ROCKVILLE HOUSING ENTERPRISES

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

Year Ended September 30, 2024

ROCKVILLE HOUSING ENTERPRISES
Year Ended September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Rockville Housing Enterprises
Rockville, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rockville Housing Enterprises (the Authority) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of RELP One, LP, a blended component unit, which represents 4%, -16%, and 5%, respectively, of the assets, net position, and revenues of the Authority. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditors.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the blended component units were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 - 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedule and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule, and Schedule of Expenditures of the Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2025 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rubino & Company

Bethesda, Maryland
June 25, 2025

Management's Discussion and Analysis

The management of Rockville Housing Enterprises (the "Authority" or "RHE") offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended September 30, 2024. This discussion and analysis are designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual program issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management's discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 ("GASB 34") to allow the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of September 30, 2024.

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's Executive Director. at 1300 Piccard Drive, Suite 202, Rockville, Maryland 20850.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $22,189,442 (net position) as compared to $15,479,806 for the prior fiscal year.

- The Authority's cash and investments balance as of September 30, 2024, was $3,286,572 representing an increase of $331,833 or 11.23% from September 30, 2023.

- The Authority had total revenues of $32,325,082 and total expenses of $25,615,446 for the year ended September 30, 2024.

Overview of the Financial Reports

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

I. Management's Discussion and Analysis (MD&A) - Serves as an introduction to the Authority's basic financial statements.

II. Basic Financial Statements - Authority-wide financial statements and notes to the financial statements

III. Other Supplementary Information

Overview of the Financial Reports (continued)

The financial statements in this report are those of a special purpose governmental entity engaged in a business type activity. The following statements are included:

- Statement of Net Position – presents information about the Authority's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible to cash within one year), and "non-current." Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- Statement of Revenues, Expenses and Changes in Net Position – reports the Authority's revenues by source and type and its expenses by category to substantiate the change in net position for the fiscal year.

- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, non-capital financing activities, and capital and related financing activities.

Our analysis of the Authority follows with the most important question, "Has the Authority's financial health improved or worsened as a result of the year's activities?" The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognizes revenue when earned and expenses when incurred regardless of when cash is received or paid.

Analysis of Authority-wide Net Position (Statement of Net Position)

Rockville Housing Enterprises
Comparative Statement of Net Position

	2024	2023	Total Change	% Change
Cash & investments	$ 3,286,572	$ 2,954,739	$ 331,833	11.23%
Other current assets	885,083	1,257,134	(372,051)	-29.60%
Capital assets	56,042,556	57,456,557	(1,414,001)	-2.46%
Other assets	1,615,787	523,501	1,092,286	100.00%
Other noncurrent assets	910,300	1,337,924	(427,624)	-31.96%
Total Assets	**$ 62,740,298**	**$ 63,529,855**	**$ (789,557)**	**-1.24%**
Current liabilities	$ 973,981	$ 692,543	$ 281,438	40.64%
Noncurrent liabilities	39,576,875	47,357,506	(7,780,631)	-16.43%
Total Liabilities	**40,550,856**	**48,050,049**	**(7,499,193)**	**-15.61%**
Investment in capital assets	16,327,744	10,152,125	6,175,619	60.83%
Restricted	2,068,563	1,322,386	746,177	56.43%
Unrestricted	3,793,135	4,005,295	(212,160)	-5.30%
Total Net Position	**22,189,442**	**15,479,806**	**6,709,636**	**43.34%**
Total Liabilities & Net Position	**$ 62,740,298**	**$ 63,529,855**	**$ (789,557)**	**-1.24%**

Analysis of Authority-wide Net Position (Statement of Net Position)

The decrease in noncurrent liabilities was primarily due to a conversion of Scarborough Square debt to equity.

Analysis of Authority-Wide Revenue and Expenses (Statement of Revenues, Expenses and Change in Net Position)

The following table illustrates changes in revenues and expenses from FY 2023 to FY 2024:

Rockville Housing Enterprises
Comparative Statement of Revenues, Expenses and Changes in Net Position

	2024	2023	Total Change	% Change
Revenue				
Tenant revenue	$ 5,657,335	$ 2,807,253	$ 2,850,082	101.53%
Grant funding	10,012,642	8,742,102	1,270,540	14.53%
Other income	7,465,082	4,971,999	2,493,083	50.14%
Total Revenue	**23,135,059**	**16,521,354**	**6,613,705**	**40.03%**
Expenses				
Administration	3,245,749	2,172,369	1,073,380	49.41%
Tenant services	59,498	52,133	7,365	14.13%
Utilities	492,072	317,272	174,800	55.09%
Maintenance	1,130,716	716,021	414,695	57.92%
General expense	1,225,728	648,004	577,724	89.15%
Housing assistance payments	13,388,375	11,072,320	2,316,055	20.92%
Depreciation	1,730,155	893,925	836,230	93.55%
Total Expenses	**21,272,293**	**15,872,044**	**5,400,249**	**34.02%**
Net operating income (loss)	1,862,766	649,310	1,213,456	186.88%
Nonoperating revenues (expenses)				
Investment income	1,619	1,619	-	0.00%
Interest expense	(3,943,645)	(217,919)	(3,725,726)	1709.68%
Disbributions to investors	(399,508)	-	(399,508)	100.00%
Total net operating income (loss)	**(4,341,534)**	**(216,300)**	**(4,125,234)**	**1907.18%**
Capital contributions	9,188,404	-	9,188,404	100.00%
Change in Net Position	6,709,636	433,010	6,276,626	1449.53%
Beginning Net Position	15,479,806	15,046,796	433,010	2.88%
Ending Net Position	**$ 22,189,442**	**$ 15,479,806**	**$ 6,709,636**	**43.34%**

The federal government continued to fund operating grants at a level below total eligibility for the period ended September 30, 2024. With no signs of improvement in federal funding or economic conditions in the foreseeable future, the Authority is using proactive measures to review staff responsibilities and implementing cost management strategies. The Authority continuously looks for new ways to improve operations, control costs, maximize effectiveness, and demonstrate accountability.

Total expenses increased primarily due to an increase in administrative expenses, maintenance expenses, housing assistance payments, and depreciation expenses.

Capital Assets

Rockville Housing Enterprises
Comparative Statement of Capital Assets

	2024	2023	Total Change	% Change
Land	$ 7,266,739	$ 7,266,739	$ -	0.00%
Buildings & improvements	63,077,206	62,906,290	170,916	0.27%
Right to use asset	372,920	822,004	(449,084)	100.00%
Furniture & equipment	894,896	711,971	182,925	25.69%
Infrastructure	7,093	7,093	-	0.00%
Construction in progress	242,861	-	242,861	100.00%
	71,861,715	71,714,097	147,618	0.21%
Accumulated depreciation	(15,819,159)	(14,257,540)	(1,561,619)	10.95%
Total Capital Assets	**$ 56,042,556**	**$ 57,456,557**	**$ (1,414,001)**	**-2.46%**

Debt Outstanding

As of the year-end, the Authority had outstanding debt of $39,553,709, which was a decrease of $7,842,634 from last year's balance of $47,396,343.

Effective October 1, 2023, Orlo Scarborough Investors, LLC enacted the option to convert $9,000,000 of the $33,000,000 mortgage with Orlo Scarborough Investors, LLC into member equity and assigning Orlo Scarborough Investors, LLC a 49% membership interest.

Economic Factors

Several significant economic factors are present that may impact the Authority in the future.

- Congressional funding of the Department of Housing and Urban Development, including any subsidy proration.
- The expiration of the frozen formula income provision has substantially decreased operating subsidy eligibility.
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.
- Health care and other insurance costs are expected to increase dramatically over the next several years especially due to the Affordable Care Act.

