

**HOWARD COUNTY HOUSING COMMISSION**  
Howard County, Maryland

**BASIC FINANCIAL STATEMENTS**  
June 30, 2012



CliftonLarsonAllen

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## Independent Auditor's Report

Board of Commissioners  
Howard County Housing Commission  
Howard County, Maryland

We have audited the accompanying statement of net assets of the Howard County Housing Commission (the Commission), a component unit of Howard County, Maryland, as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 basic financial statements in 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Commission taken as a whole. The accompanying supplemental information identified in the Table of Contents on pages 33 to 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*CliftonLarsonAllen LLP*

Baltimore, Maryland  
November 15, 2012

**HOWARD COUNTY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

The Howard County Housing Commission (HCHC or the Commission) is a public housing authority created in 1990 pursuant to State of Maryland enabling legislation for the purpose of acting as Howard County, Maryland's public housing authority, administrator of related programs and grants, and owner and manager of various housing developments and scattered site units. The Commission is overseen by a 7-member Board of Commissioners, appointed by the Howard County Executive and confirmed by the Howard County Council.

The Commission's management team offers the readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Commission's financial statements. The purpose of this Discussion and Analysis is (i) to provide an overview of the financial statements contained in this document; (ii) to offer brief programmatic and financial highlights of the past fiscal year; and (iii) to present limited information about factors that may affect the Commission during the coming fiscal year.

**Using This Audit Report**

This audit report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets (see pages 10 and 11, respectively), and Supplemental Information provides information about the activities of the Commission as a whole. The Statement of Revenues, Expenses and Changes in Net Assets, in particular, shows that the Commission's work is supported in part by annual allocations from the U.S. Department of Housing & Urban Development (HUD). These funds are subject to annual appropriation risk and, accordingly, the Commission has been adversely impacted by slightly smaller appropriations on an annual basis. The Cash Flow statement (see page 12) shows the flow of cash in operations, capital expenditure, and investing.

The Statement of Net Assets reports information about the Commission as a whole and about its activities in a way that helps address whether the Commission as a whole is better off or worse off as a result of the period's activities. This statement includes all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This statement reports the Commission's net assets - the difference between assets and liabilities - as one way to measure the Commission's financial health, or financial position. Over time, changes in the Commission's net assets are one of several key indicators of the improvement or deterioration of the Commission's financial health.

For the years ended June 30, 2012 and 2011, net assets changed as follows:

	<u>2012</u>	<u>2011</u>
Beginning net assets	\$ 35,098,452	\$ 28,711,758
Increase (decrease) in net assets	<u>1,720,083</u>	<u>6,386,694</u>
<b>Ending net assets</b>	<u>\$ 36,818,535</u>	<u>\$ 35,098,452</u>

**HOWARD COUNTY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**THE COMMISSION**

**Financial Highlights**

In FY 2012, the Commission's efforts to stabilize and improve its financial standing through the redevelopment and repositioning of its properties began to come to fruition. Monarch Mills, a 269-unit, mixed-income, sustainable rental community, was completed in March 2012. This project, a redevelopment of a former 100-unit low-income property, now serves as a model of a high quality, green, and economically integrated community. In addition, the development will not only be financially self-sustaining, but will provide a positive stream of revenue for the Commission's future projects and programs.

Following the Monarch Mills model, in December 2011 the Commission closed on the financing and began the redevelopment of another of its properties – the 94-unit Hilltop Apartments complex in Ellicott City, now known as Burgess Mill Station. This new community will provide 198 units of high quality, mixed-income, sustainable housing, while helping to revitalize the downtown Ellicott City area. This project, too, will provide additional future cash flow for the Commission. As a component of this project, in cooperation with the County's Department of Recreation and Parks, the Commission issued over \$13.7 million in lease revenue bonds to finance a new state-of-the-art community recreational facility adjacent to Burgess Mill Station. This facility will be leased to and operated by the County.

Also in FY 2012, the Commission completed construction of its first for-sale housing subdivision, Cottages at Greenwood, a community of ten 3-bedroom detached homes that are at once affordable, universally designed, and environmentally sustainable. Nine of the homes have been sold to eligible moderate-income households. The Commission also continued to use federal grant funds to acquire, rehabilitate, and sell foreclosed properties to eligible moderate income families.

Other Commission activities in FY 2012 included the completion of much-needed major renovations to one of its affordable senior housing communities, Morningside Park and the commencement of renovations to Orchard Crossing Townhomes, a 36-unit affordable family community. The Commission continued its community outreach efforts with, among other things, the 6<sup>th</sup> annual "Come Home to Howard County" Housing Fair, mortgage foreclosure events, condominium financing seminars, and homeownership counseling sessions.

From an operational standpoint, the Commission continued its efforts to further stabilize its financial standing by strengthening its administrative processes, improving its monitoring and compliance systems, and effecting operational efficiencies. At the end of FY 2012, the Commission determined to eliminate three in-house property management and maintenance positions and outsource those functions to a private third-party property management firm. The Commission also outsourced its Housing Choice Voucher inspection function and eliminated four HCV positions and one clerical position. These actions were taken to enable the Commission to realize significant cost savings and efficiencies beginning in FY 2013.

Finally, in FY 2012 the Commission applied for and received an agency credit rating from Standard & Poor's of "A+ with a stable outlook." This rating, among the highest for comparable housing authorities, will not only give the Commission greater access to credit markets, but further signifies that the Commission, which has worked diligently over the past five years to improve its financial position, is on the "right track" toward financial stability and self-sufficiency.

**HOWARD COUNTY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**CONDENSED FINANCIAL INFORMATION**

The following table provides comparative financial information, where available, as of and for the period then ended.

	<u>2012</u>	<u>2011</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
<b>Current assets</b>				
Cash and cash equivalents	\$ 16,638,382	\$ 6,937,909	\$ 9,700,473	139.82%
Accounts receivable	1,078,877	1,777,654	(698,777)	-39.31%
Investments	429,170	428,528	642	0.15%
Other current assets	<u>65,391</u>	<u>61,853</u>	<u>3,538</u>	5.72%
Total current assets	<u>18,211,820</u>	<u>9,205,944</u>	<u>9,005,876</u>	97.83%
<b>Noncurrent assets</b>				
Shared equity properties/investment in real estate partnership	4,114,516	4,024,389	90,127	2.24%
Mortgages receivable	5,253,680	3,569,208	1,684,472	47.19%
Capital assets, net	74,094,906	71,056,157	3,038,749	4.28%
Other noncurrent assets	<u>3,294,882</u>	<u>687</u>	<u>3,294,195</u>	479504.37%
Total noncurrent assets	<u>86,757,984</u>	<u>78,650,441</u>	<u>8,107,543</u>	10.31%
<b>Total Assets</b>	<b><u>\$ 104,969,804</u></b>	<b><u>\$ 87,856,385</u></b>	<b><u>\$ 17,113,419</u></b>	<b>19.48%</b>
<b>Current liabilities</b>				
Accounts payable	\$ 456,469	\$ 430,457	\$ 26,012	6.04%
Current portion of long-term debt	1,580,723	1,111,467	469,256	42.22%
Other current liabilities	<u>706,704</u>	<u>3,320,966</u>	<u>(2,614,262)</u>	-78.72%
Total current liabilities	<u>2,743,896</u>	<u>4,862,890</u>	<u>(2,118,994)</u>	-43.57%
<b>Noncurrent liabilities</b>				
Loans payable - long-term	47,443,905	46,876,475	567,430	1.21%
Bonds payable - long-term	13,655,000	-	13,655,000	100.00%
Other noncurrent liabilities	<u>4,308,468</u>	<u>1,018,568</u>	<u>3,289,900</u>	322.99%
Total noncurrent liabilities	<u>65,407,373</u>	<u>47,895,043</u>	<u>17,512,330</u>	36.56%
<b>Total Liabilities</b>	<b><u>\$ 68,151,269</u></b>	<b><u>\$ 52,757,933</u></b>	<b><u>\$ 15,393,336</u></b>	<b>29.18%</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	\$ 11,211,020	\$ 23,232,779	\$ (12,021,759)	-51.74%
Restricted	13,285,396	3,505,852	9,779,544	278.95%
Unrestricted	<u>12,322,119</u>	<u>8,359,821</u>	<u>3,962,298</u>	47.40%
<b>Total Net Assets</b>	<b><u>\$ 36,818,535</u></b>	<b><u>\$ 35,098,452</u></b>	<b><u>\$ 1,720,083</u></b>	<b>4.90%</b>

