991,621	750,940,967	25.13%	736	947%
2016	564,245,749	144,587,849	66,661,759	19,949,804	14,340,488	809,785,649	27.22%	771	982%

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Property Related Debt
Fiscal Year Ended June 30, 2016

Property	Purpose	Amount Outstanding	Property	Purpose	Amount Outstanding
<u>Intra-Commission mortgages made from bond issues</u>			<u>Loans from Montgomery County Revolving Fund</u>		
Ambassador	Mortgage	1,862,495	Alexander House	Interim Financing	269,524
Barclay Development Corporation	Mortgage	8,507,241	Ambassador	Interim Financing	2,284,066
Diamond Square	Mortgage	1,318,527	Brooks Farm	Interim Financing	87,270
Fairfax Court	Mortgage	746,000	Holiday Park Townhouse	Interim Financing	812,504
Magruder's Discovery	Mortgage	10,900,334	Pooks Hill Midrise	Interim Financing	133,000
Montgomery Arms	Mortgage	7,951,873	Subtotal	3,586,364	
MPDUs (64)	Mortgage	1,586,322	<u>Notes Payable to State of Maryland</u>		
Pooks Hill Highrise	Mortgage	16,899,546	Ambassador	Rehab	202,991
Pooks Hill Midrise	Mortgage	2,360,613	CDBG McAlpine Road	Rehab	107,493
RAD 6	Mortgage	23,932,252	Dale Drive	RHPP	600,000
Scattered Site One Dev Corp	Mortgage	8,536,948	Diamond Square	RHPP	2,000,000
Strathmore Court	Mortgage	14,529,690	Montgomery Arms	RHPP	107,643
The Glen	Mortgage	5,164,839	State Rental Consolidated	PHRP	8,795,567
The Metropolitan	Mortgage	25,007,775	State Rental VII	PHRP	4,712,863
The Oaks at Four Corners	Mortgage	2,068,607	The Glen	RHPP	1,211,706
Wheaton Metro Development Corporation	Mortgage	30,756,208	Subtotal	17,738,263	
Subtotal		162,129,270			
<u>Other Mortgages</u>			<u>Notes Payable to Montgomery County</u>		
Glenmont Crossing	Mortgage	2,038,656	Dale Drive	Construction	1,742,309
Glenmont Crossing	Mortgage	9,216,451	Southbridge	Acquisition & Rehab	6,063,667
Glenmont Westerly	Mortgage	7,074,982	Alexander House	Acquisition	700,000
Greenhills	Mortgage	4,300,000	Ambassador	Acquisition	2,000,000
MHLP II*	Mortgage	13,968	Brooke Park Apartments	Acquisition	3,846,591
MHLP III*	Mortgage	42,891	CDBG	Acquisition	604,275
MHLP VII	Mortgage	522,724	CDBG McAlpine Road	Acquisition	101,168
Paddington Square	Mortgage	20,311,492	Chelsea Towers	Acquisition	1,250,732
Scattered Site Two Dev Corp	Mortgage	4,625,100	Chelsea Towers	Home Funds	354,000
Alexander House	Note Payable HOC	831,147	Chevy Chase Lake	Acquisition	1,250,000
Alexander House	Note Payable	20,592,000	County revolving CCAP	Acquisition	1,566,939
Timberlawn Crescent	Line of Credit	10,198,683	Diamond Square	Rehab	2,746,344
Pomander Court	Note Payable HOC	1,390,515	Glenmont Crossing	Rehab	2,850,000
Subtotal		81,158,609	Glenmont Westerly	Rehab	3,650,000
<u>Other Loans/OHRF</u>			HOC/HOP	Acquisition/Rehab	3,344,139
Chevy Chase Lake- EYA		1,539,947	Jubilee Housing	Predevelopment	965,231
Chevy Chase Lake		6,794,170	King Farm Village Center	Acquisition & Rehab	1,697,078
Elizabeth House Dev. Corp.		3,124,820	Mchome	Acquisition & Rehab	2,005,645
499-901 (HOC at Hillandale Gateway LLC (formerly CONA))		1,756,387	Montgomery Arms	Acquisition & Rehab	1,699,307
Montgomery Arms	Rehab	1,340,037	NCI I	Acquisition & Rehab	4,039,753
Paddington Square	Rehab	923,038	NSP I	Acquisition & Rehab	1,993,071
Paint Branch	OHRF	2,509	Oaks @ Four Corners	Acquisition & Rehab	1,744,938
VPC One Development Corporation	Rehab	12,561,958	Paddington Square	Acquisition	5,196,232
VPC Two Development Corporation	Rehab	12,516,755	Pooks Hill Midrise	Acquisition	301,504
Wheaton Metro Development Corporation	Rehab	1,379,283	Scattered Site Two Development Corp	Acquisition	609,108
Subtotal		41,938,904	State rental combined	Acquisition	60,000
<u>Other Loans</u>			State Rental VII	Acquisition	1,668,050
Avondale Apartments	Acquisition	7,037,704	The Glen	Acquisition	674,837
Barclay	Rehab	2,456,565	VPC One Development Corporation	Rehab	2,346,084
900 Thayer Avenue (499-904)	Acquisition	6,595,314	VPC Two Development Corporation	Acquisition	104,973
Glenmont Crossing	Rehab/purchase	2,023,400	TPM	Acquisition	2,914,699
Glenmont Westerly	Rehab/purchase	2,752,183	Wheaton Metro Dev Corp.	Rehab	2,984,721
Southbridge	Note Payable	2,012,637	Subtotal	63,075,395	
VPC One Development Corporation		1,228,377			
VPC Two Development Corporation		432,776			
Subtotal		24,538,956			
			Total Property Related Debt \$ 394,165,761		

