

HOWARD COUNTY HOUSING COMMISSION
Howard County, Maryland

BASIC FINANCIAL STATEMENTS
June 30, 2011

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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, 2011, 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, 2011, 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 September 27, 2011, 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.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. 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 information identified in the Table of Contents listed as supplemental information on pages 29 to 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Baltimore, Maryland
September 27, 2011

**HOWARD COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011. 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, 2011 and 2010, net assets changed as follows:

	<u>2011</u>	<u>2010</u>
Beginning net assets	\$ 28,711,758	\$ 29,235,205
Increase (decrease) in net assets	<u>6,386,694</u>	<u>(523,447)</u>
Ending net assets	<u>\$ 35,098,452</u>	<u>\$ 28,711,758</u>

**HOWARD COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

THE COMMISSION

Financial Highlights

The Commission staff has pushed forward to further stabilize the Commission's financial standing and redevelop the major assets in its real estate portfolio despite significant macroeconomic challenges, tightening credit, and increasingly difficult federal budget environment. Much of the focus in fiscal year 2011 was placed on (i) effecting operating efficiencies; (ii) enhancing monitoring, compliance, and reporting activities and systems; (iii) strengthening administrative, financial, and programmatic systems and processes; and (iv) closing financing on, building, leasing, and stabilizing large multi-family properties. Highly challenging economic times and greater unemployment continued to drive greater demand for service provision to individuals and families. Delinquencies have decreased due to a newly implemented rent collection policy and an aggressive leasing termination process.

The Housing Choice Voucher, Public Housing, and related rental assistance programs continue to support affordable rental housing for low-income Howard County residents. Although the economic crisis continues, the rental market is strong in Howard County. The HUD Fair Market Rent for a 2-bedroom unit in Columbia, MD (the central service area for the Commission and largest residential area in Howard County) increased by almost \$50 during October of 2009 - a three percent increase over 2008. HUD's funding increased by 10 percent in actual dollars in 2010, representing a correction to previous years of underfunding but falls far short of restoring the Commission's ability to serve families at 2004 funding levels. HUD converted funding from unit-based to dollar-based in 2004, significantly decreasing the maximum number of families eligible to be served from a high of 890 families to the current level of 705 families. This represents a potential loss of 185 units (21%) but an actual loss of only 130 units (16%) since HUD's 2004 funding methodology change never allowed maximum utilization to be obtained.

This year continued the Commission's resurgence. Our Partnerships with developers, banking institutions, County government, and communities have deepened. As a consequence, the Commission was able to continue providing high quality homeownership and rental opportunities to Howard County families.

**HOWARD COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

CONDENSED FINANCIAL INFORMATION

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

	<u>2011</u>	<u>2010</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Current assets				
Cash and cash equivalents	\$ 6,937,909	\$ 5,249,905	\$ 1,688,004	32.15%
Accounts receivable	1,777,654	1,840,515	(62,861)	-3.42%
Investments	428,528	425,000	3,528	0.83%
Other current assets	<u>61,853</u>	<u>13,222</u>	<u>48,631</u>	367.80%
Total current assets	<u>9,205,944</u>	<u>7,528,642</u>	<u>1,677,302</u>	22.28%
Noncurrent assets				
Shared equity properties/investment in real estate partnership	4,024,389	4,983,380	(958,991)	-19.24%
Mortgages receivable	3,569,208	3,189,531	379,677	11.90%
Capital assets, net	71,056,157	68,836,251	2,219,906	3.22%
Other noncurrent assets	<u>687</u>	<u>5,166</u>	<u>(4,479)</u>	-86.70%
Total noncurrent assets	<u>78,650,441</u>	<u>77,014,328</u>	<u>1,636,113</u>	2.12%
Total Assets	<u>\$ 87,856,385</u>	<u>\$ 84,542,970</u>	<u>\$ 3,313,415</u>	3.92%
Current liabilities				
Accounts payable	\$ 430,457	\$ 401,092	\$ 29,365	7.32%
Current portion of long-term debt	1,111,467	1,892,449	(780,982)	-41.27%
Other current liabilities	<u>3,320,966</u>	<u>4,771,605</u>	<u>(1,450,639)</u>	-30.40%
Total current liabilities	<u>4,862,890</u>	<u>7,065,146</u>	<u>(2,202,256)</u>	-31.17%
Noncurrent liabilities				
Loans payable - long-term	46,876,475	47,678,991	(802,516)	-1.68%
Other noncurrent liabilities	<u>1,018,568</u>	<u>1,087,075</u>	<u>(68,507)</u>	-6.30%
Total noncurrent liabilities	<u>47,895,043</u>	<u>48,766,066</u>	<u>(871,023)</u>	-1.79%
Total Liabilities	<u>\$ 52,757,933</u>	<u>\$ 55,831,212</u>	<u>\$ (3,073,279)</u>	-5.50%
Net assets				
Invested in capital assets, net of related debt	\$ 23,232,779	\$ 20,333,383	\$ 2,899,396	14.26%
Restricted	3,505,852	2,920,926	584,926	20.03%
Unrestricted	<u>8,359,821</u>	<u>5,457,449</u>	<u>2,902,372</u>	53.18%
Total Net Assets	<u>\$ 35,098,452</u>	<u>\$ 28,711,758</u>	<u>\$ 6,386,694</u>	22.24%