**HOWARD COUNTY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<u>2012</u>	<u>2011</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
<b>Operating Revenues</b>				
Rental income	\$ 6,014,415	\$ 5,899,954	\$ 114,461	1.9%
HUD grants	10,460,487	9,837,545	622,942	6.3%
Home sales	2,334,200	-	2,334,200	100.0%
Other grants and revenue	8,212,737	10,064,104	(1,851,367)	-18.4%
<b>Total operating revenues</b>	<b><u>27,021,839</u></b>	<b><u>25,801,603</u></b>	<b><u>1,220,236</u></b>	<b><u>4.7%</u></b>
<b>Operating Expenses</b>				
General administrative and general	3,948,570	3,416,732	531,838	15.6%
Housing operations and tenant services	2,717,462	2,900,351	(182,889)	-6.3%
Cost of property sold	3,250,088	-	3,250,088	100.0%
Housing assistance payments	15,497,374	14,470,564	1,026,810	7.1%
<b>Total operating expenses</b>	<b><u>25,413,494</u></b>	<b><u>20,787,647</u></b>	<b><u>4,625,847</u></b>	<b><u>22.3%</u></b>
Operating income before depreciation	1,608,345	5,013,956	(3,405,611)	-67.9%
Depreciation	1,695,273	1,569,985	125,288	8.0%
<b>Total operating loss</b>	<b><u>(86,928)</u></b>	<b><u>3,443,971</u></b>	<b><u>(3,530,899)</u></b>	<b><u>-102.5%</u></b>
Total non-operating revenues (expenses)	1,663,173	2,761,478	(1,098,305)	-39.8%
Income/(loss) before contributions and transfers	1,576,245	6,205,449	(4,629,204)	-74.6%
Capital contributions and transfers	143,838	181,245	(37,407)	-20.6%
<b>Change in net assets</b>	<b><u>\$ 1,720,083</u></b>	<b><u>\$ 6,386,694</u></b>	<b><u>\$ (4,666,611)</u></b>	<b><u>-73.1%</u></b>

**Change in Net Assets:**

1. Total assets of the Commission exceeded total liabilities at the close of the 2012 fiscal year by \$36,818,535. This amount includes \$12,322,119 in unrestricted assets.
2. Total assets of the Commission increased by \$17,113,419 in fiscal year 2012.
3. As compared to last fiscal year, net cash for the Commission increased by \$9,700,473 while accounts receivable decreased by \$698,777. The increase in net cash was primarily due to the Commission's receipt of the proceeds from the issuance of Lease Revenue Bonds for the Roger Carter Recreation Center project as well as an improvement in the collection of the Commission's receivables.
4. The Commission issued a \$1,600,000 bridge loan for a portion of the development costs to construct a 198-unit, mixed income residential housing project known as Burgess Mill Station. This resulted in a \$1.6 million or 47.19% increase in mortgages receivable.
5. Net capital assets increased by \$3,038,749 due to the increase in construction-in-progress for the Roger Carter Recreation Center.

**HOWARD COUNTY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

6. Other noncurrent assets increased by \$3,294,195 which was attributable to the recognition of two derivative instruments - interest rate swaps for BB&T series 2009 bonds and BB&T series 2010 bonds. The associated other noncurrent liabilities also increased by a similar amount.
7. At fiscal year-end, the Commission's current liabilities decreased by \$2,118,994 (43.57%). The decrease was mainly the result of the County waiving the FY2011 administrative charge backs. The noncurrent liabilities increased by \$17,512,330 or (36.56%) over the prior year. The increase was mainly the result of the issuance of Lease Revenue Bonds (\$13,655,000) for the Roger Carter Recreation Center project and the recognition of two derivative instruments - interest rate swaps for BB&T series 2009 bonds and BB&T series 2010 bonds.
8. The Commission's total change in net assets reported a favorable variance of \$1,720,083 or 4.90%.

**Changes in Income Statement:**

1. HUD grant funds received increased by \$622,942 or 6.3% as compared to the prior year. The increase in revenue is the result of HOME and EDI funding for the development costs and renovation cost for the Cottages at Greenwood, Burges Mill Station Phase I, and Morningside Park.
2. Revenue from the sale of nine units in the Cottages at Greenwood subdivision was \$2,334,200 - the cost of the property was \$3,250,088.
3. At year-end, other grants and revenue decreased by \$1,851,367 due to a variety of changes in funding resources received.
4. The general administrative expenses increased by \$531,838. The increase was a combination of write-offs for bad debt and increases in insurance premiums, rental expense, management fees, and other professional services.
5. Total operating expenses increased by \$4,625,847 or (22.3%) in FY 2012, which is attributable to the cost of property sold and an increase in Housing Assistance Payments.
6. Total non-operating revenues decreased by \$1,098,305. This is mainly attributable to an increase in interest & amortization expenses and a decrease in the County's forgiveness of debt.

**HOWARD COUNTY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**CAPITAL ASSETS**

At the end of 2012, the Commission had just over \$74.09 million invested in capital housing assets.

	<b>Capital Assets at Year-End (Net of Depreciation)</b>	
	<b>2012</b>	<b>2011</b>
Land	\$ 30,464,948	\$ 30,770,321
Building and improvements	50,269,590	49,970,486
Furniture and equipment	38,799	-
Construction-in-progress	5,512,544	815,381
Accumulated depreciation	(12,190,975)	(10,500,031)
<b>Total</b>	<b>\$ 74,094,906</b>	<b>\$ 71,056,157</b>

Capital Assets:

1. During FY 2012, the Commission completed the HVAC and Lighting renovation for the Morningside Park senior building.
2. At fiscal year-end, construction of the Roger Carter Recreation Center was still under way.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Although the national economy is gradually improving, HUD's budgets continue to tighten and will likely continue to do so for the foreseeable future. The decline of the homeownership market has caused a countervailing upswing in the rental housing market, resulting in higher rental rates and greater demand for affordable housing. Declining HUD funding and increased demand forced the Commission to close its Housing Choice Voucher waiting list on July 1, 2012, which contains over 5,000 applicants.

Fortunately, the capital markets have begun to loosen credit availability and the Federal Reserve has indicated that interest rates are likely to remain low for the next two to three years. This offers the Commission the opportunity to refinance its major debt, the bonds for its Columbia Landing property. The refinancing of Columbia Landing in FY 2013 is projected to save the Commission over \$5 million over the next 5 years, freeing up much-needed capital for reserves as well as future projects.

Additionally, in FY 2013 the Commission will be working with HUD toward the conversion of its 50 public housing units to tenant-based vouchers. Conversion will enable the Commission to receive additional, consistent subsidy for these units. When combined with other cost-saving efforts, such as the refinancing of the Columbia Landing debt and the outsourcing of the property management and inspection functions, together with the anticipated new revenues from Monarch Mills and Burgess Mill Station, these measures should put the Commission on sound financial footing for some time to come.

**HOWARD COUNTY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

In FY 2013, the Commission will continue to pursue its mission of providing quality, sustainable affordable housing for families who live or work in Howard County through a variety of programs and projects. Phases 2 and 3 of Burgess Mill Station are in the planning stages; the Commission has plans to develop a new 80-unit mixed income rental community in Elkridge; and the Commission has acquired a property in North Laurel in order to develop a permanent supportive housing facility for homeless persons. A second phase of the Cottages at Greenwood project and Ellicott Gardens II are also potential starters in FY 2013. As always, these projects will be designed and produced in accordance with the Commission's six principles: housing integration; sustainability, long-term viability, superior design, universal design, and economic self-sufficiency.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the users of these financial statements with a general overview of the Commission's finances. If you have questions about this report or need additional financial information, contact the Commission at 6751 Columbia Gateway Drive, 3<sup>rd</sup> Floor, Columbia, Maryland 21046 or call at 410.313.6320.

## **BASIC FINANCIAL STATEMENTS**

**HOWARD COUNTY HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
June 30, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 2,913,620
Cash and cash equivalents - restricted	13,374,485
Cash - restricted tenant security deposits	350,277
Investments	429,170
Accounts receivable, net of allowance of \$39,297	1,078,877
Prepaid expenses and other assets	65,291
Inventory	<u>100</u>
Total current assets	<u>18,211,820</u>

**NONCURRENT ASSETS**

Shared equity properties	3,985,006
Investment in real estate partnerships	129,510
Notes and mortgages receivable	5,253,680
Other noncurrent assets	245,868
Capital assets	74,094,906
Deferred outflow of resources	<u>3,049,014</u>
Total noncurrent assets	<u>86,757,984</u>

**TOTAL ASSETS**

**\$ 104,969,804**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 456,469
Tenant security deposits	286,281
Accrued compensated absences, current portion	81,267
Deferred revenue, current portion	258,719
Current portion of notes and mortgages payable	1,580,723
Other current liabilities	<u>80,437</u>
Total current liabilities	<u>2,743,896</u>

**NONCURRENT LIABILITIES**

Accrued compensated absences, less current portion	54,178
Deferred revenue, less current portion	928,370
Tenant escrow deposits	72,648
Notes and mortgages payable, less current portion	47,443,905
Bonds payable	13,655,000
Original issue premium	204,258
Interest rate swap	<u>3,049,014</u>
Total noncurrent liabilities	<u>65,407,373</u>
Total liabilities	<u>68,151,269</u>

**NET ASSETS**

Invested in capital assets, net of related debt	11,211,020
Restricted	13,285,396
Unrestricted	<u>12,322,119</u>
Total net assets	<u>36,818,535</u>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 104,969,804**