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Single Family Bonds – Debt Outstanding, Issued and Retired
Fiscal Year Ended June 30, 2016

Series	Authorized	Outstanding	Issued		Retired/Refunded		Outstanding	Interest	Current	
		Beginning of Year	Prior Years	This Year	Prior Years	This Year	End of Year	Expensed This Year		
Single Family Sub-Fund Bonds:										
2005 Series C	\$ 11,600,000	\$ 4,335,000	\$ 11,600,000	\$ -	\$ 7,265,000	\$ 840,000	\$ 3,495,000	\$ 160,439	\$ 3,495,000	
2005 Series D	13,400,000	2,745,000	13,400,000	-	10,655,000	725,000	2,020,000	111,500	2,020,000	
2006 Series A	18,705,000	8,155,000	18,705,000	-	10,550,000	2,255,000	5,900,000	251,515	5,900,000	
2006 Series B	11,295,000	4,085,000	11,295,000	-	7,210,000	-	4,085,000	189,280	4,085,000	
2007 Series A	15,875,000	6,720,000	15,875,000	-	9,155,000	1,750,000	4,970,000	211,181	4,970,000	
2007 Series B	19,125,000	10,390,000	19,125,000	-	8,735,000	320,000	10,070,000	479,654	10,070,000	
2007 Series C	1,000,000	230,000	1,000,000	-	770,000	230,000	-	-	-	
2007 Series D	20,000,000	7,690,000	20,000,000	-	12,310,000	2,025,000	5,665,000	305,238	655,000	
2007 Series E	13,000,000	8,315,000	13,000,000	-	4,685,000	-	8,315,000	23,975	-	
2007 Series F	10,000,000	10,000,000	10,000,000	-	-	-	10,000,000	374,444	-	
2008 Series A	13,205,000	2,730,000	13,205,000	-	10,475,000	1,195,000	1,535,000	70,218	510,000	
2008 Series B	3,900,000	675,000	3,900,000	-	3,225,000	250,000	425,000	37,125	240,000	
2008 Series C	8,450,000	8,450,000	8,450,000	-	-	-	8,450,000	294,868	-	
2008 Series D	17,200,000	17,200,000	17,200,000	-	-	-	17,200,000	49,594	-	
2009 Series A	20,000,000	14,375,000	20,000,000	-	5,625,000	2,240,000	12,135,000	582,645	4,550,000	
2013 Series A	38,645,000	33,035,000	38,645,000	-	5,610,000	905,000	32,130,000	972,435	895,000	
2013 Series B	14,825,000	13,145,000	14,825,000	-	1,680,000	5,055,000	8,090,000	232,454	3,765,000	
2016 Series A	32,805,000	-	-	32,805,000	-	-	32,805,000	22,863	675,000	
2016 Series B	9,850,000	-	-	9,850,000	-	-	9,850,000	3,424	-	
NIBP 2009 Series A	10,000,000	6,450,000	10,000,000	-	3,550,000	965,000	5,485,000	224,248	705,000	
NIBP 2009 Series B	15,000,000	12,250,000	15,000,000	-	2,750,000	990,000	11,260,000	465,300	470,000	
NIBP 2009 Series C-1	9,000,000	7,640,000	9,000,000	-	1,360,000	750,000	6,890,000	221,358	380,000	
NIBP 2009 Series C-2	16,170,000	15,510,000	16,170,000	-	660,000	1,930,000	13,580,000	345,677	390,000	
NIBP 2009 Series C-3	2,450,000	2,380,000	2,450,000	-	70,000	240,000	2,140,000	54,217	-	
NIBP 2009 Series C-4	9,770,000	9,630,000	9,770,000	-	140,000	630,000	9,000,000	293,342	270,000	
NIBP 2009 Series C-5	2,610,000	2,610,000	2,610,000	-	-	120,000	2,490,000	71,316	-	
NIBP 2010 Series A	6,000,000	3,945,000	6,000,000	-	2,055,000	730,000	3,215,000	119,569	515,000	
NIBP 2011 Series A	12,425,000	9,875,000	12,425,000	-	2,550,000	1,690,000	8,185,000	335,124	885,000	
NIBP 2012 Series A	12,545,000	11,350,000	12,545,000	-	1,195,000	1,220,000	10,130,000	356,201	805,000	
SUB-TOTAL	388,850,000	233,915,000	346,195,000	42,655,000	112,280,000	27,055,000	249,515,000	6,859,204	46,250,000	
Add: Unamortized discount	-	2,950,621	-	1,237,850	-	568,044	3,620,427	(568,044)	-	
Total Single Family Bonds Payable	\$ 388,850,000	\$ 236,865,621	\$ 346,195,000	\$ 43,892,850	\$ 112,280,000	\$ 27,623,044	\$ 253,135,427	\$ 6,291,160	\$ 46,250,000	