**HOWARD COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Operating Revenues				
Rental income	\$ 5,899,954	\$ 6,162,096	\$ (262,142)	-4.3%
HUD subsidies	15,763,794	14,252,720	1,511,074	10.6%
Other grants and revenue	4,137,855	3,735,564	402,291	10.8%
Total operating revenues	<u>25,801,603</u>	<u>24,150,380</u>	<u>1,651,223</u>	6.8%
Operating Expenses				
General administrative and general	3,416,732	4,244,713	(827,981)	-19.5%
Housing operations and tenant services	2,900,351	3,284,544	(384,193)	-11.7%
Housing assistance payments	14,470,564	13,881,522	589,042	4.2%
Total operating expenses	<u>20,787,647</u>	<u>21,410,779</u>	<u>(623,132)</u>	-2.9%
Operating income before depreciation	5,013,956	2,739,601	2,274,355	83.0%
Depreciation	1,569,985	1,606,014	(36,029)	-2.2%
Total operating income	<u>3,443,971</u>	<u>1,133,587</u>	<u>2,310,384</u>	203.8%
Total non-operating revenues (expenses)	2,761,478	(1,711,204)	4,472,682	-261.4%
Income/(loss) before contributions and transfers	6,205,449	(577,617)	6,783,066	-1174.3%
Capital contributions and transfers	181,245	54,170	127,075	234.6%
Change in net assets	<u>\$ 6,386,694</u>	<u>\$ (523,447)</u>	<u>\$ 6,910,141</u>	1320.1%

Change in Net Assets:

1. The assets of the Commission exceeded its liabilities at the close of the 2011 fiscal year by \$35,098,452. This amount includes \$8,359,821 in unrestricted assets.
2. The assets of the Commission increased by \$3,313,415 in fiscal year 2011.
3. As compared to last fiscal year, net cash for the Commission increased by \$1,688,004, while accounts receivable decreased by \$62,861. The increase in net cash was due to the Commission receiving additional HUD funding for the Housing Choice Voucher program as well as an improvement of the collection of receivables process.
4. Investments decreased by \$955,463, as well net capital assets increased by \$2,219,906 in fiscal year 2011. The decrease in investments was due to the sale of four residential units to qualified income eligible Howard County buyers. Although during fiscal year 2011 the Commission decreased investment activities, there was a \$160,000 contribution to the Maryland Department of Housing and Community Development for affordable rental housing preservation developments through the MD-BRAC Preservation loan fund.
5. The Commission issued 10 loans through the Settlement Down Payment Loan Program to qualified Howard County homebuyers to assist with settlement expenses and/or the down payment of their primary loan. Therefore the mortgages receivable increased by \$379,677 in fiscal year 2011.

**HOWARD COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

6. At fiscal year-end, total liabilities for the Commission experienced a decrease of \$3,073,279 or (5.5%) over the prior year. The decrease is mainly the result of the County waiving the FY2009 and FY2010 administrative charge backs as well as the repayment of Commission loans.
7. The Commission's total change in net assets reported a favorable variance of \$6,386,694 or 22.24%.

Changes in Income Statement:

1. Rental income decreased by \$262,142 as the result of several factors. In the latter part of FY 20110 and through FY 2011, the redevelopment of the Monarch Mills property took place. During FY 2011 the Commission started renovations on the Morningside Park Senior Apartment community and also began predevelopment on the Hilltop and Ellicott Terrace properties. Some of the units are vacant and are scheduled to remain vacant throughout the renovation process in an effort to alleviate the offsite displacement of residents.
2. In FY 2011, the HUD subsidies revenue increased by \$1,511,074 or 10.6% as compared to the prior year. The increase in revenue is the result of HUD's revision of its funding policies and procedures relating to Housing Assistance Payments (HAP), as well, the Commission realized increases in "Port-Ins" from other housing authorities, which all resulted in increased revenue for FY 2011.
3. At year-end, other grants and revenue increased by \$402,291 due to a variety of changes in funding resources.
4. Total operating expenses decreased by \$623,132 or (2.9%) in FY 2011, which is attributable to, in large part, the County's forgiveness of debt and the redevelopment of various Commission rental properties.
5. Total non-operating revenues increased by \$4,472,682, mainly due to the result of the County waiving \$4,087,908 in FY 2009 and FY 2010 administrative charge backs.

**HOWARD COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

CAPITAL ASSETS

At the end of 2011, the Commission had just over \$71,000,000 invested in capital housing assets.

	Capital Assets at Year-End (Net of Depreciation)	
	2011	2010
Land	\$ 30,770,321	\$ 30,831,758
Building	49,970,486	46,700,462
Construction-in-progress	815,381	240,775
Accumulated depreciation	<u>(10,500,031)</u>	<u>(8,936,744)</u>
Total	<u>\$ 71,056,157</u>	<u>\$ 68,836,251</u>

Capital Assets:

1. The total accumulated depreciation in FY 2011 was \$10,500,031 which resulted in a decrease in capital assets. During FY 2011, the Commission sold land at Owen Brown II (Park View at Columbia) and one unit in the Kingswoods development. The Ellicott Gardens parking lot project was also completed in FY 2011.
2. At fiscal year-end, construction of the 10 single-family for sale homes known as Cottages at Greenwood well under way. The development and renovation of the Morningside Park Senior Apartments was also initiated in fiscal year 2011.
3. During FY 2011 the County transferred to the Commission the Hilltop, Tiber Hudson, Roger Carter, Ellicott Mills Drive residual and the southern portion of the complex properties.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Capital funding and operating subsidies have decreased slightly for fiscal year 2011. The overall economy is tumultuous and the capital markets have not loosened credit availability. HUD's budget continues to tighten as a consequence of federal budget cuts related to the deficit and will likely fall for the foreseeable future. However, the Federal Reserve has indicated that interest rates are likely to remain low through 2013.

The Commission continues to move its redevelopment plans ahead, taking advantage of potential price decreases for materials, labor, and land and will work to identify strategic and cash flowing acquisition opportunities to better diversify its revenue stream. The Commission has completed phase one of its Monarch Mills (formerly Guilford Gardens) apartment community, and phase two construction efforts are well under way, with more new units anticipated for fall 2011 and winter 2012.