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

**HOWARD COUNTY HOUSING COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2012

<b>OPERATING REVENUES</b>	
Rental income	\$ 6,014,415
HUD subsidies	10,460,487
Other government grants	1,520,714
Home sales	2,334,200
Other revenues	<u>6,692,023</u>
 Total operating revenues	 <u>27,021,839</u>
<b>OPERATING EXPENSES</b>	
Administration	2,646,803
Tenant services	298,509
Utilities	408,586
Maintenance	1,954,102
Protective services	56,265
General expenses	1,301,767
Cost of property sold	3,250,088
Housing assistance payments	<u>15,497,374</u>
 Total operating expenses	 <u>25,413,494</u>
 Operating income before depreciation	 1,608,345
Depreciation	<u>1,695,273</u>
 Total operating loss	 <u>(86,928)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Gain on disposal of assets	4,828
Interest income	140,187
Interest and amortization expense	(2,220,796)
Forgiveness of debt from Primary Government	<u>3,738,954</u>
 Total non-operating revenues (expenses)	 <u>1,663,173</u>
 Income/(loss) before contributions and transfers	 1,576,245
Capital contributions	<u>143,838</u>
 <b>CHANGE IN NET ASSETS</b>	 1,720,083
 <b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	 <u>35,098,452</u>
 <b>TOTAL NET ASSETS, END OF YEAR</b>	 <u>\$ 36,818,535</u>

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

**HOWARD COUNTY HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from HUD	\$ 11,981,201
Cash received from tenants and others	15,583,124
Cash paid for administrative and general	(7,482,623)
Cash paid for housing, operating and tenant services	(2,661,403)
Cash paid for housing assistance payments	(15,497,374)
Net cash provided by operating activities	<u>1,922,925</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of fixed assets, net	(8,307,345)
Gain (loss) from sale of assets	4,828
Issuance of bonds payable	13,655,000
Premium on bonds payable	204,258
Disposal of assets	7,132,879
Capital contributions, transfers, and forgiveness of debt	(2,481,554)
Payment on notes payable	(3,449,774)
Proceeds from notes payable	4,486,460
Net cash provided by capital and related financing activities	<u>11,244,752</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Change in investments	(6,939)
Change in shared equity properties	240,048
Interest on investments	47,557
Issuance of notes receivable	(1,617,816)
Payments on notes receivable	54,832
Interest earned on notes receivable	(28,858)
Interest expense	(2,220,796)
Net cash used in investing activities	<u>(3,531,972)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	9,635,705
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,652,400</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 16,288,105</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (86,928)
Adjustments to reconcile cash and cash equivalents provided by operating activities:	
Depreciation	1,695,273
Provisions for bad debt	(206)
Effects of changes in operating assets and liabilities:	
Prepaid expenses	(3,538)
Accounts receivable	698,983
Other non-current assets	(245,823)
Accounts payable	26,012
Tenant security deposits	(144,380)
Deferred revenue	(12,117)
Accrued liabilities	(4,351)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,922,925</u>

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

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Howard County Housing Commission (the Commission), a component unit of Howard County, Maryland (the County), is a public corporation established by Maryland and Howard County law to act as builder, developer, owner and manager of housing for eligible participants. The Commission was established as a result of the following:

- Title IV of the Housing and Community Act of the Annotated Code of Maryland.
- Title 13 "Housing, Urban Renewal and Economic Development" of Howard County Code which permits the County to authorize the Commission to perform various housing functions either through contract with the County or by local law.

The Commission is governed by seven commissioners appointed for five-year staggered terms by the Howard County Executive and confirmed by the Howard County Council. The Commission is included as a component unit of the County because of the significance of its operational and financial relationships with the County in that the County provides a significant amount of funding. The Commission has no taxing power.

Specific powers of the Commission include the following:

- Purchase, lease, or transfer real or personal property
- Operate housing developments
- Construct, improve, and renovate housing developments
- Invest funds held in reserve in securities
- Utilize federal/state housing subsidies
- Make loans
- Provide rent subsidies to persons of eligible income

**Nature of Activities**

Housing activities sponsored by the Commission include the following:

- Rental housing for low, moderate, and market rate income families, or elderly individuals. Projects presently owned and operated include various apartments, townhouses and single-family houses in Howard County, Maryland.
- Housing Choice Voucher Housing Program sponsored by the U.S. Department of Housing and Urban Development (HUD) through which eligible persons may seek rental housing in the private marketplace. This program allows eligible families to obtain adequate rental housing while paying no more than a stipulated percent of their adjusted gross monthly income for rent. See Supplemental Information for more details.
- Create home ownership opportunities for low, moderate, and market rate income families. Currently, the Commission acquires properties below market value through donations, prepayment of under construction units and reduced production cost. Units are sold to low, moderate, and market rate income families through programs offering shared equity or other below rate mortgages.

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**Nature of Activities** (continued)

The accounting and financial reporting policies of the Commission conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies.

**Basis of Accounting and Measurement Focus**

The basis of accounting for the funds used by the Commission is determined by measurement focus. The flow of economic resources measurement focus, and the accrual basis of accounting are used to account for the Commission's funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets.

The Commission's accounts are maintained in accordance with the principles of enterprise fund accounting to ensure the observance of limitations and restrictions on the resources available. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* allows governments to choose not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, provided that this is applied on a consistent basis, or to continue to follow FASB standards. The Commission has elected not to implement FASB pronouncements issued after that date.

**Use of Estimates in Preparing Financial Statements**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates used.

**Component Units**

The Commission is the general partner in several real estate limited partnerships. The limited partnership interests are held by third parties unrelated to the Commission. As the general partner, the Commission has certain rights and responsibilities with respect to the limited partnerships. Additionally, the Commission is financially accountable for the limited partnerships under certain conditions as the Commission is legally obligated to fund operating deficits up to a maximum limit per partnership, in accordance with the terms of the partnership agreements.

Two of the real estate partnerships (Orchard Crossing Townhomes & Dorsey-Selbourne Phase II) are considered to be blended component units of the Commission because the Commission controls both the general and the limited partnership interests.

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**Cash and Cash Equivalents**

For Statement of Cash Flows reporting purposes, cash and cash equivalents includes unrestricted cash on hand, demand deposits, equity in highly liquid cash and investments, certificates of deposit, and repurchase agreements with initial maturities of three months or less.

**Investments**

Statutes authorize the Commission to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and certain other investments allowed by HUD. These investments are carried at market value.

**Accounts Receivable**

Accounts receivable consists of payments due from HUD and related affiliates, rent payments due from tenants, and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates.

**Capital Assets**

Capital assets include property held for and under development, operating properties, and fixed assets used in operations that cost \$5,000 or more and have an estimated useful life of at least one year. Donated capital assets are recorded at the estimated fair market value on the date received.

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.

Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed under the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 30 years
Furniture and equipment	3 - 10 years

Proceeds from the disposal of capital assets are recognized in the period received. Proceeds from the sale of property acquired or significantly improved with HUD or State funds are refunded to HUD or the State as required by contract.

**Compensated Absences**

The total accumulated universal leave (incorporating vacation and personal) is accrued in the period earned as this cost is to be funded with current resources. Vacation benefits, including the FICA portion, are earned by employees based on time in service, and the rights to such benefits are vested. Howard County has no requirement that universal leave be taken in the year earned. Upon termination, employees are paid for any accumulated universal leave. As of June 30, 2012, \$135,445 was accrued for compensated absences.

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**Net Assets**

Net assets are displayed in three components:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Assets: This component consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt," or "Restricted Net Assets."

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Grant Restrictions**

The Commission has received loans and grants from the U.S. Department of HUD to build and improve housing projects. The grants require that only individuals and families that meet various income, age and family status be housed or aided.

**Revenue Recognition**

Dwelling rent income, HUD grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue are shown as non-operating revenue.

**Interest Expense**

Interest is expensed as incurred except when interest is incurred during the construction period and is capitalized as part of the cost of the asset.

**NOTE 2 – CASH AND INVESTMENTS**

**Cash**

At year-end, the aggregate carrying amount of the Commission's cash was \$16,638,382 and the bank balance was \$16,909,835. All deposits were collateralized and there was no exposure to custodial credit risk at June 30, 2012.

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

**Investments**

As of June 30, 2012, the Commission had the following investments:

<u>Type of Investments</u>	<u>Fair Value/ Carrying Amount</u>
Certificates of deposit issued by: BB&T	\$ 429,170

The Commission has pledged this certificate of deposit as collateral with PNC Bank to secure payment of all loans, advances, debts, liabilities, obligations, covenants, and duties owing from the Commission and/or from the Residences of Ellicott Gardens LLC.

*Investment Rate Risk*

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Commission's exposure to fair value losses arising from increasing interest rates, the Commission's investment policy limits the term of investment maturities to remain sufficiently liquid to enable the Commission to meet all operating requirements which might be reasonably anticipated. The Commission's management believes the liquidity in the investment portfolio is adequate to meet cash flow requirements and to preclude the Commission from having to sell investments below original cost for that purpose. The investments at June 30, 2012 met the Commission's investment policy as of that date.

*Credit Risk*

The investment policy of the Commission permits investments in the following types of investments: U.S. Treasury and Federal Government agencies, bankers acceptances, repurchase agreements and certificates of deposit, the State Treasurer's Investment Pool, commercial paper, and mutual funds dealing in governmental securities.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Commission will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party as of June 30, 2012.