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Multifamily Bonds – Debt Outstanding, Issued and Retired
Fiscal Year Ended June 30, 2016

	Authorized	Unissued	Outstanding	Issued		Retired/Refunded		Outstanding	Interest	Current
			Beginning of Year	Prior Years	This Year	Prior Years	This Year	End of Year	Expensed This Year	Maturities
Multi Family Sub-Fund Bonds:										
1984 Series A - Accretions	\$ 585,000	\$ -	\$ 175,506	\$ 175,506	\$ 20,300	\$ -	\$ -	\$ 195,806	\$ 20,300	\$ 22,645
1998 Issue A	12,900,000	-	8,310,000	12,900,000	-	4,590,000	425,000	7,885,000	396,965	445,000
1995 Series A	23,910,000	-	2,090,000	23,910,000	-	21,820,000	200,000	1,890,000	113,725	215,000
2002 Series A	22,325,000	-	19,025,000	22,325,000	-	3,300,000	585,000	18,440,000	1,043,253	615,000
2004 Series A	13,700,000	-	11,855,000	13,700,000	-	1,845,000	275,000	11,580,000	528,728	455,000
2004 Series B	4,085,000	-	3,675,000	4,085,000	-	410,000	50,000	3,625,000	174,042	130,000
2004 Series C	19,460,000	-	15,885,000	19,460,000	-	3,575,000	7,260,000	8,625,000	294,577	290,000
2004 Series D	14,110,000	-	11,555,000	14,110,000	-	2,555,000	355,000	11,200,000	382,066	370,000
2005 Series B	5,440,000	-	4,790,000	5,440,000	-	650,000	170,000	4,620,000	208,165	170,000
2005 Series C	28,630,000	-	25,840,000	28,630,000	-	2,790,000	725,000	25,115,000	1,169,480	740,000
2007 Series A	19,055,000	-	16,505,000	19,055,000	-	2,550,000	420,000	16,085,000	734,679	440,000
2007 Series C-1	5,110,000	-	4,160,000	5,110,000	-	950,000	245,000	3,915,000	161,728	250,000
2009 Series A-2	8,040,000	-	8,040,000	8,040,000	-	-	-	8,040,000	315,168	-
2010 Series A	4,860,000	-	4,405,000	4,860,000	-	455,000	165,000	4,240,000	165,476	170,000
2010 Series A	12,375,000	-	11,510,000	12,375,000	-	865,000	255,000	11,255,000	477,603	260,000
2011 Series A	33,585,000	-	32,450,000	33,585,000	-	1,135,000	415,000	32,035,000	1,161,202	445,000
2011 Series B	3,020,000	-	2,930,000	3,020,000	-	90,000	40,000	2,890,000	163,750	40,000
2012 Series A	24,935,000	-	22,705,000	24,935,000	-	2,230,000	900,000	21,805,000	702,731	910,000
2012 Series B	18,190,000	-	8,925,000	18,190,000	-	9,265,000	470,000	8,455,000	242,819	475,000
2012 Series C	24,230,000	-	20,365,000	24,230,000	-	3,865,000	1,695,000	18,670,000	596,075	1,735,000
2012 Series D	34,975,000	-	32,815,000	34,975,000	-	2,160,000	1,095,000	31,720,000	863,956	1,090,000
2014 Series A	24,000,000	-	24,000,000	24,000,000	-	-	-	24,000,000	830,831	255,000
2015 Series A-1	15,010,000	-	-	-	15,010,000	-	-	15,010,000	321,043	-
2015 Series A-2	20,840,000	-	-	-	20,840,000	-	-	20,840,000	157,284	-
	<u>393,370,000</u>	<u>-</u>	<u>292,010,506</u>	<u>357,110,506</u>	<u>35,870,300</u>	<u>65,100,000</u>	<u>15,745,000</u>	<u>312,135,806</u>	<u>11,225,646</u>	<u>9,522,645</u>
Less: Unamortized premium	-	-	(1,118,708)	-	-	-	(93,224)	(1,025,484)	-	-
Total Multi Family Bonds Payable	<u>\$ 393,370,000</u>	<u>\$ -</u>	<u>\$ 290,891,798</u>	<u>\$ 357,110,506</u>	<u>\$ 35,870,300</u>	<u>\$ 65,100,000</u>	<u>\$ 15,651,776</u>	<u>\$ 311,110,322</u>	<u>\$ 11,225,646</u>	<u>\$ 9,522,645</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Multifamily Bonds – Nonobligation Debt
Fiscal Year Ended June 30, 2016