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, 3rd Floor, Columbia, Maryland 21046 or call at 410.313.6320.

BASIC FINANCIAL STATEMENTS

**HOWARD COUNTY HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2011**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 3,048,870
Cash and cash equivalents - restricted	3,603,530
Cash - tenant security deposits	285,509
Investments	428,528
Accounts receivable, net	1,777,654
Prepaid expenses	61,753
Other current assets	<u>100</u>
Total current assets	<u>9,205,944</u>

NONCURRENT ASSETS

Shared equity properties	3,901,818
Investment in real estate partnerships	122,571
Notes and mortgages receivable	3,569,208
Other noncurrent assets	687
Capital assets	<u>71,056,157</u>
Total noncurrent assets	<u>78,650,441</u>

TOTAL ASSETS

\$ 87,856,385

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 430,457
Tenant security deposits	264,630
Accrued compensated absences, current portion	117,122
Deferred revenue, current portion	359,982
Due to primary government	2,481,554
Current portion of long-term debt	1,111,467
Other current liabilities	<u>97,678</u>
Total current liabilities	<u>4,862,890</u>

NONCURRENT LIABILITIES

Accrued compensated absences, less current portion	78,081
Deferred revenue	940,487
Long-term debt, less current portion	<u>46,876,475</u>
Total noncurrent liabilities	<u>47,895,043</u>
Total liabilities	<u>52,757,933</u>

NET ASSETS

Invested in capital assets, net of related debt	23,232,779
Restricted	3,505,852
Unrestricted	<u>8,359,821</u>
Total net assets	<u>35,098,452</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 87,856,385

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, 2011

OPERATING REVENUES	
Rent	\$ 5,899,954
HUD subsidies	15,763,794
Other revenues	<u>4,137,855</u>
 Total operating revenues	 <u>25,801,603</u>
OPERATING EXPENSES	
Administration	2,398,085
Tenant services	308,113
Utilities	426,659
Maintenance	2,165,579
General expenses	1,018,647
Housing assistance payments	<u>14,470,564</u>
 Total operating expenses	 <u>20,787,647</u>
 Operating income before depreciation	 5,013,956
 Depreciation	 <u>1,569,985</u>
 Total operating income	 <u>3,443,971</u>
NON-OPERATING REVENUES (EXPENSES)	
Gain on disposal of assets	178,557
Interest income	108,415
Interest expense	(1,613,402)
Forgiveness of debt from Primary Government	<u>4,087,908</u>
 Total non-operating revenues (expenses)	 <u>2,761,478</u>
 Income/(loss) before contributions and transfers	 6,205,449
 Capital contributions	 <u>181,245</u>
 CHANGE IN NET ASSETS	 6,386,694
 TOTAL NET ASSETS, BEGINNING OF YEAR	 <u>28,711,758</u>
 TOTAL NET ASSETS, END OF YEAR	 <u>\$ 35,098,452</u>

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

**HOWARD COUNTY HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from HUD	\$ 6,954,675
Cash received from tenants and others	15,763,794
Cash paid for administrative and general	(5,010,757)
Cash paid for housing operating and tenant services	(2,871,703)
Cash paid for housing assistance payments	<u>(14,470,564)</u>
Net cash provided by operating activities	<u>365,445</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of fixed assets	(906,056)
Proceeds from sale of asset	470,362
Capital contributions, transfers, and forgiveness of debt	4,269,153
Payment on notes payable	(4,351,952)
Proceeds from notes payable	<u>2,768,454</u>
Net cash provided by capital and related financing activities	<u>2,249,961</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in investments	(3,748)
Increase in shared equity properties	924,994
Interest on investment	15,785
Issuance of notes receivable	(287,047)
Interest expense	(1,613,402)
Deposits to reserve for replacement	<u>(41,216)</u>
Net cash used in investing activities	<u>(1,004,634)</u>

INCREASE IN CASH AND CASH EQUIVALENTS 1,610,772

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 5,041,628

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 6,652,400

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 3,443,971
Adjustments to reconcile cash and cash equivalents provided by operating activities:	
Depreciation	1,569,985
Donated property	(3,141,423)
Provisions for bad debt	28,648
Effects of changes in operating assets and liabilities:	
Prepaid expenses	(48,631)
Accounts receivable	34,213
Other non-current assets	4,479
Accounts payable	29,365
Tenant security deposits	(37,768)
Deferred revenue	61,844
Due to government	(1,606,353)
Accrued liabilities	<u>27,115</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 365,445

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

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 approves budgetary requests and provides a significant amount of funding.

Specific powers of the Commission include the following:

- Purchase, lease, 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
- Ability to make loans
- Make rent subsidy to persons of eligible income
- The Commission has no taxing power

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 purchases properties at 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, 2011

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 that were 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 Authority 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, 2011

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
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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, 2011, \$195,203 was accrued for compensated absences.

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is shown as non-operating revenue.

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."

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.

New Accounting Pronouncements

In fiscal year 2011, the Commission implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this new standard had no impact on the Commission's fiscal year 2011 financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash

At year-end, the aggregate carrying amount of the Commission's cash was \$6,937,909 and the bank balance was \$7,089,258. All deposits were collateralized and there was no exposure to custodial credit risk at June 30, 2011.

**HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2011, the Commission had the following investments:

<u>Type of Investments</u>	<u>Fair Value/ Carrying Amount</u>
Certificates of deposit issued by: BB&T	\$ 428,528

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, 2011 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, 2011.