Financial Contact

Questions concerning any of the information provided in this Management's Discussion & Analysis should be addressed to:

Christele Etienbla, Executive Director
Rockville Housing Enterprises
1300 Piccard Drive, Suite 202
Rockville, MD 20850
(301) 424-6265

ROCKVILLE HOUSING ENTERPRISES
STATEMENT OF NET POSITION
September 30, 2024

ASSETS

Current assets		
Cash and cash equivalents, unrestricted	$	964,909
Cash and cash equivalents, restricted		2,321,663
Accounts receivable, net		790,490
Prepaid expenses and other current assets		94,593
Total current assets		4,171,655
Noncurrent assets		
Capital assets		
Land		7,266,739
Buildings and improvements		63,077,206
Right to use asset		372,920
Furniture and equipment		894,896
Infrastructure		7,093
Construction in progress		242,861
Less: Accumulated depreciation		(15,819,159)
Total capital assets		56,042,556
Other assets		1,615,787
Notes receivable, noncurrent		910,300
Total noncurrent assets		58,568,643
TOTAL ASSETS	$	62,740,298

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

ROCKVILLE HOUSING ENTERPRISES
STATEMENT OF NET POSITION
September 30, 2024

LIABILITIES AND NET POSITION

Current liabilities		
Accounts payable	$	55,019
Accrued liabilities		212,308
Accrued compensated absences, current		6,721
Tenant security deposits		147,974
Unearned revenue		103,228
Current portion of long-term debt		142,455
Other current liabilities		306,276
Total current liabilities		973,981
Noncurrent liabilities		
Long-term debt, net of current		39,411,254
Accrued compensated absences, noncurrent		60,495
Other noncurrent liabilities		105,126
Total noncurrent liabilities		39,576,875
Total liabilities		40,550,856
Net position		
Net investment in capital assets		16,327,744
Restricted net position		2,068,563
Unrestricted net position		3,793,135
Total net position		22,189,442
TOTAL LIABILITIES AND NET POSITION	$	62,740,298

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

ROCKVILLE HOUSING ENTERPRISES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended September 30, 2024

Operating Revenues	
Dwelling rent	$ 5,657,335
Government grants and subsidy	10,012,642
Other operating income	7,465,082
Total operating revenues	23,135,059
Operating Expenses	
Administration	3,245,749
Tenant services	59,498
Utilities	492,072
Maintenance and operations	1,130,716
General expense	1,225,728
Housing assistance payments	13,388,375
Depreciation and amortization	1,730,155
Total operating expenses	21,272,293
Net operating income (loss)	1,862,766
Non-operating revenues (expenses)	
Investment income	1,619
Interest expense	(3,943,645)
Distributions to investors	(399,508)
Total non-operating revenues (expenses)	(4,341,534)
Capital contributions	9,188,404
Change in net position	6,709,636
Net position, beginning of period	15,479,806
Net position, end of period	$ 22,189,442

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

ROCKVILLE HOUSING ENTERPRISES
STATEMENT OF CASH FLOWS
Year ended September 30, 2024

Cash flows from operating activities		
Receipts from tenants	$	5,181,144
Proceeds from other governments - operations		9,797,349
Other income receipts		7,914,813
Payments to suppliers		(4,633,072)
Payments for housing assistance		(13,388,375)
Payments to employees		(1,839,794)
Net cash provided (used) by operating activities		3,032,065
Cash flows from capital and related financing activities		
Capital contributions		188,404
Issuance of new debt		1,200,000
Princpal payments on mortgage and notes payable		(945,175)
Interest payments on mortgage and notes payable		(2,533,883)
Purchase of capital assets		(596,702)
Distributions to investors		(399,508)
Net cash provided (used) by capital and related financing activities		(3,086,864)
Cash flows from investing activities		
Proceeds from investments		28,993
Proceeds from notes receivable		385,013
Interest received on notes receivable		1,619
Net cash provided (used) by investing activities		415,625
NET INCREASE (DECREASE) IN CASH		360,826
CASH AND CASH EQUIVALENTS, beginning		2,925,746
CASH AND CASH EQUIVALENTS, ending	$	3,286,572

RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION

Cash and Cash Equivalents - Unrestricted	$	964,909
Cash and Cash Equivalents - Restricted		2,321,663
Cash and Cash Equivalents per Statement of Net Position	$	3,286,572

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

ROCKVILLE HOUSING ENTERPRISES
STATEMENT OF CASH FLOWS
Year ended September 30, 2024

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Conversion of mortgage into membership equity	$	(9,000,000)

Reconciliation of net operating income (loss) to net cash provided (used) by operating activities

Net operating income (loss)	$	1,862,766
Adjustments to reconcile net operating income (loss) to net cash provided by (used) operating activities:		
Depreciation		1,730,155
Forgiveness of homeowner loans		41,000
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable		285,693
Decrease (increase) in prepaid expenses		87,969
Decrease (increase) in other assets		(1,092,286)
Increase (decrease) in accounts payable		7,895
Increase (decrease) in accrued liabilities		2,775
Increase (decrease) in accrued compensated absences		15,205
Increase (decrease) in unearned revenue		(31,736)
Increase (decrease) in other liabilities		122,629
Net cash provided (used) by operating activities	$	3,032,065

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

NOTE 1. ORGANIZATION

Rockville Housing Enterprises (the Authority or RHE) is a public body and a body corporate and politic organized under the laws of the state of Maryland for the purpose of providing adequate housing for qualified low-income individuals. The Authority is governed by a board of commissioners appointed by the mayor of the city of Rockville, Maryland, subject to approval by the City Council, and has substantial autonomy. Additionally, the Authority has entered annual contribution contracts with the U.S. Department of Housing and Urban Development (HUD) to be the administrator of the housing and housing-related programs described herein.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Rockville Housing Enterprises have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

A. Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria established by the GASB. Based on these criteria, the following entities are included in the accompanying financial statements as blended component units as of and for the year ended December 31, 2023:

<u>RHE Properties, Inc.</u> - Established by Rockville Housing Enterprises to account for properties purchased and other future non-subsidies properties.

<u>Rockville Housing Enterprises Corporation (RHE Corporation)</u> – A not-for-profit corporation established to be the general partner in RELP One, LP.

<u>RHE Fireside Park, Inc.</u> – A not-for-profit corporation established to be a general partner in FPA, LP.

<u>RELP One, LP</u> - This is a limited partnership formed for the purpose of acquiring Moderately Priced Dwelling Units (MPDU). RHE Corporation is the general partner and the Authority is entitled to its respective share of annual operating income or loss. The Authority had a .01% interest in the entity. Effective December 3, 2021, Transamerica Life Insurance Company assigned its 99.98% ownership interest, rights, and obligations to RHE Corporation as evidenced by an executed Agreement for Purchase and Sale of Partnership Interest dated December 3, 2021. RHE Corporation is wholly owned by RHE.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

RHE Scarborough Square, LLC - This is a limited liability company established under the laws of the State of Maryland for the purpose of acquiring, constructing and operating a 121 unit multi-family project. The property is currently known as Scarborough Square Apartments.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Authority participates in the following joint ventures:

FPA, LP (a Maryland Limited Partnership) (the Partnership) was formed on July 23, 2018 for the purpose of acquiring, developing, owning and operating 236 total units in 22 multi-family buildings located in Rockville, Maryland, known as Fireside Park Apartments (the Property). The Partnership acquired the Property on June 30, 2020. Upon acquisition, substantial rehabilitation of the Property began. Rehabilitation was completed in 2022. The Partnership has been approved for an allocation of Federal low-income housing tax credits of $1,122,602. Pursuant to the Amended and Restated Agreement of Limited Partnership (the Partnership Agreement) dated June 30, 2020, the Investor Limited Partner is PNC Bank, N.A., a National Banking Association (the Investor Limited Partner) with a 99.99% interest, the Special Limited Partner is Columbia Housing SLP Corporation, an Oregon Corporation (the Special Limited Partner) with a 0.00% interest. General Partners include RHE Fireside Park, Inc., a Maryland Nonstock Corporation (RHE General Partner), and Hampstead Fireside, LLC, a Maryland Limited Liability Company (HGI General Partner), (collectively, the General Partners), with a 0.0049% and 0.0051% interest, respectively.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City of Rockville and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Imposition of Will - The City has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The Authority operates the following programs under Annual Contributions Contracts:

Low Rent Public Housing Program - The objective of this program is to provide decent safe and sanitary housing and related facilities for eligible low-income families and the elderly.

Capital Fund Program - The objective of this program is to improve the physical condition of the Low-Income Public Housing units and upgrade the management of the program.

Housing Choice Voucher Program - This program provides rental assistance to help low- income families afford decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant.

Public Housing Self-Sufficiency under ROSS - This program promotes the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources to enable participating families to achieve economic independence and housing self-sufficiency.

Youth Build Program - This program is a community-based pre-apprenticeship program that provides job training and educational services for opportunity youth ages 16-24 who left school without a secondary diploma.

Moderate Rehabilitation - This program provides project-based rental assistance for low-income families. The program was repealed in 1991 and no new projects are authorized for development. Assistance is limited to properties previously rehabilitated pursuant to a housing assistance payments (HAP) contract between an owner and a Public Housing Agency (PHA).

Mainstream Vouchers - This program enable families having a person with disabilities to lease affordable private housing of their choice. Mainstream program vouchers also assist persons with disabilities who often face difficulties in locating suitable and accessible housing on the private market.

Moving to Work (MTW) – This program allows housing authorities to design and test innovative approaches in assisted housing. The purpose of the Authority’s MTW program is to provide incentives to families to become economically self-sufficient, to reduce the Authority’s costs and achieve greater cost effectiveness, and to increase housing choice for low-income families.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Basis of Accounting - The Authority uses the accrual basis of accounting for its proprietary fund. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the statement of net position. Proprietary fund equity is segregated into three broad components:

> <u>Net investment in capital assets</u> – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
>
> <u>Restricted net position</u> – This category consists of resources restricted in their use by (1) external groups such as grantors, creditors, or laws and regulations of other governments; or (2) law, through constitutional provisions and enabling legislation.
>
> <u>Unrestricted net position</u> – This category includes all of the remaining resources that do not meet the definition of the other two categories.

The Authority uses the following fund:

Proprietary fund:

> <u>Enterprise fund</u> - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided. The Authority accounts for its activity in a single enterprise fund.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Revenue and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operations include rental related income, interest income and other sources of revenues that are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

D. Budgets

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD.

E. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

F. Cash and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased.

Restricted cash includes cash held with financial institutions until grantor restrictions are met to release the funds for their specified use, as well as for debt service payments and refunds of tenant security deposits.

G. Accounts Receivable

All tenant receivables are shown net of an allowance for uncollectible accounts. The allowance for doubtful accounts is established based on periodic aging of receivables. No allowance is established for HUD and other governmental receivables since management believes that these amounts are fully collectible.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred costs and amortization

For the blended component units, in accordance with the accounting standards applicable to their individual financial statements, debt issuance costs, net of accumulated amortization, are reported as a direct reduction from the face amount of the mortgage loans payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

I. Capital Assets and Depreciation

Capital assets are stated at historical cost. Depreciation is calculated using the straight-line method. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the County for maintenance and repairs. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. All assets will be capitalized if they have a useful life beyond one year and an original cost greater than $5,000.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

J Leases

Lessee – For new or modified contracts, the Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Authority records a lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. The Authority is a lessee for a non-cancellable lease of office space. The Authority recognizes a lease liability and right to use asset on the statement of net position. Leases with an initial, non-cancellable term of 12 months or less are not recorded on the statement of net position and expense is recognized as incurred over the lease term. At the commencement of the lease, the Authority measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight-line basis over a period that is the shorter of the lease term or the useful

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Leases (continued)

life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

K. Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. The Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. The Authority's policy allows employees to accumulate unused vacation leave up to 240 hours. Sick leave can be accumulated up to 240 hours but not paid upon termination. Vacation and sick pay are recorded as an expense and related liability in the year earned by employees.

L. Impairment of Long-Lived Assets

Prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used will be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally will be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the year ended September 30, 2024.

M. Operating Revenue and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position in the non-operating revenue and expense.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Insurance

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should loses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. As of the date of the fieldwork, the Authority had the required coverage in force.

O. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements became effective for the Authority during the year ended September 30, 2024:

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of ASB Statement No. 62* will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences* updates the recognition, measurement, and disclosure guidance for compensated absences.

The following pending GASB Pronouncements will be effective for the Authority in future years. The Authority is currently assessing the impact of these Statements:

GASB Statement No. 102, *Certain Risk Disclosures* has the objective of providing financial statement users with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements* makes changes to key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* will provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

NOTE 3. CASH AND CASH EQUIVALENTS

All the deposits of Rockville Housing Enterprises are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. Rockville Housing Enterprises has no policy regarding custodial credit risk for deposits. However, Rockville Housing Enterprises complies with HUD policies.

At September 30, 2024, the Authority's cash and investments had a carrying amount of $3,286,572 and bank balances of $3,404,011.

The blended component units maintain their cash balances and certain reserves with financial institutions. At times, these balances may exceed the federal insurance limits; however, the blended component units have not experienced any losses with respect to their bank balances in excess of government provided insurance. The blended component units' respective managements believe that no significant concentration of credit risk exists with respect to these balances at December 31, 2023.

Fair value is determined using a hierarchy of inputs for fair value assessments. This hierarchy has three levels:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 - These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 - These are unobservable inputs, such as a property valuation or an appraisal.

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority typically limits its investment portfolio to maturities of 12 months or less.

Credit risk - The Authority has no policy regarding credit risk.

Custodial credit risk - The Authority has no policy on custodial credit risk.

Concentration of credit risk - The Authority places no limit on the amount that it invests in certificates of deposits. The Authority has no policy regarding credit risk.

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

Restricted Cash and Cash Equivalents

FSS escrow	$	105,126
Tenant security deposits		147,974
Liquidity guarantee - Fireside Park		750,000
Mortgage escrow deposits - RELP One		20,659
Reserve for replacement - RELP One		47,904
Interest escrow deposits - Scarborough Square		1,000,000
Repair reserve - Scarborough Square		250,000
	$	2,321,663

Collateralization

As of September 30, 2024, the following securities were pledged as collateral to secure the deposits of Rockville Housing Enterprises:

Description	Maturity Date	Coupon Rate		Value
FNMA Pool MA1256	11/1/2027	2.50%	$	175,404
FNMA Pool AK4047	2/1/2027	3.00%		205,859
FHLMC Gold Pool	4/1/2028	2.50%		324,796
FNR 2018-2 BA	2/25/2045	3.00%		842,291
FG C91441	4/1/2032	3.00%		517,647
			$	2,065,997

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2024 consisted of the following:

Due from other PHAs - port ins	$	141,793
Accounts receivable - HUD		25,639
Accounts receivable - other government		114,060
Due from tenants and landlords, net of allowance of $53,521		370,466
Accounts receivable - miscellaneous		119,335
Fraud recoverey, net of allowance of $64,268		291
Accrued interest receivable		18,906
	$	790,490

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balances	Additions	Disposals	Adjustments	Ending Balances
Land	$ 7,266,739	$ -	$ -	$ -	$ 7,266,739
Construction in progress	-	242,861	-	-	242,861
Total capital assets not being depreciated	**7,266,739**	**242,861**	**-**	**-**	**7,509,600**
Buildings and improvements	62,906,290	170,916	-	-	63,077,206
Right to use asset	822,004	-	-	(449,084)	372,920
Furniture and equipment	711,971	182,925	-	-	894,896
Infrastructure	7,093	-	-	-	7,093
Total capital assets being depreciated	**64,447,358**	**353,841**	**-**	**(449,084)**	**64,352,115**
Accumulated depreciation	(14,257,540)	(1,730,155)	-	168,536	(15,819,159)
Enterprise activity capital assets, net	**$ 57,456,557**	**$ (1,133,453)**	**$ -**	**$ (280,548)**	**$ 56,042,556**

NOTE 6. NOTES RECEIVABLE AND OTHER ASSETS

RHE obtained a $250,000 grant from the City of Rockville to assist in financing units for RELP One, LP. RHE then entered into a Note to lend the money to RELP One, LP dated March 19, 2002. The note is due 42 years from the date of the note based on 1% interest after the first two years. Payments shall commence on December 31, 2005. Payments are limited to available cash flow. The balance at September 30, 2024 of this note was $161,103 and has been eliminated in the financial statement presentation as RELP One is a blended component unit.

As a part of the agreement with HUD to demolish the Public Housing units known as Lincoln Terrace, the developer for the Legacy Development is required to make Release Payments as the new units are sold. As a part of the development agreement for Legacy Development, when the buyers purchase property of the Legacy Development, the Authority obtains equity in a second mortgage which is noninterest bearing and not forgivable. The cumulative total of these second mortgage receivables at September 30, 2024, was $910,300.

Other assets primarily consist of funds spent by RHE related to the acquisition of Scarborough Square. As of September 30, 2024, the cumulative total of these costs was $1,615,787.

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at September 30, 2024 consisted of the following:

Accrued wages/payroll taxes payable	$	20,623
Accrued interest payable		191,685
Accounts payable - HUD PHA programs		10,438
Accounts payable - vendors		44,581
	$	267,327

NOTE 8. NON-CURRENT LIABILITIES

Non-current liabilities at September 30, 2024 consisted of the following:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Long-term debt	$ 46,631,181	$ 1,200,000	$ (8,604,893)	$ 39,226,288	$ 91,486
Lease liability	765,162	-	(437,741)	327,421	50,969
Compensated absences	52,011	15,205	-	67,216	6,721
FSS escrows	205,036	-	(99,910)	105,126	-
	$ 47,653,390	$ 1,215,205	$ (9,142,544)	$ 39,726,051	$ 149,176

NOTE 9. LONG-TERM DEBT

On October 25, 2012, RHE Properties purchased a property at 343 Fallsgrove Drive, Rockville, Maryland which was partially funded through a mortgage payable. The mortgage was scheduled to mature on October 25, 2022. The interest rate on the mortgage is a fixed rate of 4.65%. The required monthly payments were $555. Effective November 23, 2021, the maturity date was extended until November 23, 2041 (twenty years from the effective date of the modification). The interest rate was changed to 4.49%, and monthly payments based on a thirty-year amortization are required. Additionally, the lender has the option to call the debt after ten years. The mortgage payable as of December 31, 2023, was $68,745.

NOTE 9. LONG-TERM DEBT (CONTINUED)

On November 30, 2012, RHE Properties obtained a mortgage on a property at 219 Jay Drive, Rockville, Maryland that the Agency had previously purchased for the purposes of obtaining funds to purchase future properties. The mortgage was scheduled to mature on November 30, 2022. The interest rate on the mortgage is a fixed rate of 4.57%. The required monthly payments were $522. Effective November 23, 2021, the maturity date was extended until November 23, 2041 (twenty years from the effective date of the modification). The interest rate was changed to 4.49%, and monthly payments based on a thirty-year amortization are required. Additionally, the lender has the option to call the debt after ten years. The mortgage payable as of December 31, 2023, was $63,272.