**NOTE 3 – CASH AND CASH EQUIVALENTS - RESTRICTED**

Restricted cash consisted of the following at June 30, 2012:

HCVP HAP and administrative	\$ 735,096
HCVP FSS escrows	153,369
Replacement reserves	2,059,310
Bond proceeds	10,273,604
Loan escrow	153,106
Tenant security deposit	<u>350,277</u>
<b>Total</b>	<b><u>\$ 13,724,762</u></b>

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2012:

Tenants, net of allowance of \$18,082	\$ 72,438
U.S. Department of Housing and Urban Development	22,230
Accounts receivable - Primary Government	80,014
Accounts receivable - Other governments	41,352
Accounts receivable - Portability	422,350
Accounts receivable - Other	333,996
Accounts receivable - Fraud recovery, net of allowance of \$21,215	<u>106,497</u>
<b>Total</b>	<b><u>\$ 1,078,877</u></b>

**NOTE 5 – INVESTMENTS IN SHARED EQUITY PROPERTIES**

The Commission's Shared Equity Program assists qualified Howard County home buyers to purchase homes. The Commission purchases a percentage of the property to help maintain perpetual affordability. Upon sale of the property, the co-owner has to pay the Commission its share of the total sale price.

The Commission has invested in a total of 41 properties, with an average equity percentage of 43.04%. Total equity investment at June 30, 2012 totaled \$3,985,006.

During the year ended June 30, 2012, the Commission funded 2 purchases.

**NOTE 6 – INVESTMENT IN REAL ESTATE PARTNERSHIPS**

The Commission is a partner, owner, or interest holder either solely or severally with multiple organizations as part of various housing projects, development and construction projects, and for financing purposes. These separate legal entities are established to advance the mission of the Commission related to development and management of various forms of affordable housing. Activity of these entities is reflected in the financial statements of the Commission as applicable, to the extent of their ownership interest and level of activity.

The following table reflects these entities, their purpose, and the Commission's interest.

Project	HCHC Affiliate	Date Formed	HCHC Interest	Percentage Ownership	Equity Interest
Dorsey-Selbourne Limited Partnership	Dorsey-Selbourne Limited Partnership	10/1/1999	General Partner	0.0051%	\$ 52,406
Parkview at Emerson	Emerson Development LLLP (1)	12/28/2007	General Partner	51%	(35)
The Residence at Ellicott Gardens	The Residence at Ellicott Gardens LLC	6/7/2006	General Member	0.01%	70,121
Monarch Mills	Monarch Mills, LP	4/1/2010	General Member	0.01%	(108)
Parkview at Columbia	Columbia Development LLLP	5/25/2010	General Partner	9.00%	<u>7,126</u>
<b>Total</b>					<b><u>\$ 129,510</u></b>

(1) The profits and losses of the Partnership, and any distributions of Partnership property, shall be allocated among and distributed to the Partners as follows: Shelter 90.01% Commission 9.99%.

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 6 – INVESTMENT IN REAL ESTATE PARTNERSHIPS (CONTINUED)**

The Commission owns 70 shares of common stock in Elkridge Housing Corporation which, through an affiliate entity, holds a nominal interest in the Orchard Club Limited Partnership. The Orchard Club Limited Partnership owns a housing development known as the Orchard Club Project in Elkridge, Maryland. Shares owned by the Commission were acquired by gift. As of this reporting date, there was no available established market value for these securities nor any other means to determine a value. Accordingly, this disclosure is reported for information purposes only and no value is reflected in the financial statements.

**NOTE 7 – NOTES AND MORTGAGES RECEIVABLE**

Notes and mortgages receivable at June 30, 2012, consisted of the following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1. Mortgage notes receivable	\$ 655,340	\$ 68,190	\$ 723,530
2. ODC loan for Patuxent Square	2,000,000	505,000	2,505,000
3. Monarch Mills LP	259,315	5,835	265,150
4. BRAC Loan Fund	160,000	-	160,000
5. Milltowne Associates	<u>1,600,000</u>	<u>-</u>	<u>1,600,000</u>
<b>Total notes and mortgages receivable - noncurrent</b>	<b><u>\$ 4,674,655</u></b>	<b><u>\$ 579,025</u></b>	<b><u>\$ 5,253,680</u></b>

1. Mortgage notes receivable. The Commission loans funds to moderate income households to purchase affordable homes. The interest on the loans is between 0% - 7% per annum. The payment of principal and interest is deferred until the time of sale, transfer, or refinance of the property. The loan is used to pay the closing costs or down payment on the purchase of the home.
2. ODC loan for Patuxent Square. The Commission loaned \$2,000,000 to Residential Limited Partnership (ODC) for the development costs and capital assistance of the eighty (80) unit residential rental housing project known as Patuxent Square located in Laurel, Maryland. The interest on the permanent loan is 6% per annum. The payments of principal and interest are deferred for a term of 20 years.
3. Monarch Mills LP. The Commission made a \$259,315 40-year loan to Monarch Mills, LP for the purpose of providing financing to aid in the construction of a 269-unit multifamily and senior apartment community which will provide affordable housing for low income households. The interest on the loan is 1% per annum. The payments of principal and interest begin July 1, 2012 but are subject to deferral depending on cash flow.
4. BRAC Loan Fund. The Commission made a \$160,000, zero interest short-term loan to The Maryland Department of Housing and Community Development for affordable rental housing preservation developments through the MD-BRAC Preservation Loan Fund.

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

5. Milltowne Associates. The Commission made a \$1,600,000 bridge-funded HOME capital assistance loan to Milltowne Associates, LP for a portion of the development costs to construct and operate a 198-unit, mixed income residential housing project known as Hilltop Phase I located in Ellicott City, Maryland. The construction loan period commenced on the date of closing of the HOME loan (November 28, 2011) and shall not exceed twenty-three months. The permanent loan period shall commence on the first day of the first month after the construction loan period ends and is for a term of 40 years. No interest shall accrue on the outstanding principal balance throughout the construction loan period. During the permanent loan period interest shall accrue on the outstanding balance of the principal at the rate of 1.0% per year.

**NOTE 8 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for governmental funds for the year ended June 30, 2012 was as follows:

	June 30, 2011	Additions	Transfers	Deletions	June 30, 2012
Land	\$ 30,770,321	\$ -	\$ -	\$ (305,373)	\$ 30,464,948
Construction in progress	815,381	8,238,688	(296,551)	(3,244,974)	5,512,544
Total assets not being depreciated	<u>31,585,702</u>	<u>8,238,688</u>	<u>(296,551)</u>	<u>(3,550,347)</u>	<u>35,977,492</u>
Buildings and improvements	49,970,486	29,858	296,551	(27,305)	50,269,590
Furniture and equipment	-	38,799	-	-	38,799
Total assets being depreciation	<u>49,970,486</u>	<u>68,657</u>	<u>296,551</u>	<u>(27,305)</u>	<u>50,308,389</u>
Less accumulated depreciation	<u>(10,500,031)</u>	<u>(1,695,273)</u>	<u>-</u>	<u>4,329</u>	<u>(12,190,975)</u>
<b>Net book value</b>	<u>\$ 71,056,157</u>	<u>\$ 6,612,072</u>	<u>\$ -</u>	<u>\$ (3,573,323)</u>	<u>\$ 74,094,906</u>

Construction-in-progress is the cost incurred on open development projects or on major capital improvement projects under the Capital Fund Program (CFP). These projects were at various stages of completion as of June 30, 2012. Projects are not transferred to other capital asset categories until the project is approved as completed by HUD, however depreciation expense begins when the project is ready for its intended use.

During FY 2012 the Commission sold all but one unit from the Cottages at Greenwood development. The remaining unit will be used as a model unit until the completion of Phase II of the development at which time the Commission will sell the unit. The deletions of \$3,244,974 from construction in progress noted above represents the sale of units and transfer of the remaining unit to assets held for sale.

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 9 – LONG TERM LIABILITIES**

A summary of long-term liabilities is as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
Long-term debt	\$ 47,987,942	\$ 4,486,459	\$ (3,449,773)	\$ 49,024,628	\$ 1,580,723
Bonds payable	-	13,655,000	-	13,655,000	-
Accrued compensated absences	195,203	-	(59,758)	135,445	81,267
Deferred revenue	1,300,469	88,663	(202,043)	1,187,089	258,719
<b>Total</b>	<u>\$ 49,483,614</u>	<u>\$ 18,230,122</u>	<u>\$ (3,711,574)</u>	<u>\$ 64,002,162</u>	<u>\$ 1,920,709</u>

Long-term debt consists of the following as of June 30, 2012.