NOTE 3 – CASH AND CASH EQUIVALENTS - RESTRICTED

Restricted cash consisted of the following at June 30, 2011:

HCVP HAP and administrative	\$ 1,193,386
HCVP FSS escrows	97,678
Replacement reserves	2,312,466
Tenant security deposit	<u>285,509</u>
Total	<u>\$ 3,889,039</u>

**HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011:

Tenants, net of allowance of \$19,630	\$ 101,053
U.S. Department of Housing and Urban Development	22,230
Accounts receivable - Primary Government	282,522
Accounts receivable - Other governments	232,332
Accounts receivable - Portability	238,730
Accounts receivable - Other, net of allowance of \$19,873	663,291
Accounts receivable - Ellicott Gardens	<u>237,496</u>
Total	<u>\$ 1,777,654</u>

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 42.54%. Total equity investment at June 30, 2011 totaled \$3,901,818.

During the year ended June 30, 2011, the Commission funded 3 purchases and sold 4 residential units to qualified income eligible Howard County buyers.

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.

<u>Project</u>	<u>HCHC Affiliate</u>	<u>Date Formed</u>	<u>HCHC Interest</u>	<u>Percentage Ownership</u>	<u>Equity Interest</u>
Dorsey-Selbourne Limited Partnership	Dorsey-Selbourne Limited Partnership	10/1/1999	General Partner	51%	\$ 52,410
Parkview at Emerson	Emerson Development LLLP (1)	12/28/2007	General Partner	51%	-
The Residence at Ellicott Gardens	The Residence at Ellicott Gardens LLC	6/7/2006	General Member	0.01%	70,185
Monarch Mills	Monarch Mills, LP	4/1/2010	General Member	0.01%	<u>(24)</u>
Total					<u>\$ 122,571</u>

(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, 2011**

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, 2011, consisted of the following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1. Mortgage notes receivable	\$ 692,356	\$ 69,296	\$ 761,652
2. ODC loan for Patuxent Square	2,000,000	385,000	2,385,000
3. Monarch Mills LP	259,315	3,241	262,556
4. BRAC Loan Fund	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total notes and mortgages receivable - noncurrent	<u>\$ 3,111,671</u>	<u>\$ 457,537</u>	<u>\$ 3,569,208</u>

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, 2011

NOTE 8 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for governmental funds for the year ended June 30, 2011 was as follows:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Land	\$ 30,831,758	\$ 151,420	\$ -	\$ (212,857)	\$ 30,770,321
Construction in progress	<u>240,775</u>	<u>906,056</u>	<u>(331,450)</u>	<u>-</u>	<u>815,381</u>
Total assets not being depreciated	<u>31,072,533</u>	<u>1,057,476</u>	<u>(331,450)</u>	<u>(212,857)</u>	<u>31,585,702</u>
Buildings and improvements	<u>46,700,462</u>	<u>2,990,003</u>	<u>331,450</u>	<u>(51,429)</u>	<u>49,970,486</u>
Total buildings and improvements	<u>46,700,462</u>	<u>2,990,003</u>	<u>331,450</u>	<u>(51,429)</u>	<u>49,970,486</u>
Less accumulated depreciation	<u>(8,936,744)</u>	<u>(1,569,985)</u>	<u>-</u>	<u>6,698</u>	<u>(10,500,031)</u>
Net book value	<u>\$ 68,836,251</u>	<u>\$ 2,477,494</u>	<u>\$ -</u>	<u>\$ (257,588)</u>	<u>\$ 71,056,157</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, 2011. 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.

The Commission was granted real property, from the County, known as the Hilltop Property, the Roger Carter Property, and the Southern Portion of the Complex Property, the Ellicott Mills Drive Residual Property, and the Tiber Hudson Property. As a discretely presented component unit of the County, the Commission recognized the cost of the land related to these properties at the County's carrying value. Total land and revenue recognized by the Commission was \$3,141,423. The property will be used for the redevelopment of a 278 unit mixed income residential community and recreational facility.

NOTE 9 – LONG TERM LIABILITIES

A summary of long-term liabilities is as follows:

	<u>June 30,</u> <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2011</u>	<u>Due Within</u> <u>One Year</u>
Long-term debt	\$ 49,571,440	\$ 2,768,454	\$ (4,351,952)	\$ 47,987,942	\$ 1,111,467
Accrued compensated absences	168,088	28,294	(1,179)	195,203	117,122
Deferred revenue	<u>1,238,625</u>	<u>214,651</u>	<u>(152,807)</u>	<u>1,300,469</u>	<u>359,982</u>
Total	<u>\$ 50,978,153</u>	<u>\$ 3,011,399</u>	<u>\$ (4,505,938)</u>	<u>\$ 49,483,614</u>	<u>\$ 1,588,571</u>

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – LONG TERM LIABILITIES (CONTINUED)

Long-term debt consists of the following as of June 30, 2011.

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.	\$ 128,704
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.	66,671
Howard County, Maryland, 40-year loan dated September 1999 payable at 3% per annum. 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.	395,301
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.	256,279
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
Howard County, Maryland, loan in the amount of \$32,000. Loan proceeds were used to acquire interest in Shared Equity Co-Ownership Property. Loan repayment is due upon sale of property.	32,000
Branch Banking and Trust Company line of credit in the amount of \$1,500,000. Interest shall be paid at prime. Currently interest for amounts borrowed is 4.25% per annum; interest will be paid monthly until the loan matures. All draws will mature one year from the date of issuance. In total, the Commission drew upon the line of credit in the cumulative amount of \$1,732,979, of which \$1,600,415 was repaid during the fiscal year. Loan proceeds were used to acquire interest in Shared Equity Co-Ownership Properties.	132,564
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.	2,000,000
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 1.754268% as of June 20, 2011. 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.	29,090,225

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – LONG TERM LIABILITIES (CONTINUED)