Bond Series	Current Property Name	Owner	Final Maturity	Original Bonds Issued	Amount Outstanding
<u>Multifamily Housing Revenue Bonds</u>					
2014 Issue A	Churchill Senior II	Private	11/1/2016	\$ 16,500,000	\$ 16,500,000
2003 Issue A	Randolph Manor	Private	8/1/2045	5,500,000	5,061,722
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,471,855
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	1,862,997
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,249,975
2006 Issue A	Covenant Village	Private	12/1/2048	6,418,000	6,078,258
2008 Issue A	Victory Forest	Private	9/1/2045	6,600,000	2,358,275
<u>Multifamily Housing Revenue Refunding Bonds</u>					
2001 Issue A	Draper Lane	Private	3/1/2040	35,000,000	35,000,000
2001 Issue B	Draper Lane	Private	3/1/2040	11,000,000	11,000,000
2001 Issue C	Draper Lane	Private	3/1/2040	6,000,000	6,000,000
<u>Variable Housing Revenue Bonds</u>					
1998 Issue I	Byron Housing	Private	9/1/2023	2,319,000	1,149,000
2005 Issue I	Oakfield	Private	10/15/2039	38,000,000	38,000,000
2012 Issue A	Victory Court	Private	1/1/2030	8,400,000	8,221,310
<u>Non-Obligation Notes</u>					
2015 Issue A	Olde Towne Gaithersburg Apts (Y-Site)	Private	4/1/2048	25,525,000	25,525,000
2015 Issue B	Lakeview House Apts.	Private	7/1/2050	34,225,000	33,808,667
TOTAL				\$ 212,987,000	\$ 204,287,059

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

Fiscal Year	Public Housing Rental	Public Housing Homeownership	Housing Choice Voucher	Opportunity Housing	Transitional Housing *	Specialized Program	Component Units	Total
2007	1,539	11	5,674	2,853	165	402	1,653	12,297
2008	1,544	11	5,754	3,049	165	430	1,621	12,574
2009	1,543	11	5,793	3,225	165	591	1,659	12,987
2010	1,546	10	5,926	3,249	165	614	1,659	13,169
2011	1,546	9	6,306	3,495	165	566	1,455	13,542
2012	1,553	9	6,457	3,496	165	566	1,760	14,006
2013	1,546	7	6,429	3,638	165	557	1,893	14,235
2014	1,094	7	7,352	3,992	165	538	1,892	15,040
2015	557	7	7,050	4,585	165	559	1,808	14,731
2016	263	7	7,174	4,533	227	511	2,107	14,822

* Includes Shelter Plus Care Programs

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Property Characteristics and Dwelling Unit Composition
Fiscal Year Ended June 30, 2016

Public Housing

Name of development	Address	Number of units
Elderly Communities		
Elizabeth House	1400 Fenwick Avenue, Silver Spring MD 20910	160
Holly Hall Apartments	10110 New Hampshire Avenue, Silver Spring MD 20903	96
	<i>Total Elderly Communities</i>	<u>256</u>
Tobytown	90 Monroe Street, Rockville MD 20832	<u>7</u>
	<i>Total Public Housing units</i>	<u><u>263</u></u>

Housing Choice Voucher/Transitional Housing

Name of development	Address	Number of units
Housing Choice Voucher	Various	7,174
Transitional Housing Program	Various	227
Specialized Program	Various	511
	<i>Total Housing Choice Voucher/Transitional Housing</i>	<u><u>7,912</u></u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Property Characteristics and Dwelling Unit Composition
Fiscal Year Ended June 30, 2016