Howard County, Maryland, 40-year loan dated July 1, 1992 payable at \$7,311 per year including interest at 2% per annum due July 1, 2032. Loan proceeds were used to acquire and rehabilitate units in the Treover Condominiums Development, Columbia, Maryland and are secured by deed of trust note on the property.	\$ 123,975
Howard County, Maryland, 40-year loan dated July 1, 1993 payable at \$3,656 per year including interest at 2% per annum due July 1, 2033. Loan proceeds were used to purchase and construct a modular housing project located in Elkridge, Maryland and are secured by deed of trust note on the property.	64,353
Howard County, Maryland, 40-year loan dated September 1999 payable at 3% per annum with a maturity date of April 19, 2043. Debt service beginning after construction is approximately \$19,000 per annum. Loan proceeds were used for a portion of the development costs of constructing a 48-unit residential rental housing project known as Selbourne House of Dorsey Hall II. The loan is secured by a deed of trust.	387,834
Department of Housing and Community Development of the State of Maryland, 30-year loan dated February 13, 1996 payable at \$23,016 per annum including interest at 4% per annum due March 31, 2026. Loan proceeds were used as permanent financing for the Orchard Crossing Townhomes II project secured by deed of trust, security agreement, and assignment of rents.	243,277
Howard County, Maryland, 25-year loan dated October 3, 2006. Interest shall be paid at 2% per annum. The loan is due October 3, 2031. Loan proceeds were used to acquire the 28 units of Kingswood property, Columbia, Maryland and are secured by deed of trust note on the property.	1,671,429
Branch Banking and Trust Company note in the amount of \$165,068. Interest shall be paid at prime with a minimum rate of 4.25%. Currently interest for amounts borrowed is 4.25% per annum; interest will be paid monthly until the loan matures on November 20, 2016. Loan proceeds were used to acquire interest in Shared Equity Co-Ownership Properties.	110,446

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 – LONG TERM LIABILITIES (CONTINUED)**

<p>Howard County, Maryland, 20-year loan dated October 25, 2006 payable at 6% per annum. Interest-only payments will be paid monthly starting December 1, 2011, until the loan matures on December 1, 2026. Loan proceeds were used to issue loans to Orchard Crossing Development Residential Limited Partnership for the construction of Patuxent Square.</p>	<p>\$ 2,669,999</p>
<p>Branch Banking and Trust Company Bank Qualified Bond, Series 2009 (Tax-Exempt Variable Rate), in the amount of \$30,000,000. Interest shall be paid at adjusted LIBOR rate. Current LIBOR is 1.68025% as of June 29, 2012. Principal of \$58,597 and interest will be paid monthly until the loan matures January 5, 2035. After September 1, 2017 Branch Banking and Trust Company has the right to call and require the Series 2009 bond be repaid in full.</p>	<p>28,373,867</p>
<p>Branch Banking and Trust Company Bank Qualified Bond, Series 2010 (Tax-Exempt Variable Rate), in the amount of \$2,377,946. Interest shall be paid at adjusted LIBOR rate. Current LIBOR is 1.68025% as of June 29, 2012. Principal of \$5,417 and interest will be paid monthly until the loan matures January 5, 2035. After September 1, 2017 Branch Banking and Trust Company has the right to call and require the Series 2009 bond be repaid in full.</p>	<p>2,280,360</p>
<p>Enterprise Community Loan Fund, eighteen months revolving construction loan maximum to \$2,000,000 and dated March 18, 2011. The loan matures on September 30, 2012. Current interest is 5%. Loan proceeds were used for the construction of ten single family homes, known as Cottages at Greenwood.</p>	<p>199,960</p>
<p>Howard County, Maryland, 8-year RHDP loan dated January 1, 2009 payable at \$100,000 per annum due December 31, 2016. Interest shall be paid at 0% per annum. Loan proceeds were used for the rehabilitation of the 24-unit Colt's Crossing Apartments public housing complex.</p>	<p>500,000</p>
<p>Department of Housing and Community Development of the State of Maryland, 30-year RHPP loan originally dated February 5, 1988, assumption of debt entered into on April 30, 2009. Interest shall be paid at 2% per annum. Interest on the loan has been deferred under the loan agreement during the first 15 years. The deferred balance is to be repaid in equal monthly installments over the remaining life of the loan. Currently the monthly interest payment is \$1,474 plus \$367 payment of the deferral. The entire loan balance is due the earlier of 1) sale or transfer of the property or 2) January 2019. Assumption of debt was incurred during the purchase of the rental housing project known as Ellicott Terrace.</p>	<p>911,223</p>
<p>Department of Housing and Community Development of the State of Maryland, 30-year loan originally dated February 5, 1988, assumption of debt entered into on April 30, 2009. Payable at \$3,419 monthly including interest at 7.8% per annum due January 5, 2018. Assumption of debt was incurred during the purchase of the rental housing project known as Ellicott Terrace.</p>	<p>189,638</p>

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 – LONG TERM LIABILITIES (CONTINUED)**

<p>PNC Loan in the amount of \$1,600,000 dated November 15, 2011. Interest due on unpaid principal balance at the rate of 4.50% per annum. The loan repayment follows the expected funding from Howard County, Maryland pursuant to the HOME Agreement between the County and the Commission with a final maturity date of December 15, 2016. Loan proceeds were used to provide term financing for Hilltop Phase 1 and are secured by all deposit accounts of the Commission at PNC Bank and a first lien collateral assignment of the HOME Agreement.</p>	<p>\$ 1,401,845</p>
<p>Branch Banking and Trust Company Bank Lease Revenue variable rate bonds Series 2011 in the amount of \$13,655,000 with a bond premium of \$207,747. Interest rates range from 4.00% to 5.00%. Interest payments on the bonds begins June 1, 2012 with principal payments beginning June 1, 2014 until final maturity of June 1, 2043.</p>	<p><u>13,655,000</u></p>
<p>Subtotal — amortizing loans.</p>	<p>52,783,206</p>
<p>Department of Housing and Community Development of the State of Maryland has provided non-amortized loans. Loans were used to construct specific residential rental units. Principal and interest are deferred in perpetuity as long as the Commission continues to house low income families, as set forth in the loan agreements. Loans are collateralized with deeds of trust, security agreements, and assignments of rents.</p>	<p><u>9,896,422</u></p>
<p><b>Total</b></p>	<p><u><b>\$ 62,679,628</b></u></p>

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 9 – LONG TERM LIABILITIES (CONTINUED)**

The changes in long-term debt for the period ended June 30, 2012 are as follows:

	June 30, 2011	Additions	Retirements	June 30, 2012
BB&T Loan #10 - 7417 Mulberry Grove Dr. Elkridge	\$ 132,564	\$ -	\$ (22,118)	\$ 110,446
BB&T Loan #13 - Columbia Landing Refinance	29,090,225	-	(716,358)	28,373,867
BB&T Loan #23 - Columbia Landing	2,346,213	-	(65,853)	2,280,360
BB&T Series 2011 Bonds	-	13,655,000	-	13,655,000
Enterprise Loan - Cottages at Greenwood	273,704	2,216,460	(2,290,204)	199,960
PNC Loan - Hilltop Phase 1 Project (HOME)	-	1,600,000	(198,155)	1,401,845
Howard County - 2008 Colt's Crossing Renovation	600,000	-	(100,000)	500,000
Howard County - 1992-Treover	128,704	-	(4,729)	123,975
Howard County - 1993-Modular/Elkridge	66,671	-	(2,318)	64,353
Howard County - 2001-Selbourne	395,301	-	(7,467)	387,834
Howard County - 2007 Kingswood	1,671,429	-	-	1,671,429
Howard County - 2007 ODC - Patuxent Sq	2,000,000	669,999	-	2,669,999
Howard County - 2006 7270 Darby Downs Unit G, Elkridge	32,000	-	-	32,000
DHCD, State of Maryland - Courts at Guilford	2,400,000	-	-	2,400,000
DHCD, State of Maryland - Courts at Guilford	596,130	-	-	596,130
DHCD - Ellicot Terrace (CDA Financing Adj. Factor)	520,000	-	-	520,000
DHCD - Ellicot Terrace (CDA RHPP 2% Loan - Deferred Interest)	31,465	-	(4,404)	27,061
DHCD - Ellicot Terrace (CDA RHPP 2% Loan)	884,162	-	-	884,162
DHCD - Ellicot Terrace (CDA Tax Exempt Loan)	214,803	-	(25,165)	189,638
DHCD, State of Maryland - Orchard Crossing	256,279	-	(13,002)	243,277
DHCD, State of Maryland - Stoney Run	1,080,000	-	-	1,080,000
DHCD, State of Maryland - Selbourne Limited Partnership	2,076,000	-	-	2,076,000
DHCD, State of Maryland - Selbourne House at Dorsey Hall, II	3,192,292	-	-	3,192,292
<b>Total</b>	<b>\$ 47,987,942</b>	<b>\$ 18,141,459</b>	<b>\$ (3,449,773)</b>	<b>\$ 62,679,628</b>

Future maturities of long-term debt are as follows:

	Principal	Interest
2013	\$ 1,580,723	\$ 1,352,285
2014	1,757,691	1,313,376
2015	1,811,527	1,266,758
2016	1,673,272	1,218,681
2017	1,428,547	1,167,632
2018-2022	8,964,132	5,504,010
2023-2027	12,009,961	4,479,799
2028-2032	11,533,588	3,254,797
2033-2037	7,502,201	1,661,672
Thereafter	14,417,986	712,454
<b>Total</b>	<b>\$ 62,679,628</b>	<b>\$ 21,931,464</b>

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 9 – LONG TERM LIABILITIES (CONTINUED)**

**Capital Grants**

Contributed capital grants are recorded as non-operating revenue for some grants. Certain new construction and rehabilitation is being funded through contributions from the Community Development Administration (CDA) and the Commission. If development costs exceed the CDA approved capital assistance, the excess will be contributed by the Commission. Repayment of the CDA capital assistance and payment of interest is not required unless an event of default occurs, as defined in the agreements.

**NOTE 10 – DERIVATIVE INSTRUMENTS**

At June 30, 2012, the Commission had two derivative instruments outstanding as noted in the table below. The Commission used the consistent critical terms method to evaluate the hedge effectiveness of the interest rate swaps. This method evaluates effectiveness by performing a qualitative comparison of the critical terms of the hedgeable item and the potential hedging derivative instrument. If the critical terms are the same, the changes in cash flows or fair values of the potential hedging derivative instrument will substantially offset the changes in cash flows or fair values of the hedgeable item. An interest rate swap is considered an effective cash flow hedge under this method if all of the following criteria are met. At June 30, 2012, both hedging derivative instruments shown in the table above met the criteria for effectiveness under the consistent critical terms method.