<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 1.8125% as of June 20, 2011. 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>\$ 2,346,213</p>
<p>Enterprise Community Loan Fund, eighteen months revolving construction loan maximum to \$2,000,000 and dated March 18, 2011. Current interest is 5%. Loan proceeds were used for the construction of ten single family homes, known as Cottages at Greenwood.</p>	<p>273,704</p>
<p>Howard County, Maryland, 5-year RHDP loan dated January 1, 2009 payable at \$200,000 per annum due December 31, 2013. 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>600,000</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>915,627</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>214,803</p>
<p>Department of Housing and Community Development of the State of Maryland, 10-year loan originally dated July 27, 2004, assumption of debt entered into on April 30, 2009. Interest shall be paid at 0% per annum. Repayment of loan is deferred until the earlier of 1) the refinancing, sale, or transfer of the property or 2) January 1, 2019. Debt will be forgiven in full on January 1, 2019 unless an event of default has occurred. Assumption of debt was incurred during the purchase of the rental housing project known as Ellicott Terrace.</p>	<p><u>520,000</u></p>
<p>Subtotal — amortizing loans.</p>	<p>38,643,520</p>

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – LONG TERM LIABILITIES (CONTINUED)

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.

\$ 9,344,422

Total

\$ 47,987,942

The changes in long-term debt for the period ended June 30, 2011 are as follows:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
BB&T Loan #10 - 7417 Mullberry Grove Dr. Elkridge	\$ 153,728	\$ -	\$ (21,164)	\$ 132,564
BB&T Loan #11 - Columbia Landing	2,344,249	-	(2,344,249)	-
BB&T Loan #13 - Columbia Landing Refinance	29,719,641	-	(629,416)	29,090,225
BB&T Loan #14 - Part of 2 million Line of credit	-	116,804	(116,804)	-
BB&T Loan #16 - 7225 Maidstone Place U#208, Elkridge	218,633	-	(218,633)	-
BB&T Loan #17 - 7166 Deep Falls Way U#215, Elkridge	221,341	-	(221,341)	-
BB&T Loan#18 - 7170 Deep Falls way U#217, Elkridge	221,435	-	(221,435)	-
BB&T Loan #19 - 7180 Deep Falls Way U#221 Elkridge	221,435	-	(221,435)	-
BB&T Loan #23-Columbia Landing	-	2,377,946	(31,733)	2,346,213
Enterprise Loan - Cottages at Greenwood	-	273,704	-	273,704
Howard County - 2008 Colt's Crossing Renovation	800,000	-	(200,000)	600,000
Howard County - 1992-Treover	133,340	-	(4,636)	128,704
Howard County - 1993-Modular/Elkridge	68,944	-	(2,273)	66,671
Howard County - 2001-Selbourne	409,580	-	(14,279)	395,301
Howard County - 2007 Kingswood	1,735,715	-	(64,286)	1,671,429
Howard County - 2007 ODC - Patuxent Sq	2,000,000	-	-	2,000,000
Howard County - 2008 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)	35,594	-	(4,129)	31,465
DHCD - Ellicot Terrace (CDA RHPP 2% Loan)	884,529	-	(367)	884,162
DHCD - Ellicot Terrace (CDA Tax Exempt Loan)	238,083	-	(23,280)	214,803
DHCD, State of Maryland - Orchard Crossing	268,771	-	(12,492)	256,279
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
Total	<u>\$ 49,571,440</u>	<u>\$ 2,768,454</u>	<u>\$ (4,351,952)</u>	<u>\$ 47,987,942</u>

**HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9 – LONG TERM LIABILITIES (CONTINUED)

Future maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,111,467	\$ 692,023
2013	1,425,136	685,600
2014	1,193,433	650,863
2015	1,037,269	628,816
2016	1,078,845	605,722
2017-2021	7,286,726	951,537
2022-2026	9,215,990	701,196
2027-2031	8,859,495	425,994
2032-2036	7,281,596	152,303
Thereafter	<u>9,497,985</u>	<u>12,652</u>
Total	<u>\$ 47,987,942</u>	<u>\$ 5,506,706</u>

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 – 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 Retirement Plan provides retirement benefits, as well as death and disability benefits. 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. 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 2011 reimbursement to the County for retirement benefits was \$203,521.

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 – 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.

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. The Plan report may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

NOTE 12 – 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 13 – ECONOMIC DEPENDENCY

The Commission is dependent upon the U.S. Department of HUD for a majority of its operating and capital projects funds.

NOTE 14 – 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.

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 14 – RISK MANAGEMENT (CONTINUED)

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.

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, 2011 and the amount of settlements has not exceeded coverage for each of the past three years. The Commission has paid \$34,030 for the risk management program for the period ended June 30, 2011.

Additional information regarding the County's risk management programs are 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 15 – 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.

**HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

<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 ElkrIDGE Elderly Apartments)	8/9/1995	ElkrIDGE 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

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 \$9,344,422 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.

HOWARD COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 16 – 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 2011, the County has forgiven costs that have been accumulating related to salary and benefits for fiscal years 2009 and 2010. The total forgiveness of debt amounted to \$4,087,907. Per an agreement between the Commission and the County, the Commission may request additional forgiveness for fiscal years 2011 and 2012.

During fiscal year 2011, the County granted real property to the Commission. Total land and revenue were recognized in the amount of \$3,141,423.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent to the year end, the Commission has assigned debt relating to land donated by the County known as Tiber Hudson (the Project). The Project was financed under the Partnership Rental Housing Program (PRHP) from DHCD on October 8, 2008 for the Project. The original amount financed was \$1,875,000. The agreement does not require repayment as long as the Project continues to own the housing, rent it to income-eligible household and adheres to the regulatory agreement with DHCD for the fifty-year term of the agreement. The agreement was recorded as grant revenue and therefore is not reported as a liability.