Opportunity Housing		
Name of development	Address	Number of Units
Elderly Communities		
The Oaks at Four Corners	321 University Boulevard West, Silver Spring MD 20901	120
<i>Total Elderly Communities</i>		120
Family Communities		
717 Sligo Creek Parkway	717 Sligo Creek Parkway, Tacoma Park MD 20912	12
7411 Aspen Court	7411 Aspen Court, Tacoma Park MD 20912	11
7423 Aspen Court	7423 Aspen Court, Tacoma Park MD 20912	16
617 Olney Sandy Spring	617 Sandy Spring Road Olney MD 20860	1
Alexander House	8560 Second Avenue, Silver Spring MD 20910	311
Ambassador One Assoc LP	2715 University Boulevard, Silver Spring MD 20902	162
Brooke Park Apartments	6301-6307 MacArthur Blvd, Bethesda, MD 20816	18
Chelsea Towers	7401 Westlake Terrace, Bethesda MD 20817	21
Dale Drive	527 Dale Drive, Silver Spring MD 20910	10
Diamond Square	80 Bureau Drive, Gaithersburg MD 20878	124
Fairfax Court Apts	1 Fairfax Court, Chevy Chase MD 20815	18
Glenmont Crossing (Dev. Corp.)	2301 Shorefield Road, Silver Spring, MD 20902	97
Glenmont Westerly (Dev. Corp.)	12207 Georgia Avenue, Silver Spring, MD 20902	102
Greenhills	10572 Tralee Terrace, Damascus MD 20872	78
Jubilee Falling Creek	2408 Falling Creek Road, Silver Spring MD 20904	3
Jubilee Hermitage	2305 Hermitage Avenue, Silver Spring MD 20902	3
Jubilee Horizon	10 Horizon Court, Derwood, MD 20855	3
Jubilee Woodedge	2715 Woodedge Road, Silver Spring MD 20906	3
Magruder's Discovery	10508 Westlake Drive, Bethesda MD 20817	134
MetroPointe	11175 Georgia Avenue, Silver Spring MD 20902	120
Montgomery Arms	8627 Fenton Street, Silver Spring MD 20910	129
Paddington Square	8800 Lanier Drive, Silver Spring MD 20910	165
Pomander Court	1620 University Boulevard West, Silver Spring MD 20802	24
Pooks Hill High-rise	3 Pooks Hill Road, Bethesda MD 20814	189
Pooks Hill Mid-rise	3 Pooks Hill Road, Bethesda MD 20814	50
Strathmore Court @ White Flint	5440 Marinelli Drive, North Bethesda MD 20852	151
The Barclay	4716 Bradley Boulevard, Chevy Chase MD 20815	76
The Glen	2399 Jones Lane, Wheaton MD 20902	90
The Metropolitan	7600 Old Georgetown Road, Bethesda MD 20810	216
Timberlawn	5707 Luxemburg Street, Rockville MD 20852	107
Westwood Towers	5401 Westbard Avenue, Bethesda MD 20816	212
Avondale Street Apartments	4500,4510 & 4527 Avondale Street, Bethesda MD	25
Sandy Spring	1 Branchwood Court, Sandy Spring, MD 20860	55
Seneca Ridge	11400 Scenery Drive, Germantown, MD 20876	71
Towne Center Place	3502 Morningwood Drive, Olney, MD 20832	49
Washington Square	8343 Fairhaven Drive, Gaithersburg, MD 20877	50
Ken Gar	Various addresses throughout Montgomery County	19
Parkway Woods	Various addresses throughout Montgomery County	24
<i>Total Family Communities</i>		2,949
Scattered Units		
CDBG Units	Various addresses throughout Montgomery County	3
Holiday Park	Various addresses throughout Montgomery County	20
McHome	Various addresses throughout Montgomery County	38
McKendree	Various addresses throughout Montgomery County	13
MPDU 2007	Various addresses throughout Montgomery County	6
MPDU I	Various addresses throughout Montgomery County	64
MPDU II	Various addresses throughout Montgomery County	59
MPDU Iii	Various addresses throughout Montgomery County	23
NCI Units	Various addresses throughout Montgomery County	14
NSP Units	Various addresses throughout Montgomery County	7
Paint Branch	Various addresses throughout Montgomery County	14
Scattered Site One Dev Corp	Various addresses throughout Montgomery County	190
Scattered Site TwoDev Corp	Various addresses throughout Montgomery County	54
VPC One Development Corporation	Various addresses throughout Montgomery County	399
VPC Two Development Corporation	Various addresses throughout Montgomery County	280
Montgomery Homes Limited Partnership VII	Various addresses throughout Montgomery County	35
Montgomery Homes Limited Partnership VIII	Various addresses throughout Montgomery County	49
State Rental Combined	Various addresses throughout Montgomery County	196
<i>Total Scattered Sites</i>		1,464
<i>Total Opportunity Housing units</i>		4,533