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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

		BB&T Trade ID: 19138NC	BB&T Trade ID: 20904NC
a.	The notional amount of the swap is the same as the principal amount of the hedgeable item through the life of the hedging relationship.	Yes, swap notional equals bond principal	Yes, swap notional equals bond principal
b.	Upon association with the hedgeable item, the interest rate swap has zero fair value.	Yes	Yes
c.	The formula for computing net settlements under the interest rate swap is the same for each net settlement.	Yes	Yes
d.	The reference rate of the interest rate swap's variable payment is consistent with one of the following:		
	(1) The reference rate or payment of the hedgeable item (i.e., cost of funds hedge).	Yes, swap floating rate equals bond rate 68% 1moL+1.625%	Yes, swap floating rate equals bond rate 68% 1moL+1.625%
	(2) A benchmark interest rate as specified in paragraph 35 if interest risk is the hedged risk. The reference rate cannot be multiplied by a coefficient, but it may be adjusted by addition or subtraction of a constant, provided that the constant is specifically attributed to the effects of state-specific tax rates.		
e.	No payments under the swap occur after the term of the hedgeable item.	Yes	Yes
f.	The swap does not have a floor or cap unless the hedgeable item has a comparable floor or cap.	Yes, neither has a cap or floor	Yes, neither has a cap or floor
g.	The time interval (i.e., designated maturity) of the reference rate employed in the variable payment of the swap is the same as the time interval of the rate reset periods of the hedgeable item.	Yes, both time intervals are monthly	Yes, both time intervals are monthly
h.	The frequency of the rate resets of the variable payment of the swap and the hedgeable item are the same.	Yes, both resets are monthly	Yes, both resets are monthly
i.	The rate reset dates of the swap are within six days of the rate reset dates of the hedgeable item.	Yes, the rate reset dates are the same (5th day of each month)	Yes, the rate reset dates are the same (5th day of each month)
j.	The periodic swap payments are within 15 days of the periodic payments of the hedgeable item.	Yes, payments under the swap and bonds occur on the 5th day of each month	Yes, payments under the swap and bonds occur on the 5th day of each month

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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

*Objective of the interest rate swaps* – In order to protect against the potential of rising interest rates, the Commission entered into two 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 terms of the swaps are described in the table below. Except as discussed under rollover risk, the swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated “bonds payable” category during the period that the bonds are hedged. The Commission may terminate the swap at market value at any time.

*Fair value* – The termination value of both swaps had a negative fair value as of June 30, 2012 as a result of low interest rates. The fair values were determined using the market valuation.

Associated Bond Issue	Notional Amounts	Trade Date	Terms	Fair Values	Swap Term Date	Counterparty/ Credit Rating
BB&T Series 2009	\$ 28,317,795	12/31/2009	Pay 4.46%, receive 68% one-month LIBOR + 1.625%	\$ (2,857,630)	1/5/2017	BB&T, A1/A/A+
BB&T Series 2010	2,280,360	12/17/2010	Pay 3.91%, receive 68% one-month LIBOR + 1.625%	(191,384)	12/5/2017	BB&T, A1/A/A+

*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 BB&T. As of June 30, 2012, 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.

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

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

*Basis risk* – The Commission is exposed to basis risk on its pay-fixed interest rate swaps because the variable rate payments received on these derivative instruments are based on a rate or index other than the interest rates the Commission pays on its hedged variable-rate debt, which is remarketed monthly. 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.

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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

*Rollover risk* – The Commission is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature prior to the maturity of the associated debt. Both derivative instruments expose the Commission to rollover risk in that the debt maturity date is January 25, 2035 while the swap termination dates are January 5, 2017 and December 5, 2017.

*Market-access risk* – The Commission is exposed to market-access risk as an issuance of refunding bonds related to the underlying debt is planned in the future. If at that time the Commission is unable to enter credit markets, expected costs savings may not be realized.

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

**NOTE 11 – RETIREMENT PLAN**

All County employees, except certain policemen and firemen, participate in the Howard County Employees Retirement Plan (Retirement Plan) which was established July 1, 1995. The Retirement Plan is a single-employer defined benefit public employee retirement plan administered by the County. The Plan was established, is operated, and may be amended under the provisions of the Howard County Code, Sections 1.400 and 1.401 to 1.478.

The Retirement Plan provides retirement benefits, as well as death and disability benefits and cost-of-living adjustments. Participants attaining the age of 62 who have completed two years of eligibility service and the sum of attained age in whole years and years of eligibility service equal at least 67, or participants who have completed 30 years eligibility service, are entitled to a normal retirement benefit. Employees are required to contribute 2% of annual compensation plus 2% of annual compensation exceeding the Social Security Taxable Wage Base. The County funds the remainder of the cost of its employees' participation in the Retirement Plan at rates determined actuarially that are sufficient to accumulate sufficient assets to pay benefits when due. All full-time and permanent part-time employees must be members of one of the plans. All employees hired after July 1, 1995 must enroll in the Retirement Plan. The Retirement Plan issues separate audited financial reports which may be obtained by writing to: Howard County, Maryland, Director of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043.

The Commission's 2012 reimbursement to the County for retirement benefits was \$265,566.

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

The Commission participates in the Howard County, Maryland Post-Retirement Medical Plan (the Plan), a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the Howard County Government (the County). The Plan provides medical and life insurance benefits to retired employees of participating governmental entities. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan.

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

Costs and related liability, if any, are recorded by the County. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of the Commission are not available. There are no separate financial statements for the Plan, but additional information regarding the plan is available in the County's Comprehensive Annual Financial Report, which may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

**NOTE 13 – DEFERRED COMPENSATION PLAN**

The County has made available deferred compensation plans to all its employees. The plans were established in accordance with Internal Revenue Code Section 457. A deferred compensation plan offers employees an opportunity to defer a portion of their salary, along with the related income taxes, until future years. The deferred compensation funds are not available to employees until termination, retirement, death, or unforeseeable emergency.

Additional information regarding these plans is available in the County's Comprehensive Annual Financial Report, which may be obtained by writing to: Howard County, Maryland, Director of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043.

**NOTE 14 – ECONOMIC DEPENDENCY**

The Commission received approximately 34% of their total revenue in fiscal year 2012 from the U.S. Department of HUD.

**NOTE 15 – RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters. The Commission is covered under the County's self-insured risk management program, and various insurance policies paid by the Commission. The County's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the use of a risk pool and commercial insurance. The County has established two internal service funds to account for and finance its uninsured risks of loss. The County's Employee Benefits Fund provides full coverage for employee benefits and long-term disability claims. The County's Risk Management Fund provides coverage up to a maximum of \$1,000,000 for each liability claim, \$100,000 for each property damage claim, and \$500,000 for each worker's compensation claim.

The County belongs to the Local Government Insurance Trust (LGIT), a municipal pool which provides insurance for claims in excess of coverage provided by the County's Risk Management Fund. The County participates in the Trust in the areas of excess property, general and automobile liability coverage. Commercial insurance is purchased for excess workers' compensation, boiler and machinery and commercial crime coverages.

**HOWARD COUNTY HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 15 – RISK MANAGEMENT (CONTINUED)**

The LGIT is a total risk and cost-sharing pool for all participants. In the event that the Trust's General Fund falls into a deficit that cannot be satisfied by transfers from the Trust's capital and surplus accounts, the Trustees shall determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit.

Premiums are charged to the General Fund, with no provision made for claim liability in addition to premiums, unless an assessment is made by the Trust. There have been no assessments during the period ended June 30, 2012 and the amount of settlements has not exceeded coverage for each of the past three years. The Commission makes payments to the County's Internal Service Fund based on a combination of actuarial estimates and historical cost information in amounts needed to pay prior and current year claims and to establish a reserve for future claims and/or catastrophic losses. The Commission has paid \$38,630 for the risk management program for the period ended June 30, 2012.

Additional information regarding the County's risk management programs is available in the County's Comprehensive Annual Financial Report, which may be obtained by writing to: Howard County, Maryland, Director of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043.

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

The Commission entered into ground lease agreements as lessor with several limited partnerships that have constructed or are in the process of constructing rental home projects. The terms of the leases vary from 55 years to 99 years with an annual rent of \$1. The units must be used for affordable housing and are subject to affordable housing requirements. If at any time during the lease the affordable housing requirements are not met, the tenant is deemed to be in default and the lease is voided.