SUPPLEMENTAL INFORMATION

**HOWARD COUNTY HOUSING COMMISSION
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2011**

Line Item No.	Account Description	Housing Choice			Community Development	Housing Opportunities for	HOME	Capitalization	Disaster	Total
		Project Total	Vouchers	State/Local	Block Grants/ Entitlement Grants	Persons with AIDS		Grants for State Revolving Funds	Voucher Program	
CURRENT ASSETS										
Cash:										
111	Cash - unrestricted	\$ 233,142	\$ 846,358	\$ 1,579,609	\$ 177,913	\$ 211,848	\$ -	\$ -	\$ -	\$ 3,048,870
112	Cash - restricted - modernization and development	47,403	-	2,265,063	-	-	-	-	-	2,312,466
113	Cash - other restricted	-	1,291,064	-	-	-	-	-	-	1,291,064
114	Cash - tenant security deposits	27,941	-	257,568	-	-	-	-	-	285,509
100	Total cash	<u>308,486</u>	<u>2,137,422</u>	<u>4,102,240</u>	<u>177,913</u>	<u>211,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,937,909</u>
Receivables:										
121	Accounts receivable - PHA projects	-	238,730	-	-	-	-	-	-	238,730
122	Accounts receivable - HUD other projects	-	-	-	-	-	-	-	22,230	22,230
124	Accounts receivable - other government	-	-	441,951	-	72,903	-	-	-	514,854
125	Accounts receivable - miscellaneous	-	-	770,615	-	-	-	-	-	770,615
126	Accounts receivable - tenants - dwelling rents	39,605	-	81,078	-	-	-	-	-	120,683
126.1	Allowance for doubtful accounts - dwelling rents	(6,269)	-	(13,361)	-	-	-	-	-	(19,630)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-
128	Fraud recovery	-	150,045	-	-	-	-	-	-	150,045
128.1	Allowance for doubtful accounts - fraud	-	(19,515)	-	-	(358)	-	-	-	(19,873)
120	Total receivables, net of allowances for doubtful accounts	<u>33,336</u>	<u>369,260</u>	<u>1,280,283</u>	<u>-</u>	<u>72,545</u>	<u>-</u>	<u>-</u>	<u>22,230</u>	<u>1,777,654</u>
131	Investments - unrestricted	-	-	428,528	-	-	-	-	-	428,528
132	Investments - restricted	-	-	-	-	-	-	-	-	-
142	Prepays and other assets	-	-	61,753	-	-	-	-	-	61,753
143	Inventories	50	-	50	-	-	-	-	-	100
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-
144	Inter program- due from	-	-	984,457	-	-	-	-	-	984,457
150	Total current assets	<u>341,872</u>	<u>2,506,682</u>	<u>6,857,311</u>	<u>177,913</u>	<u>284,393</u>	<u>-</u>	<u>-</u>	<u>22,230</u>	<u>10,190,401</u>
NONCURRENT ASSETS										
161	Land	1,014,694	-	29,755,627	-	-	-	-	-	30,770,321
162	Buildings	6,295,634	-	43,674,852	-	-	-	-	-	49,970,486
163	Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-	-
164	Furniture, equipment & machinery - administration	-	-	-	-	-	-	-	-	-
165	Leashold improvements	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(2,518,243)	-	(7,981,788)	-	-	-	-	-	(10,500,031)
167	Construction in progress	-	-	815,381	-	-	-	-	-	815,381
160	Total fixed assets, net of accumulated depreciation	<u>4,792,085</u>	<u>-</u>	<u>66,264,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,056,157</u>
171	Notes, loans, & mortgages receivable - noncurrent	-	-	3,569,208	-	-	-	-	-	3,569,208
174	Other assets	-	-	687	-	-	-	-	-	687
176	Investments in joint ventures	-	-	4,024,389	-	-	-	-	-	4,024,389
180	Total noncurrent assets	<u>4,792,085</u>	<u>-</u>	<u>73,858,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,650,441</u>
190	TOTAL ASSETS	<u>\$ 5,133,957</u>	<u>\$ 2,506,682</u>	<u>\$ 80,715,667</u>	<u>\$ 177,913</u>	<u>\$ 284,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,230</u>	<u>\$ 88,840,842</u>

**HOWARD COUNTY HOUSING COMMISSION
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2011**

Line Item No.	Account Description	Housing Choice			Community Development Block Grants/ Entitlement	Housing Opportunities for Persons with AIDS	HOME	Capitalization Grants for State Revolving Funds	Disaster Voucher Program	Total
		Project Total	Vouchers	State/Local	Grants					
CURRENT LIABILITIES										
312	Accounts payable <= 90 days	\$ 3,305	\$ 4,979	\$ 422,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,457
322	Accrued compensated absences - current portion	2,906	43,630	70,586	-	-	-	-	-	117,122
333	Accounts payable - other government	130,354	878,015	1,473,185	-	-	-	-	-	2,481,554
341	Tenant security deposits	26,322	-	238,308	-	-	-	-	-	264,630
342	Deferred revenues	1,508	133,214	45,763	179,497	-	-	-	-	359,982
	Current portion of long-term debt - capital projects/ mortgage revenue bonds	200,000	-	911,467	-	-	-	-	-	1,111,467
343										
345	Other current liabilities	-	97,678	-	-	-	-	-	-	97,678
347	Inter program - due to	684,455	-	-	-	277,772	-	-	22,230	984,457
310	Total current liabilities	1,048,850	1,157,516	3,161,482	179,497	277,772	-	-	22,230	5,847,347
NONCURRENT LIABILITIES										
	Long-term debt, net of current - capital projects/ mortgage revenue bonds	400,000	-	46,476,475	-	-	-	-	-	46,876,475
353	Non-current liabilities - other	-	-	940,487	-	-	-	-	-	940,487
354	Accrued compensated absences - noncurrent	1,937	29,087	47,057	-	-	-	-	-	78,081
350	Total noncurrent liabilities	401,937	29,087	47,464,019	-	-	-	-	-	47,895,043
300	Total liabilities	1,450,787	1,186,603	50,625,501	179,497	277,772	-	-	22,230	53,742,390
EQUITY										
508.1	Invested in capital assets, net of related debt	4,192,085	-	19,040,694	-	-	-	-	-	23,232,779
511	Total reserved fund balance	-	-	-	-	-	-	-	-	-
511.1	Restricted net assets	47,403	1,193,386	2,265,063	-	-	-	-	-	3,505,852
512.1	Unrestricted net assets	(556,318)	126,693	8,784,409	(1,584)	6,621	-	-	-	8,359,821
513	Total equity/net assets	3,683,170	1,320,079	30,090,166	(1,584)	6,621	-	-	-	35,098,452
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 5,133,957	\$ 2,506,682	\$ 80,715,667	\$ 177,913	\$ 284,393	\$ -	\$ -	\$ 22,230	\$ 88,840,842