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Property Characteristics and Dwelling Unit Composition
Fiscal Year Ended June 30, 2016

Component Units		
Name of development	Address	Number of Units
Elderly Communities		
Bauer Park	14635 Bauer Park Drive, Rockville, MD 20853	142
Camp Hill	17825 Laytonsville RD, Gaithersburg, MD 20877	51
Town Center Apts.	90 Monroe Street, Rockville, MD 20850	<u>112</u>
	<i>Total Elderly Communities</i>	<u>305</u>
Family Communities		
Manchester Manor Apartments, LP	8401 Manchester Road, Silver Spring, MD 20901	53
MetroPoint, LP	1175 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 2055	144
The Willows of Gaithersburg Associate, LP	407 West Diamond Avenue, Gaithersburg, MD 2077	195
MV Affordable Housing Associates	9310 Merust Lane, Gaithersburg, MD 20874	94
Georgian Court, Silver Spring LP	3600 Bel Pre Road, Silver Spring, MD 20906	147
Barclay One Associate LP	4716 Bradley Boulevard, Chevy Chase, MD 20815	81
Spring Garden One Associates LP	8007A Eastern Avenue, Silver Spring, MD 20910	83
Hampden Lane LP	4912 Hampden Lane, Bethesda, MD 20814	12
Waverly House	4521 East West Highway, Bethesda MD 20814	158
Forst Oak Towers LP	101 Odenhal Road, Gaithersburg, MD 20877	175
Arcola Towers	1135 University Boulevard, Silver Spring MD 20902	141
Tanglewood/Sligo Hills	8902 Manchester Road, Silver Sliver Spring, MD 20901	<u>132</u>
	<i>Total Family Communities</i>	<u>1,611</u>
Scattered Units		
Montgomery Homes Limited Partnership IX - Pond Ridge	Various address spread throughout Montgomery County	40
Montgomery Homes Limited Partnership IX - MPDU units	Various address spread throughout Montgomery County	76
Montgomery Homes Limited Partnership X	Various address spread throughout Montgomery County	<u>75</u>
	<i>Total units - Scattered units</i>	<u>191</u>
	<i>Total units - Component units</i>	<u>2,107</u>

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

<u>Fiscal Year</u>	<u>Executive</u>	<u>Finance</u>	<u>Housing Management</u>	<u>Maintenance **</u>	<u>Housing Resources</u>	<u>Mortgage Finance</u>	<u>Real Estate</u>	<u>Rental Assistance*</u>	<u>Resident Services</u>	<u>Total</u>
2007	41.00	42.00	125.35	-	-	13.50	12.00	42.00	80.50	356.35
2008	40.00	42.00	126.60	-	53.60	14.50	10.00	42.00	84.60	413.30
2009	49.50	42.00	128.60	-	49.60	14.50	8.00	-	80.60	372.80
2010	40.00	43.00	138.60	-	45.50	14.50	6.00	-	90.20	377.80
2011	40.00	43.00	139.10	-	50.00	14.50	6.00	-	92.20	384.80
2012	41.00	42.00	139.10	-	50.00	14.50	6.00	-	91.20	383.80
2013	41.00	46.00	138.10	-	48.00	14.50	6.00	-	89.70	383.30
2014	53.00	52.00	94.60	-	54.00	15.50	9.00	-	87.70	365.80
2015	60.00	49.00	94.00	-	55.00	13.50	11.00	-	82.20	364.70
2016	82.00	52.00	22.00	64.00	52.00	14.00	13.00	-	68.10	367.10

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

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

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

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

Demographic and Economic Statistics
Last Ten Years Ended December 31

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
2007	931,694	64,472,203	69,199	512,934	499,536	2.6	137,798
2008	942,748	67,379,333	71,471	519,330	502,802	3.2	137,745
2009	959,013	65,965,060	68,784	522,704	493,400	5.6	137,763
2010	976,006	67,991,412	69,663	525,908	495,187	5.8	140,500
2011	991,645	71,716,065	72,320	530,699	502,229	5.4	143,309
2012	1,004,709	73,551,167	73,206	535,371	507,381	5.2	146,497
2013	1,016,677	74,840,000	73,612	535,271	508,190	5.1	149,018
2014	1,018,355	78,420,000	77,007	529,482	506,937	4.3	151,289
2015	1,020,000	79,300,000	77,745	544,313	522,426	4.0	154,230
2016	1,050,118	82,490,000	78,553	549,900	531,400	3.4	156,447

NOTES:

- (1) Sources: Data for 2007-2014 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2015 and 2016 are estimated by the Montgomery County Department of Finance from Round 8.4 Cooperative Estimates and pertain to population in households.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2007-2014 were revised by BEA. Data for 2015 through 2016 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2007 - 2015. Data for 2016 estimated by Montgomery County Department of Finance based on the percent change from first half of CY15 to the first half of CY16.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2007-2015 revised by BLS. Data for 2016 estimated by Montgomery County Department of Finance based on the percent change from first half of CY15 to the first half of CY16.
- (6) The unemployment rates for 2007 through 2015 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2016 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2016.
- (7) Source: County Executive's Recommended FY17 Operating Budget, Office of Management and Budget, Montgomery County, page 5-16.