On July 15, 2013, RHE Properties obtained a mortgage on a property at 722 Garden View Drive, Rockville, Maryland that the Agency had previously purchased for the purposes of obtaining funds to purchase future properties. The mortgage was scheduled to mature on July 15, 2023. The interest rate on the mortgage is a fixed rate of 5.89%. The required monthly payments were $582. Effective November 23, 2021, the maturity date was extended until November 23, 2041 (twenty years from the effective date of the modification). The interest rate was changed to 4.49%, and monthly payments based on a thirty-year amortization are required. Additionally, the lender has the option to call the debt after ten years. The mortgage payable as of December 31, 2023, was $66,941.

On July 15, 2013, RHE Properties purchased a property at 229 Cork Tree Lane, Rockville, Maryland which was partially funded through a mortgage payable. The mortgage was scheduled to mature on July 15, 2023. The interest rate on the mortgage is a fixed rate of 5.89%. The required monthly payments were $582. Effective November 23, 2021, the maturity date was extended until November 23, 2041 (twenty years from the effective date of the modification). The interest rate was changed to 4.49%, and monthly payments based on a thirty-year amortization are required. Additionally, the lender has the option to call the debt after ten years. The mortgage payable as of December 31, 2023, was $66,854.

Principal and interest requirements for RHE Properties debt are as follows:

December 31:	Principal	Interest	Total
2024	$ 12,347	$ 14,551	$ 26,898
2025	13,088	13,810	26,898
2026	13,830	13,068	26,898
2027	14,615	12,128	26,743
2028	15,411	11,487	26,898
2029 - 2033	91,401	43,092	134,493
2034 - 2038	99,110	14,454	113,564
2039	6,010	181	6,191
	$ 265,812	$122,771	$388,583

NOTE 9. LONG-TERM DEBT (CONTINUED)

RELP One LP entered into a nonrecourse 40-year mortgage note provided through the sale of tax-exempt bonds in the principal amount of $3,900,000 in January 2005. The bonds were credit enhanced through the issuance of HUD risk-sharing mortgage insurance. Interest on the mortgage loan is at a rate of 5.21% per annum, plus a 0.05% mortgage insurance premium. Installments of $19,351 are due monthly until February 1, 2045. Interest incurred for the year ended December 22, 2023 amounted to $162,822, which includes amortization of debt issuance costs of $5,709. At December 31, 2023, accrued interest amounted to $14,638. At December 31, 2023, the principal balance outstanding was $2,974,083. Debt issuance costs, net of accumulated amortization, totaled $88,852 as of December 31, 2023, and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 5.5716%. The liability of the Partnership under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Aggregate annual maturities of the mortgage note payable over each of the next five years and thereafter are as follows:

December 31:	
2024	$ 79,139
2025	83,362
2026	87,811
2027	92,497
2028	97,432
Thereafter	2,533,842
	$2,974,083

RELP One LP obtained additional financing from Montgomery County in the original amount of $1,500,000. As of December 31, 2023, the remaining balance was $1,397,245. No interest was accrued and no payments were due through July 31, 2004. Thereafter, the note provides for annual installments of principal and interest accruing at a rate of 1.0% per annum. Payments of principal and interest, commencing on August 1, 2005, equal to the lesser of 50% of cash flow from operations after certain priority payments, as defined, or an amount equal to interest, and principal amortized over 40 years until maturity of the note on August 1, 2044. The note is secured by a deed of trust and a regulatory agreement. Interest incurred for the year ended December 31, 2023 amounted to $13,972. During the year ended December 31, 2023, the Partnership made loan payments of $39,916. As of December 31, 2023, accrued interest amounted to $0.

NOTE 9. LONG-TERM DEBT (CONTINUED)

The Mayor and Council of Rockville advanced funds to RELP One LP, amounting to $120,000 to aid in the acquisition of affordable dwelling units. The advances were made under the terms of a note issued by the City in connection with a loan agreement dated March 19, 2002. The note accrues no interest and must be repaid in full on or before June 13, 2043. The note is secured by a mortgage on certain property and an assignment of rents. As of December 31, 2023, the remaining balance was $120,000.

RHE Corporation has provided RELP One LP financing in the amount of $250,000. This note, funded from a grant by the City of Rockville to the General Partner, accrues no interest and requires no payments through December 31, 2004. Thereafter, interest accrues at the rate of 1.0% per annum and annual payments equal to 50% of the net cash flow, as defined, or the amount which would pay interest and amortize the loan principal over 40 years, are due each December 31, commencing in 2005. Any unpaid principal and interest under this note shall be payable in full on December 31, 2044. As of December 31, 2023, the principal balance on the note was $161,103. Interest incurred for the year ended December 31, 2023 was $1,611. As of December 31, 2023, accrued interest amounted to $17,295. During the year ended December 31, 2023, the Partnership did not make any loan payments. The principal balance has been eliminated for financial statement presentation as RELP One is a blended component unit.

RHE Scarborough Square entered into a second nonrecourse note provided through Montgomery County in the principal amount of $11,800,000. Interest on the mortgage loan is at a rate of 1% per annum with a maturity date of December 14, 2027. No interest is being charged on the loan through December 31, 2023. As of December 31, 2023, the outstanding balance was $9,508,000.

RHE Scarborough Square entered into a nonrecourse mortgage note provided by Orlo Scarborough Investors, LLC in the principal amount of $33,000,000 in December 2022. Interest on the mortgage loan is at 8%. This mortgage had a maturity date of December 20, 2023 which has been extended until December 20, 2024. Effective October 1, 2023, Orlo Scarborough Investors, LLC enacted the option to convert $9,000,000 of the $33,000,000 mortgage with Orlo Scarborough Investors, LLC into member equity and assigning Orlo Scarborough Investors, LLC a 49% membership interest. As of December 31, 2023, the outstanding balance was $24,000,000. Interest expense incurred on this mortgage for the year ended December 31, 2023 was $2,467,726.

RHE Scarborough Square entered into a nonrecourse, non-interest bearing, mortgage with the City of Rockville in the amount of $1,200,000. The mortgage has a maturity date of December 14, 2027.

NOTE 9. LONG-TERM DEBT (CONTINUED)

Debt issuance costs totaled $150,000 as of December 31, 2023, and are related to the Montgomery County loan, and are reflected on the balance sheet as net of mortgages payable.

Amortization expense related to the Montgomery County and Orlo loans totaled $1,275,000 for the year ended December 31, 2023.

A summary of changes in long-term debt owed to third parties is as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Current
343 Fallsgrove Drive	$ 71,279	$ -	$ (2,534)	$ 68,745	$ 2,676
219 Jay Drive	66,567	-	(3,295)	63,272	3,441
722 Garden View Way	69,884	-	(2,943)	66,941	3,110
229 Cork Tree Lane	69,808	-	(2,954)	66,854	3,120
RELP - $3.9 Million	3,049,186	-	(75,103)	2,974,083	79,139
RELP - Montgomery County	1,397,245	-	-	1,397,245	-
RELP - City of Rockville	120,000	-	-	120,000	-
Scarborough Square - Montgomery County	10,306,773	-	(798,773)	9,508,000	-
Scarborough Square - Orlo	33,000,000	-	(9,000,000)	24,000,000	-
Scarborough Square - City of Rockville	-	1,200,000	-	1,200,000	-
	48,150,742	1,200,000	(9,885,602)	39,465,140	91,486
Total Unamortized Debt Issuance Costs	(1,519,561)	-	1,280,709	(238,852)	-
Total Long Term Debt	$ 46,631,181	$ 1,200,000	$ (8,604,893)	$ 39,226,288	$ 91,486

RHE Properties also has an unused line of credit in the amount of $1,000,000.

NOTE 10. LEASES

Lessee – Effective August 14, 2020, RHE entered into an agreement to lease 4,596 square feet of office space under a non-cancellable lease. The current term expires October 13, 2030 and the required lease payment at the effective date was $8,000 a month. On August 14 of each subsequent year until expiration, rent escalates 3% from the most recent rent amount. Effective December 1, 2022, an addendum was executed for an additional 2,282 square feet of office space for 24 months for $4,214 per month with the same rent escalation of 3% as the original lease.

Future minimum payments are as follows:

	Principal	Interest	Total
2025	$ 50,969	$ 11,418	$ 62,387
2026	46,194	9,641	55,834
2027	49,447	8,024	57,472
2028	52,863	6,294	59,157
2029	56,447	4,445	60,892
2030	71,501	2,834	74,335
	$ 327,421	$ 42,656	$370,077

NOTE 11. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. There were no claims more than commercial coverage during the previous three years.

NOTE 12. PENSION AND PROFIT-SHARING PLANS

A defined contribution retirement plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual accounts are to be determined instead of specifying the amount of benefits the individual is to receive.

The Authority has a profit-sharing plan with John Hancock where eligible employees open separate accounts with the plan's administrator. The Authority contributes 6.5% of the employees' gross salary bi-weekly. The Authority has no liability once the employee is terminated. The Authority's contributions for the year ended September 30, 2024, were $82,415 and covered wages totaled $1,385,245.