<u>Project</u>	<u>Date</u>	<u>Lessee</u>	<u>Terms</u>
Orchard Crossing Apartments	7/29/1994	ODC Crossing Limited Partnership	Rent to be paid annually from cash flow up to \$96,000, no option
Colonial Landing (formerly Elkrige Elderly Apartments)	8/9/1995	Elkrige Apartments Limited Partnership	Rent to be paid annually from cash flow up to \$40,000, option to purchase
Park View at Ellicott City	8/5/1998	Ellicott City Limited Partnership	No rent, option to purchase
Selbourne House at Dorsey Hall	10/20/1999	Dorsey-Selbourne Limited Partnership	No rent, option to purchase
Hickory Ridge Place	10/24/2002	Hickory Ridge Village LLLP	\$530,000 rent paid at execution, option to purchase
Park View at Snowden River	10/8/2003	Snowden River LLLP	\$550,000 paid at execution, option to purchase
Port Capital	2/7/2006	Port Capital Village Limited Partnership	\$1.00 annually, no option to purchase
Patuxent Square (residential)	10/31/2006	ODC Residential Limited Partnership	\$45,000 annually, deferred for 20 years
Patuxent Square (retail)	10/31/2006	ODC - Retail, LLC	\$20,000 annually, deferred for 20 years
Park View at Emerson	12/28/2007	Emerson LLLP	No rent, option to purchase
Residences at Ellicott Gardens	6/1/2008	Residences at Ellicott Gardens LLC	No rent, option to purchase

**HOWARD COUNTY HOUSING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Grants**

The Commission receives grant funds, principally from HUD, the State and County for various housing programs. Expenditures from certain of these funds are subject to audit by the grantor, and the Commission is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Commission's management, no material refunds will be required as a result of expenditures disallowed by the grantors.

**Department of Housing and Community Development of the State of Maryland Loans**

Since the Commission's inception, the Department of Housing and Community Development of the State of Maryland has provided \$9,896,422 in non-amortizing loans which are intended to be outstanding in perpetuity, provided that the Commission continues to meet certain conditions; however, the entire principal balance of the loans, together with all deferred interest, shall become due and payable on the occurrence of any of the following: (a) the project properties are no longer being used as rental housing for eligible households, (b) the refinancing, sale, transfer, or conveyance of the project properties, (c) any encumbrances of the project properties without the prior written consent of the Department of Housing and Community Development of the State of Maryland, and (d) various other default provisions. Management believes that the Commission is in compliance with the loan provisions and no monies are due under the loan agreements.

**NOTE 17 – RELATED PARTIES**

The Commission is a discretely presented component unit of the County. Since the Commission's inception the County has provided full staff support to the Commission, for which the Commission reimburses the County for staff salary and benefits. During fiscal year 2012, the County has forgiven a portion of the costs that have been accumulating related to salary and benefits for fiscal years 2011 and 2012. The total forgiveness of debt amounted to \$3,738,954.

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent to year end, the Commission received approximately 6.3 acres of land, including buildings and improvements, donated by ATAPCO HS Acquisitions on September 10, 2012. The donation is subject to the Moderate Income Housing Unit Declaration of Covenants and Restrictions and is valued at \$2,550,000.

The Commission also received approximately 5.6 acres of land, including buildings and improvements, donated by ATAPCO HS Acquisitions on September 24, 2012. The donation is subject to the Moderate Income Housing Unit Declaration of Covenants and Restrictions and is valued at \$1,600,000.

The Commission expects to complete the issue Series 2012 Refunding Bonds related to the Columbia Landing project. The 2012 Series A bonds with an estimated par value of \$31,125,000 would refund the current BB&T Series 2009 and Series 2010 bonds outstanding (\$30,654,227). The 2012 Series A bonds are expected to be issued as floating rate notes and the Commission will enter into an interest rate swap. The 2012 Series B bonds with an estimated par value of \$3,140,000 are expected to be issued as taxable fixed rate bonds. The refunding should provide the Commission with significant cost savings. The Commission expects to complete the issue in November 2012.

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

**SUPPLEMENTAL INFORMATION**

**HOWARD COUNTY HOUSING COMMISSION**  
**ENTITY-WIDE BALANCE SHEET SUMMARY**  
**June 30, 2012**

Line Item No.	Account Description	Project Total	Housing Choice Vouchers		State/Local	Community Development Block Grant/Entitlement Grants		Housing Opportunities for Persons with AIDS		HOME	Economic Development Initiative		Disaster Voucher Program	Total
<b>CURRENT ASSETS</b>														
Cash:														
111	Cash - unrestricted	\$ 207,655	\$ 646,869	\$ 1,756,337	\$ -	\$ -	\$ 209,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,813,820
112	Cash - restricted - modernization and development	62,481	-	12,423,530	-	-	-	-	-	-	-	-	-	12,486,011
113	Cash - other restricted	-	808,027	-	-	-	-	-	-	-	-	-	-	808,027
114	Cash - tenant security deposits	27,526	-	322,751	-	-	-	-	-	-	-	-	-	350,277
115	Cash - restricted for payment of current liability	-	80,437	-	-	-	-	-	-	-	-	-	-	80,437
100	Total cash	307,672	1,535,333	14,502,618	-	-	209,959	-	-	-	-	-	-	15,038,382
<b>Receivables:</b>														
121	Accounts receivable - PHA projects	-	422,359	-	-	-	-	-	-	-	-	-	-	422,359
122	Accounts receivable - HUD other projects	-	-	-	-	-	-	-	-	-	-	-	-	22,230
124	Accounts receivable - other government	-	-	69,211	-	-	41,352	-	-	-	-	-	-	110,563
125	Accounts receivable - miscellaneous	-	-	833,996	-	-	-	-	-	-	-	-	-	833,996
126	Accounts receivable - tenants - dwelling units	37,745	-	62,775	-	-	-	-	-	-	-	-	-	100,520
125.1	Allowance for doubtful accounts - dwelling units	(8,295)	-	(11,787)	-	-	-	-	-	-	-	-	-	(20,082)
125.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-	-	-
128	Fraud recovery	-	120,612	1,100	-	-	-	-	-	-	-	-	-	121,712
128.1	Allowance for doubtful accounts - fraud	-	(20,857)	-	-	-	(2,559)	-	-	-	-	-	-	(23,416)
120	Total receivables, net of allowances for doubtful accounts	31,450	528,105	445,235	10,803	-	40,994	-	-	-	-	-	22,230	1,078,877
131	Investments - unrestricted	-	-	429,170	-	-	-	-	-	-	-	-	-	429,170
142	Prepays and other assets	-	1,341	63,050	-	-	-	-	-	-	-	-	-	64,391
143	Inventories	50	-	50	-	-	-	-	-	-	-	-	-	100
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Inter programs - due from	-	-	300,000	-	-	-	-	-	-	-	-	-	300,000
150	Total current assets	419,172	2,064,579	15,744,065	10,803	-	209,959	-	-	-	-	-	22,230	16,511,822
<b>NONCURRENT ASSETS</b>														
161	Land	1,014,694	-	29,450,254	-	-	-	-	-	-	-	-	-	30,464,948
162	Buildings	6,285,834	-	43,944,088	-	-	-	-	-	-	-	-	-	50,230,922
164	Furniture, equipment & machinery - administration	-	-	38,799	-	-	-	-	-	-	-	-	-	38,799
165	Leasehold improvements	-	-	29,858	-	-	-	-	-	-	-	-	-	29,858
166	Accumulated depreciation	(2,728,098)	-	(9,492,877)	-	-	-	-	-	-	-	-	-	(12,220,975)
167	Construction in progress	-	-	5,872,544	-	-	-	-	-	-	-	-	-	5,872,544
160	Total fixed assets, net of accumulated depreciation	4,582,230	-	69,512,670	-	-	-	-	-	-	-	-	-	74,094,900
171	Notes, loans, & mortgages receivable - noncurrent	-	-	5,253,680	-	-	-	-	-	-	-	-	-	5,253,680
174	Other assets	-	-	3,294,862	-	-	-	-	-	-	-	-	-	3,294,862
176	Investments in joint ventures	-	-	4,114,516	-	-	-	-	-	-	-	-	-	4,114,516
180	Total noncurrent assets	4,582,230	-	82,175,754	-	-	-	-	-	-	-	-	-	86,757,984
160	<b>TOTAL ASSETS</b>	\$ 5,001,402	\$ 2,064,579	\$ 17,919,819	\$ 10,803	\$ -	\$ 209,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,230	\$ 105,269,806

**HOWARD COUNTY HOUSING COMMISSION**  
**ENTITY-WIDE BALANCE SHEET SUMMARY**  
**June 30, 2012**

Line Item No.	Account Description	Project Total	Community Development					HOME	Total
			Housing Choice Vouchers	State/Local	Entitlement Grants	Housing Opportunities for Persons with AIDS	Economic Development Initiative		
<b>CURRENT LIABILITIES</b>									
312	Accounts payable - < 90 days	\$ 2,412	\$ -	\$ 453,138	\$ -	\$ 919	\$ -	\$ -	\$ 456,469
322	Accrued compensated absences - current portion	-	35,469	45,798	-	-	-	-	81,267
341	Tenant security deposits	27,526	-	258,755	-	-	-	-	286,281
342	Deferred revenues	525	221,877	30,957	-	-	-	-	258,719
343	Current portion of long-term debt - capital projects/ mortgage revenue bonds	100,000	-	1,480,723	-	-	-	-	1,580,723
345	Other current liabilities	-	85,437	-	-	-	-	-	85,437
347	Inter program - due to	-	-	-	-	277,772	-	22,230	300,002
310	Total current liabilities	130,263	337,783	2,274,631	-	278,691	-	22,230	3,043,896
<b>NONCURRENT LIABILITIES</b>									
351	Long-term debt, net of current - capital projects/ mortgage revenue bonds	400,000	-	60,900,163	-	-	-	-	61,300,163
353	Non-current liabilities - other	-	72,648	3,977,384	-	-	-	-	4,050,032
354	Accrued compensated absences - noncurrent	-	23,846	30,532	-	-	-	-	54,378
350	Total noncurrent liabilities	400,000	96,294	64,911,079	-	-	-	-	65,407,373
300	Total liabilities	530,263	434,077	67,186,010	-	278,691	-	22,230	68,451,271
<b>EQUITY</b>									
506.1	Invested in capital assets, net of related debt	4,082,230	-	7,128,790	-	-	-	-	11,211,020
511.1	Restricted net assets	62,491	735,379	12,487,528	-	-	-	-	13,285,396
512.1	Unrestricted net assets	326,418	895,123	11,117,513	10,803	(27,736)	-	-	12,322,119
513	Total equity/net assets	4,471,139	1,625,502	30,733,829	10,803	(27,736)	-	-	36,818,535
600	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	\$ 5,001,402	\$ 2,064,579	\$ 97,919,839	\$ 10,803	\$ 250,955	\$ -	\$ 22,230	\$ 105,269,806