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

Employer	Fiscal Year 2016			Fiscal Year 2007		
	# of Employees (1)	Rank	Percentage of Total County Employees (2)	# of Employees (1)	Rank	Percentage of Total County Employees (2)
U.S. Department of Health and Human Services	29,040	1	6.25%	41,250	1	8.87%
Montgomery County Public Schools	25,480	2	5.48%	20,875	2	4.49%
Montgomery County Government	11,790	3	2.54%	8,675	4	1.87%
U.S. Department of Commerce	5,420	4	1.17%	6,721	6	1.45%
U.S. Department of Defense	5,340	5	1.15%	14,709	3	3.16%
Adventist Healthcare	4,800	6	1.03%	8,134	5	1.75%
Marriott International, Inc. (Headquarters)	4,500	7	97.00%	3,000	9	0.65%
Holy Cross Hospital of Silver Spring	3,860	8	83.00%	*		-
Montgomery College	3,550	9	76.00%	*		-
Lockheed Martin Corporation	3,100	10	67.00%	3,832	8	0.82%
Giant Food Corporation	*		-	3,896	7	0.84%
U.S. Nuclear Regulatory Commission	*		-	2,712	10	0.58%
Total	96,880		340.62%	113,804		24.48%

NOTES:

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

- (1) Employee numbers are based on DED's analysis of the MD Department of Labor, Licensing and Regulation's Quarterly Census of Employment and Wages for 2015.
- (2) Employee counts for federal and military facilities exclude contractors to the extent possible.
- (3) Total average payroll employment in FY16 was 464,888.

Source: Montgomery County Department of Economic Development

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Public Housing Statistics – All Properties
As of June 30, 2016

Income Source	# Mbrs
Business	0
Child Support	2
Federal Wage	0
General Assistance	12
Indian	0
Medical Reimburse	0
Military	0
Other Non-Wage Income	11
Other Wages	18
Pension	24
PHA Wage	0
Social Security	138
SSI	141
TANF	1
Unemployment	0

Average Length of Stay for Current Tenants (in Years)	11
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Public Housing Statistics
All Properties
As of 06/30/2016

Gender	Female	Male	Total
Count of Head of Household	143	61	204
% of Head of Households	70.10%	29.90%	100%
Count of All Family Members	191	90	281
% of All Family Members	67.97%	32.03%	100%

Seniors	Under 62	62 +
Count of HOH	18	186
% of HOH	1.22%	12.65%
Count All Members	47	234
% All Members	16.73%	83.27%

Disabled	
Count of Head of Household	58
Count of All Family Members	65

Income Ranges	Under \$5,000	\$5,000 - \$9,999	\$10,000 - \$14,999	\$15,000 - \$19,999	\$20,000 - \$24,999	\$25,000 - \$29,999	\$30,000 - \$34,999	\$35,000 - \$39,999	\$40,000 - \$44,999	\$45,000 - \$49,999	\$50,000 - \$75,000	Over \$75,000	Totals
Count of Head of Household	11	103	46	25	7	5	3	0	2	1	1	0	204
Average Income in Range	\$ 617	\$ 5,874	\$ 9,123	\$ 10,940	\$ 7,400	\$ 8,903	\$ 10,268	\$ -	\$ 14,540	\$ 16,241	\$ 18,184	\$ -	\$ 102,090
Cumulative % of Households	5.39%	55.88%	78.43%	90.69%	94.12%	96.57%	98.04%	98.04%	99.02%	99.51%	100.00%	100.00%	

Age Ranges	0-5	6-13	14-17	18-20	21-29	30-39	40-49	50-61	62-69	70-79	80-89	90 +	Totals
Count of Head of Household	0	0	0	0	0	1	5	12	21	85	69	11	204
Count of All Family Members	1	1	2	1	4	2	13	23	30	105	88	11	281

Race	American Indian	Asian	Black	Pacific Islander	White	Not Reported	Total
Count of Head of Household	2	47	88	0	67	0	204
% of Head of Household	0.98%	23.04%	43.14%	0.00%	32.84%	0.00%	100%
Count of All Family Members	2	74	117	0	84	4	281
% of All Family Members	0.71%	26.33%	41.64%	0.00%	29.89%	1.42%	100%