NOTE 13. ECONOMIC DEPENDENCY

The PHA Owned Housing Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants.

NOTE 14. COMMITMENTS AND CONTINGENCIES

<u>Legal</u>

Certain claims, suits, and complaints may arise in the ordinary course of business. In the opinion of the Authority's management, any such matters are adequately covered by insurance.

<u>Grants and contracts</u>

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of September 30, 2024.

<u>Capital fund</u>

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

NOTE 15. CONDENSED INFORMATION FOR BLENDED COMPONENT UNITS

Condensed combining information for the Authority's blended component units as of, and for the year ended December 31, 2023, is provided below. RHE Corporation and RHE Fireside Park had no material activity and therefore are not included in the accompanying condensed information.

Combining Statement of Net Position Information

	RHE Properties	Scarborough Square	RELP 1, LP	TOTAL
ASSETS				
Current assets	$ 369,652	$ 1,638,735	$ 264,771	$ 2,273,158
Capital assets	12,674,354	39,666,220	2,015,995	54,356,569
Other assets	-	1,093,319	-	1,093,319
Total assets	13,044,006	42,398,274	2,280,766	57,723,046
LIABILITIES				
Current liabilities	49,689	1,378,094	244,575	1,672,358
Noncurrent liabilities	276,818	34,558,000	4,484,440	39,319,258
Total liabilities	326,507	35,936,094	4,729,015	40,991,616
NET POSITION				
Net investment in capital assets	12,408,542	5,108,220	(2,547,584)	14,969,178
Restricted net position	-	1,250,000	20,659	1,270,659
Unrestricted net position	308,957	103,960	78,676	491,593
Total net position	$ 12,717,499	$ 6,462,180	$(2,448,249)	$16,731,430

NOTE 15. CONDENSED INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)

Combining Statement of Revenues, Expenses, and Changes in Net Position Information

	RHE Properties	Scarborough Square	RELP 1, LP	TOTAL
REVENUE				
Dwelling rent	$ 1,004,486	$ 2,912,865	$ 871,086	$ 4,788,437
Government grant revenue	-	600,000	-	600,000
Other operating income	3,346	344,855	15,900	364,101
Capital contributions	-	9,000,000	-	9,000,000
Total revenues	1,007,832	12,857,720	886,986	14,752,538
EXPENSES				
Operating expense	811,695	1,589,830	591,658	2,993,183
Depreciation/amortization	262,842	927,488	253,897	1,444,227
Interest expense	7,261	3,742,726	178,405	3,928,392
Distributions to investors	-	399,508	-	399,508
Total expenses	1,081,798	6,659,552	1,023,960	8,765,310
CHANGE IN NET POSITION	(73,966)	6,198,168	(136,974)	5,987,228
BEGINNING NET POSITION	12,791,465	264,012	(2,311,275)	10,744,202
ENDING NET POSITION	$ 12,717,499	$ 6,462,180	$(2,448,249)	$16,731,430

Combining Statement of Cash Flows Information

	RHE Properties	Scarborough Square	RELP 1, LP	TOTAL
Net Cash Provided/ (Used) by				
Operating Activities	$ 89,388	$ 85,839	$ 82,185	$ 257,412
Capital and Related Financing Activities	(52,307)	1,719	(75,103)	(125,691)
Investing Activities	-	(259,506)	-	(259,506)
Net Increase/(Decrease) in Cash	37,081	(171,948)	7,082	(127,785)
Cash and Cash Equivalents - Beginning of Year	64,780	1,686,298	188,006	1,939,084
Cash and Cash Equivalents - End of Year	$ 101,861	$ 1,514,350	$ 195,088	$ 1,811,299

NOTE 16. SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Management evaluated the activity of the Authority through June 25, 2025 (the date the financial statements were available to be issued) and determined that there are no material subsequent events requiring disclosure.

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
ENTITY-WIDE BALANCE SHEET SUMMARY
September 30, 2024

		Project Total	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	17.274 Youth Build Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate
111	Cash - Unrestricted	$ 63,651	$ 375,089	$ -	$ 37,245	$ -	$ -	$ -	$ 35,692
113	Cash - Other Restricted	38,102	1,318,563	-	1,328	-	-	-	-
114	Cash - Tenant Security Deposits	30,327	117,647	-	-	-	-	-	-
100	Total Cash	132,080	1,811,299	-	38,573	-	-	-	35,692
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	-	-	25,639	-	-	-	-	-
124	Accounts Receivable - Other Government	63,601	-	-	-	-	-	50,459	-
125	Accounts Receivable - Miscellaneous	-	119,335	-	-	-	-	-	-
126	Accounts Receivable - Tenants	111,803	67,119	-	20,969	-	-	-	-
126.1	Allowance for Doubtful Accounts -Tenants	(57,190)	-	-	-	-	-	-	-
128	Fraud Recovery	64,559	-	-	-	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	(64,268)	-	-	-	-	-	-	-
129	Accrued Interest Receivable	18,906	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	137,411	186,454	25,639	20,969	-	-	50,459	-
131	Investments - Unrestricted	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	40,472	30,955	-	-	-	-	-	-
144	Inter Program Due From	4,655	-	-	-	-	-	-	-
150	Total Current Assets	314,618	2,028,708	25,639	59,542	-	-	50,459	35,692
161	Land	126,600	7,138,799	-	-	-	-	-	-
162	Buildings	9,249,736	53,827,470	-	-	-	-	-	-
163	Furniture, Equipment & Machinery - Dwellings	332,662	311,067	-	-	-	-	-	-
164	Furniture, Equipment & Machinery - Administration	157,894	47,365	-	-	-	-	-	-
165	Leasehold Improvements	241,894	-	-	-	-	-	-	-
166	Accumulated Depreciation	(8,779,308)	(6,975,225)	-	-	-	-	-	-
167	Construction in Progress	242,861	-	-	-	-	-	-	-
168	Infrastructure	-	7,093	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	1,572,339	54,356,569	-	-	-	-	-	-
171	Notes, Loans and Mortgages Receivable - Non-Current	161,103	-	-	-	-	-	-	-
174	Other Assets	206,624	1,093,319	-	-	-	-		-
180	Total Non-Current Assets	1,940,066	55,449,888	-	-	-	-	-	-
290	**Total Assets**	**$ 2,254,684**	**$ 57,478,596**	**$ 25,639**	**$ 59,542**	**$ -**	**$ -**	**$ 50,459**	**$ 35,692**

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
ENTITY-WIDE BALANCE SHEET SUMMARY
September 30, 2024

		Project Total	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	17.274 Youth Build Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate
312	Accounts Payable <= 90 Days	$ -	$ 44,581	$ -	$ -	$ -	$ -	$ -	$ -
321	Accrued Wage/Payroll Taxes Payable	13,530	-	-	838	-	-	-	-
322	Accrued Compensated Absences - Current Portion	2,645	2,595	-	385	-	-	-	-
325	Accrued Interest Payable	-	191,685	-	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	10,438
341	Tenant Security Deposits	30,327	117,647	-	-	-	-	-	-
342	Unearned Revenue	40,452	62,776	-	-	-	-	-	-
343	Current Portion of L-T Debt - Capital Projects/Mortgage Revenue	33,061	91,486	-	-	-	-	-	-
345	Other Current Liabilities	-	208,374	-	-	-	-	22,653	-
346	Accrued Liabilities - Other	71,413	3,836	-	-	-	-	-	-
347	Inter Program - Due To	281,045	704,928	25,639	-	-	-	27,806	10,544
310	Total Current Liabilities	472,473	1,427,908	25,639	1,223	-	-	50,459	20,982
351	L-T Debt, Net of Current - Capital Projects/Mortgage Revenue	179,320	39,295,905	-	-	-	-	-	-
353	Non-current Liabilities - Other	38,102	-	-	1,328	-	-	-	-
354	Accrued Compensated Absences - Non Current	23,809	23,353	-	3,469	-	-	-	-
350	Total Non-Current Liabilities	241,231	39,319,258	-	4,797	-	-	-	-
300	Total Liabilities	713,704	40,747,166	25,639	6,020	-	-	50,459	20,982
508.4	Net Investment in Capital Assets	1,359,958	14,969,178	-	-	-	-	-	-
511.4	Restricted Net Position	-	1,318,563	-	-	-	-	-	-
512.4	Unrestricted Net Position	181,022	443,689	-	53,522	-	-	-	14,710
513	Total Equity - Net Assets / Position	1,540,980	16,731,430	-	53,522	-	-	-	14,710
600	**Total Liabilities and Equity - Net**	**$ 2,254,684**	**$ 57,478,596**	**$ 25,639**	**$ 59,542**	**$ -**	**$ -**	**$ 50,459**	**$ 35,692**

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
ENTITY-WIDE BALANCE SHEET SUMMARY
September 30, 2024