**HOWARD COUNTY HOUSING COMMISSION
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2011**

Line Item No.	Account Description	Project Total	Housing	State/Local	Community	Housing	HOME	Capitalization	Disaster	Total
			Choice		Development	Opportunities		Grants for State		
			Vouchers		Block Grants/ Entitlement Grants	for Persons with AIDS		Revolving Funds	Program	
REVENUES										
70300	Net tenant rental revenue	\$ 263,049	\$ -	\$ 5,473,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,736,865
70400	Tenant revenue - other	50,197	-	112,892	-	-	-	-	-	163,089
70500	Total tenant revenue	313,246	-	5,586,708	-	-	-	-	-	5,899,954
70600	HUD PHA operating grants	28,035	9,725,549	-	316,222	83,961	51,966	145,170	-	10,350,903
70610	Capital grants	181,245	-	-	-	-	-	-	-	181,245
70800	Other government grants	-	-	3,207,418	-	-	-	-	-	3,207,418
71100	Investment income - unrestricted	-	-	9,723	-	-	-	-	-	9,723
71200	Mortgage interest income	-	-	92,630	-	-	-	-	-	92,630
71400	Fraud recovery	-	89,240	-	-	-	-	-	-	89,240
71500	Other revenue	5,448	5,931,151	317,489	-	-	-	-	-	6,254,088
71600	Gain/loss on sale of fixed assets	-	-	178,557	-	-	-	-	-	178,557
72000	Investment income - restricted	275	-	5,787	-	-	-	-	-	6,062
70000	Total revenues	528,249	15,745,940	9,398,312	316,222	83,961	51,966	145,170	-	26,269,820
EXPENSES										
Administrative:										
91100	Administrative salaries	-	877,880	1,097,411	-	-	-	-	-	1,975,291
91200	Auditing fees	15,714	31,606	31,130	-	-	-	-	-	78,450
91300	Outside management fees	-	-	190,293	-	-	-	-	-	190,293
91310	Bookkeeping fee	-	-	403	-	-	-	-	-	403
91400	Advertising expenses	333	950	64,321	-	-	-	-	-	65,604
91600	Other operating - administrative	118	342	39,527	24	-	-	-	-	40,011
91700	Legal expense	500	7,975	22,913	-	-	-	-	-	31,388
91800	Travel expense	-	2,367	14,278	-	-	-	-	-	16,645
	Total administrative	16,665	921,120	1,460,276	24	-	-	-	-	2,398,085
Tenant services:										
92100	Tenant services - salaries	46,321	-	103,645	-	-	-	-	-	149,966
92300	Employee benefit contributions - tenant services	14,628	-	32,730	-	-	-	-	-	47,358
92400	Tenant services - other	11,645	7,380	91,764	-	-	-	-	-	110,789
	Total tenant services	72,594	7,380	228,139	-	-	-	-	-	308,113
Utilities:										
93100	Water	9,593	-	85,215	-	-	-	-	-	94,808
93200	Electricity	7,746	-	217,287	710	-	-	-	-	225,743
93300	Gas	-	-	106,108	-	-	-	-	-	106,108
	Total utilities	17,339	-	408,610	710	-	-	-	-	426,659
Ordinary maintenance & operations:										
94100	Ordinary maintenance and operations - labor	77,509	-	1,211,307	850	-	-	-	-	1,289,666
94200	Ordinary maintenance and operations - materials and other	6,238	-	98,145	-	-	-	-	-	104,383
94300	Ordinary maintenance and operations - contract costs	57,935	4,634	708,961	-	-	-	-	-	771,530
	Total ordinary maintenance & operations	141,682	4,634	2,018,413	850	-	-	-	-	2,165,579
Protective services:										
95100	Protective services - labor	-	-	38,001	-	-	-	-	-	38,001
	Total protective services	-	-	38,001	-	-	-	-	-	38,001
Insurance premiums:										
96110	Property insurance	12,251	14,973	119,691	-	-	-	-	-	146,915
	Total Insurance premiums	12,251	14,973	119,691	-	-	-	-	-	146,915

HOWARD COUNTY HOUSING COMMISSION
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
Year Ended June 30, 2011