**HOWARD COUNTY HOUSING COMMISSION**  
**ENTITY-WIDE REVENUE AND EXPENSE SUMMARY**  
**Year Ended June 30, 2012**

Line Item No.	Account Description	Project Total	Housing Choice Vouchers	State total	Community Development Block Grants	Housing Opportunities for Persons with AIDS	HOME	Economic Development Initiative	Disaster Voucher Program	Total
<b>REVENUES</b>										
70300	Net tenant rental revenue	\$ 233,261	\$ -	\$ 5,630,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,870,576
70400	Tenant revenue - other	11,069	-	132,740	-	-	-	-	-	143,839
70500	Total tenant revenue	246,450	-	5,762,965	-	-	-	-	-	5,914,415
70600	MUD PIH operating grants	14,194	9,228,367	-	372,677	96,798	366,169	340,372	-	10,466,487
70610	Capital grants	143,838	-	-	-	-	-	-	-	143,838
70800	Other government grants	684,493	-	896,259	-	-	-	-	-	1,580,714
71100	Investment income - unrestricted	-	-	3,406	-	-	-	-	-	3,406
71200	Mortgage interest income	-	-	194,717	-	-	-	-	-	194,717
71300	Proceeds from disposition of assets held for sale	-	-	2,334,200	-	-	-	-	-	2,334,200
71310	Cost of sale of assets	-	-	(3,250,088)	-	-	-	-	-	(3,250,088)
71400	Fraud recovery	-	29,652	-	-	-	-	-	-	29,652
71500	Other revenue	-	6,431,831	231,540	-	-	-	-	-	6,663,371
71600	Gain/loss on sale of fixed assets	142	-	4,828	-	-	-	-	-	4,970
72000	Investment income - restricted	-	-	2,520	-	-	-	-	-	2,520
70000	Total revenues	1,099,079	35,699,740	6,063,748	372,677	96,798	366,169	340,372	-	34,966,984
<b>EXPENSES</b>										
<b>Administrative</b>										
91100	Administrative salaries	-	964,013	1,005,989	-	-	-	-	-	2,000,007
91200	Auditing fees	16,110	22,374	47,210	-	-	-	-	-	85,710
91300	Outside management fees	-	-	262,059	-	-	-	-	-	262,059
91310	Bookkeeping fee	-	-	60	-	-	-	-	-	60
91400	Advertising expenses	-	-	63,041	-	-	-	-	-	63,041
91500	Other operating - administrative	26,940	18,056	170,593	(24)	-	-	-	-	216,007
91700	Legal expense	-	6,348	27,374	-	-	-	-	-	33,722
91800	Travel expense	67	25	14,121	-	-	-	-	-	14,213
	Total administrative	43,103	1,042,875	1,560,848	(24)	-	-	-	-	2,446,833
<b>Tenant services</b>										
92100	Tenant services - salaries	68,371	-	101,119	-	-	-	-	-	169,490
92300	Employee benefit contributions - tenant services	16,433	-	22,529	-	-	-	-	-	40,962
92400	Tenant services - other	11,865	-	85,192	-	-	-	-	-	97,057
	Total tenant services	86,669	-	208,840	-	-	-	-	-	294,509
<b>Utilities</b>										
93100	Water	12,508	-	96,321	-	-	-	-	-	108,829
93200	Electricity	6,484	-	179,769	(710)	-	-	-	-	185,663
93300	Gas	-	-	115,174	-	-	-	-	-	115,174
	Total utilities	19,032	-	391,264	(710)	-	-	-	-	406,586
<b>Ordinary maintenance &amp; operations</b>										
94100	Ordinary maintenance and operations - labor	158,475	-	420,820	-	-	-	-	-	798,295
94200	Ordinary maintenance and operations - materials and other	13,730	-	135,623	-	-	-	-	-	149,353
94300	Ordinary maintenance and operations - contract costs	48,432	12,701	395,080	(850)	-	-	-	-	1,016,314
	Total ordinary maintenance & operations	220,637	12,701	1,221,623	(850)	-	-	-	-	1,954,112
<b>Protective services</b>										
95100	Protective services - labor	-	-	56,295	-	-	-	-	-	56,295
	Total protective services	-	-	56,295	-	-	-	-	-	56,295

**HOWARD COUNTY HOUSING COMMISSION  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
Year Ended June 30, 2012**

Line Item No.	Account Description	Project Total	Housing Choice Vouchers	State-level	Community Development Block Grants/Entitlement Grants	Housing Opportunities for Persons with AIDS	HOME	Economic Development Initiative	Disaster Voucher Program	Total
98110	Insurance premiums: Property insurance	\$ 5,910	\$ 16,997	\$ 164,913	-	\$ -	\$ -	\$ -	\$ -	\$ 207,820
	Total insurance premiums	5,910	16,997	164,913	-	-	-	-	-	207,820
98200	General expenses:									
98210	Other general expenses	5,013	21,182	500,811	214,300	-	-	-	-	741,306
98300	Compensated absences	-	-	-	-	-	-	-	-	-
98400	Payments in lieu of taxes	76,981	-	132,559	-	-	-	-	-	209,540
98500	Bad debt - tenant rents	4,808	-	2,662	-	-	-	-	-	7,470
	Bad debt - other	-	5,935	99,981	-	-	-	-	-	105,916
	Total general expenses	26,585	27,117	823,953	214,300	-	-	-	-	1,091,947
98720	Interest and amortization expense:									
98735	Interest on notes payable	-	-	2,218,519	-	-	-	-	-	2,218,519
	Amortization of bond issue costs	-	-	5,277	-	-	-	-	-	5,277
	Total interest and amortization expense	-	-	2,223,796	-	-	-	-	-	2,229,076
98900	Total operating expenses	403,664	1,099,526	7,170,502	212,716	-	-	-	-	8,886,828
97200	Excess operating revenue over operating expenses	665,645	14,596,114	11,096,753	193,961	98,798	266,149	360,372	-	15,173,776
97300	Housing assistance payments	-	\$ 130,183	49,031	-	130,157	-	-	-	\$ 309,371
97350	HAP portability - in	209,954	6,195,005	-	-	-	-	-	-	6,404,959
97400	Depreciation expense	-	-	1,485,419	-	-	-	-	-	1,485,419
98000	Total expenses	613,938	16,414,812	8,704,952	212,716	133,157	-	-	-	18,778,573
10010	Operating transfers in	143,809	-	964,328	10,803	-	-	-	-	1,098,939
10020	Operating transfers out	(143,809)	-	(10,803)	(158,377)	-	(966,189)	(580,372)	-	(1,858,579)
99989	Operating transfer from (to) primary government	-	-	-	-	-	-	-	-	-
99999	Special items, net gains/losses	312,728	1,025,495	2,360,791	-	-	-	-	-	3,708,954
10100	Total other financing sources (uses)	312,728	1,025,495	3,294,856	(147,574)	-	(366,189)	(385,372)	-	3,738,954
10000	Excess (deficiency) of operating revenues over (under) expenses	\$ 787,969	\$ 310,423	\$ 643,603	\$ 13,387	\$ (34,359)	\$ -	\$ -	\$ -	\$ 1,726,083
<b>Memo Account Information</b>										
11020	Debt principal payments - enterprise funds	-	-	1,480,723	-	-	-	-	-	1,480,723
11030	Beginning equity	3,683,170	1,320,079	32,094,169	(1,584)	6,021	-	-	-	35,098,452
11040	Prior period adjustments, equity transfers and correction of errors	-	-	-	-	-	-	-	-	-
11120	Maximum annual contributions commitment (per ACC)	-	-	-	-	-	-	-	-	-
11140	Private maximum annual contributions applicable to a period of less than twelve months	-	-	-	-	-	-	-	-	-
11150	Contingency reserve, ACC program reserve	-	-	-	-	-	-	-	-	-
11160	Total annual contributions available	-	-	-	-	-	-	-	-	-
11170	Administrative fee equity	-	895,125	-	-	-	-	-	-	895,125
11180	Housing assistance payments equity	-	735,379	-	-	-	-	-	-	735,379
11190	Line months available	600	10,806	7,397	-	204	-	-	-	19,901
11210	Number of unit months leased	564	6,449	6,669	-	151	-	-	-	16,042
11270	Excess cash	226,368	917,430	981,625	10,803	-	-	-	-	2,136,226
11920	Building purchase	143,838	-	-	-	(27,738)	-	-	-	143,838