		14.881 Moving to Work Demonstration Program	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.CFP MTW Demonstration Program for Capital Fund	14.EFA FSS Escrow Forfeiture Account	Business Activities	Subtotal	ELIM	Total
111	Cash - Unrestricted	$ 127,754	$ -	$ -	$ -	$ -	$ 325,478	$ 964,909	$ -	$ 964,909
113	Cash - Other Restricted	65,696	-	-	-	-	750,000	2,173,689	-	2,173,689
114	Cash - Tenant Security Deposits	-	-	-	-	-	-	147,974	-	147,974
100	Total Cash	193,450	-	-	-	-	1,075,478	3,286,572	-	3,286,572
121	Accounts Receivable - PHA Projects	141,793	-	-	-	-	-	141,793	-	141,793
122	Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	25,639	-	25,639
124	Accounts Receivable - Other Government	-	-	-	-	-	-	114,060	-	114,060
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	119,335	-	119,335
126	Accounts Receivable - Tenants	227,765	-	-	-	-	-	427,656	-	427,656
126.1	Allowance for Doubtful Accounts -Tenants	-	-	-	-	-	-	(57,190)	-	(57,190)
128	Fraud Recovery	-	-	-	-	-	-	64,559	-	64,559
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	(64,268)	-	(64,268)
129	Accrued Interest Receivable	-	-	-	-	-	-	18,906	-	18,906
120	Total Receivables, Net of Allowances for Doubtful Accounts	369,558	-	-	-	-	-	790,490	-	790,490
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	15,000	-	-	-	-	8,166	94,593	-	94,593
144	Inter Program Due From	126,726	-	-	-	180,034	738,547	1,049,962	(1,049,962)	-
150	Total Current Assets	704,734	-	-	-	180,034	1,822,191	5,221,617	(1,049,962)	4,171,655
161	Land	1,340	-	-	-	-	-	7,266,739	-	7,266,739
162	Buildings	-	-	-	-	-	-	63,077,206	-	63,077,206
163	Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	-	643,729	-	643,729
164	Furniture, Equipment & Machinery - Administration	45,908	-	-	-	-	-	251,167	-	251,167
165	Leasehold Improvements	131,026	-	-	-	-	-	372,920	-	372,920
166	Accumulated Depreciation	(64,626)	-	-	-	-	-	(15,819,159)	-	(15,819,159)
167	Construction in Progress	-	-	-	-	-	-	242,861	-	242,861
168	Infrastructure	-	-	-	-	-	-	7,093	-	7,093
160	Total Capital Assets, Net of Accumulated Depreciation	113,648	-	-	-	-	-	56,042,556	-	56,042,556
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	910,300	1,071,403	(161,103)	910,300
174	Other Assets	261,000	-	-	-	-	54,844	1,615,787	-	1,615,787
180	Total Non-Current Assets	374,648	-	-	-	-	965,144	58,729,746	(161,103)	58,568,643
290	**Total Assets**	**$ 1,079,382**	**$ -**	**$ -**	**$ -**	**$ 180,034**	**$ 2,787,335**	**$ 63,951,363**	**$ (1,211,065)**	**$ 62,740,298**

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
ENTITY-WIDE BALANCE SHEET SUMMARY
September 30, 2024

		14.881 Moving to Work Demonstration Program	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.CFP MTW Demonstration Program for Capital Fund	14.EFA FSS Escrow Forfeiture Account	Business Activities	Subtotal	ELIM	Total
312	Accounts Payable <= 90 Days	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,581	$ -	$ 44,581
321	Accrued Wage/Payroll Taxes Payable	6,255	-	-	-	-	-	20,623	-	20,623
322	Accrued Compensated Absences - Current Portion	1,096	-	-	-	-	-	6,721	-	6,721
325	Accrued Interest Payable	-	-	-	-	-	-	191,685	-	191,685
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	10,438	-	10,438
341	Tenant Security Deposits	-	-	-	-	-	-	147,974	-	147,974
342	Unearned Revenue	-	-	-	-	-	-	103,228	-	103,228
343	Current Portion of L-T Debt - Capital Projects/Mortgage Revenue	17,908	-	-	-	-	-	142,455	-	142,455
345	Other Current Liabilities	-	-	-	-	-	-	231,027	-	231,027
346	Accrued Liabilities - Other	-	-	-	-	-	-	75,249	-	75,249
347	Inter Program - Due To	-	-	-	-	-	-	1,049,962	(1,049,962)	-
310	Total Current Liabilities	25,259	-	-	-	-	-	2,023,943	(1,049,962)	973,981
351	L-T Debt, Net of Current - Capital Projects/Mortgage Revenue	97,132	-	-	-	-	-	39,572,357	(161,103)	39,411,254
353	Non-current Liabilities - Other	65,696	-	-	-	-	-	105,126	-	105,126
354	Accrued Compensated Absences - Non Current	9,864	-	-	-	-	-	60,495	-	60,495
350	Total Non-Current Liabilities	172,692	-	-	-	-	-	39,737,978	(161,103)	39,576,875
300	Total Liabilities	197,951	-	-	-		-	41,761,921	(1,211,065)	40,550,856
508.4	Net Investment in Capital Assets	(1,392)	-	-	-	-	-	16,327,744	-	16,327,744
511.4	Restricted Net Position	-	-	-	-	-	750,000	2,068,563	-	2,068,563
512.4	Unrestricted Net Position	882,823	-	-	-	180,034	2,037,335	3,793,135	-	3,793,135
513	Total Equity - Net Assets / Position	881,431	-	-	-	180,034	2,787,335	22,189,442	-	22,189,442
600	**Total Liabilities and Equity - Net**	**$ 1,079,382**	**$ -**	**$ -**	**$ -**	**$ 180,034**	**$ 2,787,335**	**$ 63,951,363**	**$ (1,211,065)**	**$ 62,740,298**

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
Year ended September 30, 2024

		Project Total	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	17.274 YouthBuild Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate
70300	Net Tenant Rental Revenue	$ 453,032	$ 4,788,437	$ -	$ -	$ -	$ -	$ -	$ -
70400	Tenant Revenue - Other	51,770	364,096	-	-	-	-	-	-
70500	Total Tenant Revenue	504,802	5,152,533	-	-	-	-	-	-
70600	HUD PHA Operating Grants	-	-	82,595	890,731	1,028,441	79,704	-	44,334
							-	-	
70800	Other Government Grants	208,404	600,000	-	-	-	-	308,099	-
71100	Investment Income - Unrestricted	1,614	5	-	-	-	-	-	-
71500	Other Revenue	106,714	8,600,492	-	-	-	-	-	-
70000	**Total Revenue**	**821,534**	**14,353,030**	**82,595**	**890,731**	**1,028,441**	**79,704**	**308,099**	**44,334**
91100	Administrative Salaries	314,333	516,534	76,615	30,629	-	59,462	164,440	8,544
91200	Auditing Fees	12,118	30,718	-	-	-	-	-	2,000
91300	Management Fee	-	109,237	-	-	-	-	-	-
91400	Advertising and Marketing	2,313	25,755	-	-	-	-	-	-
91500	Employee Benefit contributions - Administrative	240,276	74,270	5,980	-	-	12,698	11,968	-
91600	Office Expenses	250,288	146,558	-	-	-	-	58,798	-
91700	Legal Expense	23,992	12,248	-	-	-	-	7,575	-
91800	Travel	13,010	228	-	-	-	-	-	-
91900	Other	26,674	321,194	-	-	-	-	-	-
91000	Total Operating - Administrative	883,004	1,236,742	82,595	30,629	-	72,160	242,781	10,544
92200	Relocation Costs	8,677	-	-	-	-	-		-
92400	Tenant Services - Other	-	29,446	-	-	-	7,544	-	-
92500	Total Tenant Services	8,677	29,446	-	-	-	7,544		-
93100	Water	131,320	156,222	-	-	-	-	-	-
93200	Electricity	243	23,638	-	-	-	-	-	-
93300	Gas	2,550	178,099	-	-	-	-	-	-
93000	Total Utilities	134,113	357,959	-	-	-	-	-	-
94100	Ordinary Maintenance and Operations - Labor	241,262	72,721	-	-	-	-	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	98,960	105,979	-	-	-	-	-	-
94300	Ordinary Maintenance and Operations Contracts	155,244	417,327	-	-	-	-	-	-
94000	Total Maintenance	495,466	596,027	-	-	-	-	-	-

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
Year ended September 30, 2024