Line Item No.	Account Description	Project Total	Community							Total
			Housing Choice Vouchers	State/Local	Development Block Grants/ Entitlement Grants	Housing Opportunities for Persons with AIDS	HOME	Capitalization Grants for State Revolving Funds	Disaster Voucher Program	
	General expenses:									
96200	Other general expenses	\$ 27,457	\$ 46,255	\$ 431,173	\$ 33,700	\$ -	\$ -	\$ 145,170	\$ -	\$ 683,755
96210	Compensated absences	-	7,151	21,143	-	-	-	-	-	28,294
96300	Payments in lieu of taxes	22,375	-	70,659	-	-	-	-	-	93,034
96400	Bad debt - tenant rents	2,592	-	8,208	-	-	-	-	-	10,800
96600	Bad debt - other	-	17,848	-	-	-	-	-	-	17,848
	Total general expenses	52,424	71,254	531,183	33,700	-	-	145,170	-	833,731
	Interest expense:									
96700	Interest expense	-	-	1,613,402	-	-	-	-	-	1,613,402
	Total Interest expense	-	-	1,613,402	-	-	-	-	-	1,613,402
96900	Total operating expenses	312,955	1,019,361	6,417,715	35,284	-	-	145,170	-	7,930,485
97000	Excess operating revenue over operating expenses	215,294	14,726,579	2,980,597	280,938	83,961	51,966	-	-	18,339,335
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	8,741,528	79,918	-	83,960	-	-	-	8,905,406
97350	HAP portability - in	-	5,565,158	-	-	-	-	-	-	5,565,158
97400	Depreciation expense	209,854	-	1,360,131	-	-	-	-	-	1,569,985
90000	Total expenses	522,809	15,326,047	7,857,764	35,284	83,960	-	145,170	-	23,971,034
10010	Operating transfers in	181,245	-	379,488	-	-	-	-	-	560,733
10020	Operating transfers out	(181,245)	-	-	(327,522)	-	(51,966)	-	-	(560,733)
10080	Special items, net gain/loss	129,388	1,306,571	2,651,949	-	-	-	-	-	4,087,908
10100	Total other financing sources (uses)	129,388	1,306,571	3,031,437	(327,522)	-	(51,966)	-	-	4,087,908
10000	Excess (deficiency) of operating revenues over (under) expenses	\$ 134,828	\$ 1,726,464	\$ 4,571,985	\$ (46,584)	\$ 1	\$ -	\$ -	\$ -	\$ 6,386,694
	Memo Account Information									
11020	Debt principal payments - enterprise funds	\$ 200,000	\$ -	\$ 911,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,111,467
11030	Beginning equity	3,548,342	(406,385)	25,518,181	45,000	6,620	-	-	-	28,711,758
11040	Prior period adjustments, equity transfers and correction of errors	-	-	-	-	-	-	-	-	-
11130	Maximum annual contributions commitment (per ACC)	-	-	-	-	-	-	-	-	-
11140	Prorata 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	-	126,694	-	-	-	-	-	-	126,694
11180	Housing assistance payments equity	-	1,193,386	-	-	-	-	-	-	1,193,386
11190	Unit months available	600	10,680	8,220	-	240	-	-	-	19,740
11210	Number of unit months leased	588	8,553	7,481	-	111	-	-	-	16,733
11270	Excess cash	(780,510)	-	-	-	-	-	-	-	(780,510)
11620	Building purchase	181,245	-	-	-	-	-	-	-	181,245

SINGLE AUDIT REPORT

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Board of Commissioners of the
Howard County Housing Commission
Howard County, Maryland

We have audited the basic financial statements of the Howard County Housing Commission (the Commission) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2011. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Commission in a separate letter dated September 27, 2011.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
September 27, 2011

**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners of the
Howard County Housing Commission
Howard County, Maryland

Compliance

We have audited the Howard County Housing Commission (the Commission) compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each major federal program for the period ended June 30, 2011. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period ended June 30, 2011.

Internal Control Over Compliance

The Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Commissioners, and others within the Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Baltimore, Maryland
September 27, 2011

**HOWARD COUNTY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)		
Housing Choice Vouchers - HAP	14.871	\$ 8,817,861
Housing Choice Vouchers - Admin	14.871	581,937
Pass-through entity: Various cities and counties		
Housing Choice Vouchers - Port HAP	14.871	5,670,626
Housing Choice Vouchers - Port Admin	14.871	255,623
Total Housing Choice Voucher		15,326,047
Low Rent Public Housing	14.850	28,035
Community Development Block Grant	14.218	316,222
Public Housing Capital Fund Program	14.872	181,245
HOME Fund	14.239	51,966
Pass-through entity: City of Baltimore		
Housing Opportunities for Persons with Aids	14.241	83,961
Environmental Protection Agency		
Pass-through entity: Maryland Department of the Environment		
Capitalization Grants for State Revolving Fund	66.458	145,170
TOTAL FEDERAL EXPENDITURES		\$ 16,132,646

This schedule is an integral part of the accompanying notes.

HOWARD COUNTY HOUSING COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Howard County Housing Commission (the Commission) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – FEDERAL COGNIZANT AGENCY

The Federal cognizant agency for the Commission is the U.S. Department of Housing and Urban Development (HUD).

NOTE 3 – NON-CASH FEDERAL ASSISTANCE

The Commission did not receive any non-cash Federal assistance for the year ended June 30, 2011.

NOTE 4 – LOAN GUARANTEES

At year ended June 30, 2011, the Commission is not the guarantor of any loans outstanding other than those disclosed in the basic financial statements.

NOTE 5 – FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the 2011 Single Audit report are disclosed in Schedule I and the status of the prior year findings and questioned costs is disclosed in Schedule II.

**HOWARD COUNTY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>	<u>Amount</u>
Housing Choice Voucher Program	14.871	\$ 15,326,046
Dollar threshold used to distinguish between type A and type B programs:		<u>\$ 483,979</u>
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No	

This information is an integral part of the accompanying schedule.

**HOWARD COUNTY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

II. FINANCIAL STATEMENT FINDINGS

None.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**HOWARD COUNTY HOUSING COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

None.