Ethnicity	Hispanic	Non-Hispanic	Not Reported	Totals
HOH	29	175	0	204
% HOH	14.22%	85.78%	0.00%	100%
Fam Mbrs	39	237	5	281
% FM	13.88%	84.34%	1.78%	100%

Family Size by Bedroom Size	# of PH Units	Occupied Units	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8+ People	Average Family Size
Efficiency	44	30	30	0	0	0	0	0	0	0	1.0 Person
1 Bedroom	152	121	90	31	0	0	0	0	0	0	1.3 People
2 Bedrooms	62	50	10	38	2	0	0	0	0	0	1.8 People
3 Bedrooms	3	3	0	2	1	0	0	0	0	0	2.3 People
4 Bedrooms	0	0	0	0	0	0	0	0	0	0	N/A People
5 Bedrooms	0	0	0	0	0	0	0	0	0	0	N/A People
Total # of PH Units	261	204	130	71	3	0	0	0	0	0	1.6 People

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

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND
(A Component Unit of Montgomery County, Maryland)
Housing Choice Voucher Statistics – All Properties
As of June 30, 2016

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

Gender	Male	Female	Total
Count of Head of Household	1,333	5,682	7,015
% of Head of Households	19.00%	81.00%	100%
Count of All Family Members	6,581	11,133	17,714
% of All Family Members	37.15%	62.85%	100%

Disabled	
Count of Head of Household	2135
Count of All Family Members	2735

Housing Choice Voucher
 Statistics
 As of 06/30/2016
 Includes Homeownership & Portables

Seniors	Under 62	62 +	Total
Count of HOH	5,307	1,708	7,015
% of HOH	75.65%	24.35%	100%
Count All Members	15,698	2,016	17,714
% All Members	88.62%	11.38%	100%

Income Ranges	Under \$5,000	\$5,000 - \$9,999	\$10,000 - \$14,999	\$15,000 - \$19,999	\$20,000 - \$24,999	\$25,000 - \$29,999	\$30,000 - \$34,999	\$35,000 - \$40,000	Over \$40,000	Totals
# of Families	799	1,764	1,179	841	601	460	440	264	666	7,014
Average Income in Range	\$ 1,886	\$ 8,437	\$ 12,497	\$ 17,240	\$ 22,450	\$ 27,320	\$ 32,381	\$ 37,372	\$ 50,498	\$ 18,453
Cumulative % of Families	11.39%	36.54%	53.35%	65.34%	73.91%	80.47%	86.74%	90.50%	100.00%	

Age Ranges	0-5	6-12	13-17	18-20	21-29	30-39	40-49	50-61	62-69	70-79	80-99	100+	Totals
Count of Head of Household	0	0	0	10	434	1,566	1,609	1,725	803	513	354	1	7,015
Count of All Family Members	1,559	3,114	2,337	1,491	1,551	1,890	1,838	1,960	923	638	412	1	17,714

Race	White	Black	American Indian	Asian	Pacific Islander	Multiple	Unknown	Totals
Count of Head of Household	1,756	4,838	44	335	24	18	0	7,015
% of Head of Household	25.03%	68.97%	0.63%	4.78%	0.34%	0.26%	0.00%	100%
Count of All Family Members	3,395	13,147	94	661	57	62	298	17,714
% of All Family Members	19.17%	74.22%	0.53%	3.73%	0.32%	0.35%	1.68%	100%

Ethnicity	Hispanic	Non-Hispanic	Not Reported	Totals
HOH	832	6,183	0	7,015
% HOH	11.86%	88.14%	0.00%	100%
Fam Mbrs	2,071	15,172	471	17,714
% Fam Mbr	11.69%	85.65%	2.66%	100%

Family Size by Bedroom Size	# of HCV Units	Occupied Units	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8+ People	Average Family Size
Efficiency	N/A	98	96	2	0	0	0	0	0	0	1.0 Person
1 Bedroom	N/A	2,070	1,918	147	5	0	0	0	0	0	1.1 People
2 Bedrooms	N/A	2,490	486	1,233	618	132	19	1	1	0	2.2 People
3 Bedrooms	N/A	1,846	60	203	391	723	339	108	17	5	3.8 People
4 Bedrooms	N/A	434	5	10	27	76	98	114	72	32	5.4 People
5 Bedrooms	N/A	69	0	2	0	3	8	14	11	31	6.7 People
6 Bedrooms	N/A	8	0	0	0	0	0	0	0	8	8.0 People
Total # of HCV Units	N/A	7015	2565	1597	1041	934	464	237	101	76	2.5 People