	Project Total	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	17.274 YouthBuild Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate
Expenses (continued):								
96110 Property Insurance	14,027	117,207	-	-	-	-	-	-
96120 Liability Insurance	14,027	99,687	-	-	-	-	-	-
96130 Workmen's Compensation	14,027	3,073	-	-	-	-	-	-
96140 All Other Insurance	3,827	-	-	-	-	-		-
96100 Total insurance Premiums	45,908	219,967	-	-	-	-	-	-
96200 Other General Expenses	60,709	119,491	-	2,162	19,875	-	65,318	-
96210 Compensated Absences	(10,664)	25,947	-	2,293	-	-	-	-
96300 Payments in Lieu of Taxes	10,948	31,981	-	-	-	-	-	-
96400 Bad debt - Tenant Rents	32,175	369,577	-	-	-	-	-	-
96500 Bad debt - Mortgages	-	4	-	-	-	-		-
96600 Bad debt - Other	-	6,043	-	-	-	-		-
96000 Total Other General Expenses	93,168	553,043	-	4,455	19,875	-	65,318	-
96710 Interest of Mortgage (or Bonds) Payable	8,737	2,637,809	-	-	-	-	-	-
96720 Interest on Notes Payable (Short and Long Term)	-	15,583	-	-	-	-	-	-
96730 Amortization of Bond Issue Costs	-	1,275,000	-	-	-	-		-
96700 Total Interest Expense and Amortization Cost	8,737	3,928,392	-	-	-	-	-	-
96900 Total Operating Expenses	**1,669,073**	**6,921,576**	**82,595**	**35,084**	**19,875**	**79,704**	**308,099**	**10,544**
97000 Excess of Operating Revenue over Operating Expenses	**(847,539)**	**7,431,454**	**-**	**855,647**	**1,008,566**	**-**	**-**	**33,790**
97100 Extraordinary Maintenance	38,520	-	-	-	-	-	-	-
97300 Housing Assistance Payments	-	-	-	797,597	1,028,441	-	-	35,790
97350 HAP Portability-In	-	-	-	-	-	-	-	-
97400 Depreciation Expense	270,513	1,444,227	-	-	-	-	-	-
90000 Total Expenses	**1,978,106**	**8,365,803**	**82,595**	**832,681**	**1,048,316**	**79,704**	**308,099**	**46,334**
10010 Operating Transfer In	796,665	-	-	-	-	-	-	-
10020 Operating Transfer Out	-	-	-	-	-	-	-	-
10093 Transfers between Program and Project - In	-	-	-	-	-	-	-	-
10094 Transfers between Project and Program - Out	-	-	-	-	-	-	-	-
10100 Total Other financing Sources (Uses)	796,665	-	-	-	-	-	-	-
10000 Excess of Total Revenue Over Total Expenses	**(359,907)**	**5,987,227**	**-**	**58,050**	**(19,875)**	**-**	**-**	**(2,000)**
11030 Beginning Net Position	**1,900,887**	**10,744,203**	**-**	**(4,528)**	**19,875**	**-**	**-**	**16,710**
Ending Net Position	**$ 1,540,980**	**$ 16,731,430**	**$ -**	**$ 53,522**	**$ -**	**$ -**	**$ -**	**$ 14,710**

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
Year ended September 30, 2024

		14.881 Moving to Work Demonstration Program	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.CFP MTW Demonstration Program for Capital Fund	14.EFA FSS Escrow Forfeiture Account	Business Activities	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,241,469	$ -	$ 5,241,469
70400	Tenant Revenue - Other	-	-	-	-	-	-	415,866	-	415,866
70500	Total Tenant Revenue	-	-	-	-	-	-	5,657,335	-	5,657,335
70600	HUD PHA Operating Grants	-	696,809	5,973,669	99,856	-	-	8,896,139	-	8,896,139
70800	Other Government Grants	-	-	-	-	-	-	1,116,503	-	1,116,503
71100	Investment Income - Unrestricted	-	-	-	-	-	-	1,619	-	1,619
71500	Other Revenue	6,230,289	-	-	-	104,389	1,212,094	16,253,978	-	16,253,978
70000	**Total Revenue**	**6,230,289**	**696,809**	**5,973,669**	**99,856**	**104,389**	**1,212,094**	**31,925,574**		**31,925,574**
91100	Administrative Salaries	278,283	-	-	-	-	(1)	1,448,839	-	1,448,839
91200	Auditing Fees	15,000	-	-	-	-	-	59,836	-	59,836
91300	Management Fee	-	-	-	-	-	-	109,237	-	109,237
91400	Advertising and Marketing	1,442	-	-	-	-	-	29,510	-	29,510
91500	Employee Benefit contributions - Administrative	48,539	-	-	-	-	-	393,731	-	393,731
91600	Office Expenses	119,421	-	-	-	-	95,082	670,147	-	670,147
91700	Legal Expense	9,936	-	-	-	-	-	53,751	-	53,751
91800	Travel	9,254	-	-	-	-	-	22,492	-	22,492
91900	Other	110,338	-	-	-	-	-	458,206	-	458,206
91000	Total Operating - Administrative	592,213	-	-	-	-	95,081	3,245,749	-	3,245,749
92200	Relocation Costs	-	-	-	-	-	-	8,677	-	8,677
92400	Tenant Services - Other	13,831	-	-	-	-	-	50,821	-	50,821
92500	Total Tenant Services	13,831	-	-	-	-	-	59,498	-	59,498
93100	Water	-	-	-	-	-	-	287,542	-	287,542
93200	Electricity	-	-	-	-	-	-	23,881	-	23,881
93300	Gas	-	-	-	-	-	-	180,649	-	180,649
93000	Total Utilities	-	-	-	-	-	-	492,072	-	492,072
94100	Ordinary Maintenance and Operations - Labor	-	-	-	-	-	-	313,983	-	313,983
94200	Ordinary Maintenance and Operations - Materials and Other	-	-	-	-	-	-	204,939	-	204,939
94300	Ordinary Maintenance and Operations Contracts	703	-	-	-	-	-	573,274	-	573,274
94000	Total Maintenance	703	-	-	-	-	-	1,092,196	-	1,092,196

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
Year ended September 30, 2024

	14.881 Moving to Work Demonstration Program	14.OPS MTW Demonstration Program for Low Rent	14.HCV MTW Demonstration Program for HCV program	14.CFP MTW Demonstration Program for Capital Fund	14.EFA FSS Escrow Forfeiture Account	Business Activities	Subtotal	ELIM	Total
Expenses (continued):									
96110 Property Insurance	-	-	-	-	-	-	131,234	-	131,234
96120 Liability Insurance	-	-	-	-	-	-	113,714	-	113,714
96130 Workmen's Compensation	-	-	-	-	-	-	17,100	-	17,100
96140 All Other Insurance	5,000	-	-	-	-	-	8,827	-	8,827
96100 Total insurance Premiums	5,000	-	-	-	-	-	270,875	-	270,875
96200 Other General Expenses	28,667	-	-	-	-	151,699	447,921	-	447,921
96210 Compensated Absences	(2,372)	-	-	-	-	-	15,204	-	15,204
96300 Payments in Lieu of Taxes	-	-	-	-	-	-	42,929	-	42,929
96400 Bad debt - Tenant Rents	-	-	-	-	-	-	401,752	-	401,752
96500 Bad debt - Mortgages	-	-	-	-	-	41,000	41,004	-	41,004
96600 Bad debt - Other	-	-	-	-	-	-	6,043	-	6,043
96000 Total Other General Expenses	26,295	-	-	-	-	192,699	954,853	-	954,853
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	2,646,546	-	2,646,546
96720 Interest on Notes Payable (Short and Long Term)	6,516	-	-	-	-	-	22,099	-	22,099
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	1,275,000	-	1,275,000
96700 Total Interest Expense and Amortization Cost	6,516	-	-	-	-	-	3,943,645	-	3,943,645
96900 Total Operating Expenses	**644,558**	**-**	**-**	**-**	**-**	**287,780**	**10,058,888**	**-**	**10,058,888**
97000 Excess of Operating Revenue over Operating Expenses	**5,585,731**	**696,809**	**5,973,669**	**99,856**	**104,389**	**924,314**	**21,866,686**	**-**	**21,866,686**
97100 Extraordinary Maintenance	-	-	-	-	-	-	38,520	-	38,520
97300 Housing Assistance Payments	5,813,161	-	-	-	-	-	7,674,989	-	7,674,989
97350 HAP Portability-In	5,713,386	-	-	-	-	-	5,713,386	-	5,713,386
97400 Depreciation Expense	15,415	-	-	-	-	-	1,730,155	-	1,730,155
90000 Total Expenses	**12,186,520**	**-**	**-**	**-**	**-**	**287,780**	**25,215,938**	**-**	**25,215,938**
10010 Operating Transfer In	5,973,669	-	-	-	-	-	6,770,334	(6,770,334)	-
10020 Operating Transfer Out	-	(696,809)	(5,973,669)	(99,856)	-	-	(6,770,334)	6,770,334	-
10093 Transfers between Program and Project - In	-	-	-	-	-	-	-	-	-
10094 Transfers between Project and Program - Out	-	-	-	-	-	-	-	-	-
10100 Total Other financing Sources (Uses)	5,973,669	(696,809)	(5,973,669)	(99,856)	-	-	-	-	-
10000 Excess of Total Revenue Over Total Expenses	**17,438**	**-**	**-**	**-**	**104,389**	**924,314**	**6,709,636**	**-**	**6,709,636**
11030 Beginning Net Position	**863,993**	**-**	**-**	**-**	**75,645**	**1,863,021**	15,479,806	**-**	**15,479,806**
Ending Net Position	**$ 881,431**	**$ -**	**$ -**	**$ -**	**$ 180,034**	**$ 2,787,335**	**$ 22,189,442**	**$ -**	**$ 22,189,442**

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
September 30, 2024

Account Description	MD007000001	MD007000002	TOTAL
ASSETS:			
CURRENT ASSETS:			
Cash:			
111 Cash - Unrestricted	$ 63,651	$ -	$ 63,651
113 Cash - Other Restricted	38,102	-	38,102
114 Cash - Tenant Security Deposits	30,327	-	30,327
100 Total Cash	132,080	-	132,080
121 Accounts Receivable - PHA Projects	-	-	-
122 Accounts Receivable - HUD Other Projects	-	-	-
124 Accounts Receivable - Other Government	63,601	-	-
125 Accounts Receivable - Miscellaneous	-	-	-
126 Accounts Receivable - Tenants	111,803	-	111,803
126.1 Allowance for Doubtful Accounts -Tenants	(57,190)	-	(57,190)
128 Fraud Recovery	64,559	-	64,559
128.1 Allowance for Doubtful Accounts - Fraud	(64,268)	-	(64,268)
129 Accrued Interest Receivable	18,906	-	18,906
120 Total Receivables, Net of Allowances for Doubtful Accounts	137,411	-	73,810
142 Prepaid Expenses and Other Assets	40,472	-	40,472
144 Inter Program Due From	-	4,655	4,655
150 Total Current Assets	309,963	4,655	251,017
161 Land	126,600	-	126,600
162 Buildings	8,975,851	273,885	9,249,736
163 Furniture, Equipment & Machinery - Dwellings	332,662	-	332,662
164 Furniture, Equipment & Machinery - Administration	157,894	-	157,894
165 Leasehold Improvements	241,894	-	241,894
166 Accumulated Depreciation	(8,681,253)	(98,055)	(8,779,308)
167 Construction in Progress	242,861	-	242,861
160 Total Capital Assets, Net of Accumulated Depreciation	1,396,509	175,830	1,572,339
171 Notes, Loans and Mortgages Receivable - Non-Current	161,103	-	161,103
174 Other Assets	206,624	-	206,624
180 Total Non-Current Assets	1,764,236	175,830	1,940,066
290 Total Assets	$ 2,074,199	$ 180,485	$ 2,191,083

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS - AMPs
September 30, 2024

Account Description	MD007000001	MD007000002	TOTAL
LIABILITIES AND NET POSITION:			
LIABILITIES:			
321 Accrued Wage/Payroll Taxes Payable	$ 13,530	$ -	$ 13,530
322 Accrued Compensated Absences - Current Portion	2,645	-	2,645
341 Tenant Security Deposits	30,327	-	30,327
342 Unearned Revenue	40,452	-	40,452
343 Current Portion of Long-term Debt - Capital	33,061	-	33,061
346 Accrued Liabilities - Other	71,413	-	71,413
347 Inter Program - Due To	281,045	-	281,045
310 Total Current Liabilities	472,473	-	472,473
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	179,320	-	179,320
353 Non-current Liabilities - Other	38,102	-	38,102
354 Accrued Compensated Absences - Non Current	23,809	-	23,809
350 Total Non-Current Liabilities	241,231	-	241,231
300 Total Liabilities	713,704	-	713,704
508.4 Net Investment in Capital Assets	1,184,128	175,830	1,359,958
512.4 Unrestricted Net Position	176,367	4,655	181,022
513 Total Equity - Net Assets / Position	1,360,495	180,485	1,540,980
600 Total Liabilities and Equity	$ 2,074,199	$ 180,485	$ 2,254,684

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES AND CHANGE IN NET POSITION
ACCOUNTS - AMPs
Year ended September 30, 2024

Account Description	MD007000001	MD007000002	TOTAL
REVENUES:			
70300 Net Tenant Rental Revenue	$ 453,032	$ -	$ 453,032
70400 Tenant Revenue - Other	51,770	-	51,770
70500 Total Tenant Revenue	504,802	-	504,802
70800 Other government grants	208,404	-	208,404
71100 Investment income - unrestricted	1,614	-	1,614
71500 Other revenue	106,714	-	106,714
TOTAL REVENUES	821,534	-	821,534
EXPENSES:			
Administrative			
91100 Administrative Salaries	314,333	-	314,333
91200 Auditing Fees	12,118	-	12,118
91400 Advertising and Marketing	2,313	-	2,313
91500 Employee Benefit contributions - Administrative	240,276	-	240,276
91600 Office Expenses	250,288	-	250,288
91700 Legal Expense	23,992	-	23,992
91800 Travel	13,010	-	13,010
91900 Other	26,674	-	26,674
91000 Total Administrative Expense	883,004	-	883,004
Tenant services			
92200 Relocation costs	8,677	-	8,677
92500 Total Tenant Services	8,677	-	8,677
Utilities			
93100 Water	131,320	-	131,320
93200 Electricity	243	-	243
93300 Gas	2,550	-	2,550
93000 Total Utilities Expense	134,113	-	134,113
Ordinary Maintenance & Operation			
94100 Labor	241,262	-	241,262
94200 Materials	98,960	-	98,960
94300 Contracts	155,244	-	155,244
94000 Total Ordinary Maintenance & Operation	495,466	-	495,466

ROCKVILLE HOUSING ENTERPRISES
FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES AND CHANGE IN NET POSITION
ACCOUNTS - AMPs
Year ended September 30, 2024

Account Description	MD007000001	MD007000002	TOTAL
EXPENSES (CONTINUED):			
Insurance Premiums			
96110 Property Insurance	14,027	-	14,027
96120 Liability Insurance	14,027	-	14,027
96130 Workmen's Compensation	14,027	-	14,027
96140 All Other Insurance	3,827	-	3,827
96100 Total insurance Premiums	45,908	-	45,908
General Expenses			
96200 Other General Expenses	60,709	-	60,709
96210 Compensated Absences	(10,664)	-	(10,664)
96300 Payments in lieu of taxes	10,948	-	10,948
96400 Bad debt - tenant rents	30,829	1,346	32,175
96000 Total General Expenses	91,822	1,346	93,168
Financial Expenses			
96710 Interest expense - Mortgage Payable	8,737	-	8,737
Total Financial Expenses	8,737	-	8,737
96900 TOTAL OPERATING EXPENSE	1,667,727	1,346	1,669,073
97000 EXCESS OPERATING REVENUE	(846,193)	(1,346)	(847,539)
Other Expenses			
97100 Extraordinary maintenance	38,520	-	38,520
97400 Depreciation Expense	256,819	13,694	270,513
Total Other Expenses	295,339	13,694	309,033
TOTAL EXPENSES	**1,963,066**	**15,040**	**1,978,106**
10010 Operating transfer in	796,665	-	796,665
10093 Transfers between Program & Project - in	-	-	-
10100 Total Other Financing Sources (Uses)	796,665	-	796,665
EXCESS OF REVENUE OVER (UNDER) EXPENSES	**(344,867)**	**(15,040)**	**(359,907)**
11030 Beginning Net Position	1,705,362	195,525	1,900,887
Ending Net Position	$ **1,360,495**	$ **180,485**	$ **1,540,980**

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RUBINO
STRENGTH IN NUMBERS

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
Rockville Housing Enterprises
Rockville, Maryland

We have audited, in accordance with the 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, the financial statements of Rockville Housing Enterprises (the Authority) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Rockville Housing Enterprises' basic financial statements, and have issued our report thereon dated June 25, 2025. Our report includes a reference to other auditors who audited the financial statements of RELP One, LP, a blended component unit, as described in our report on the Authority's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the blended component units were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from 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 financial statements. 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Stand*ards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rubino & Company

Bethesda, Maryland
June 25, 2025

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Rockville Housing Enterprises
Rockville, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rockville Housing Enterprises' (the Authority's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rubino & Company

Bethesda, Maryland
June 25, 2025

ROCKVILLE HOUSING ENTERPRISES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2024

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development (HUD):			
Moving to Work Demonstration Program	14.881	N/A	$ 6,770,334
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	N/A	1,028,441
Mainstream Vouchers	14.879	N/A	890,731
			1,919,172
Section 8 Project-Based Cluster:			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	N/A	44,334
Resident Opportunity and Supportive Services	14.870	N/A	79,704
Family Self-Sufficiency Program	14.896	N/A	82,595
Total HUD Federal Expenditures			8,896,139
U.S. Department of the Treasury:			
YouthBuild Program	17.274	N/A	308,099
Total Department of the Treasury Federal Expenditures			308,099
TOTAL FEDERAL EXPENDITURES			$ 9,204,238

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rockville Housing Enterprises (the Authority) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ROCKVILLE HOUSING ENTERPRISES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2024

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material Weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
3. Noncompliance material to financial statements noted?	No

Federal Awards

4. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
5. Type of auditor's report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

7. Identification of Major Programs:

Federal Grantor/Program Title	Federal Assistance Listing No.	
U.S. Department of Housing and Urban Development (HUD):		
Moving to Work Demonstration Program	14.881	$ 6,770,334

8. Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
9. Auditee qualified as low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

ROCKVILLE HOUSING ENTERPRISES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2024

The audit for the year ended September 30, 2023, disclosed no findings.