

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report



Fiscal Year 2002

July 1, 2001 - June 30, 2002
Rockville, Maryland

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County,
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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



Thomas A. Brewer
President

Jeffrey L. Essler
Executive Director

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report



Prepared by the
DEPARTMENT OF FINANCE

Timothy L. Firestine, Director
101 Monroe Street
Rockville, Maryland 20850
240-777-8860

Fiscal Year 2002
July 1, 2001 - June 30, 2002





Montgomery County

Vision Statement

*“Helping to make Montgomery County
the best place to be through efficient, effective and
responsive government that delivers quality services.”*

Guiding Principles

We Will Provide Excellence in Government By:

- Insisting upon customer satisfaction
- Ensuring high value for tax dollars
- Adhering to the highest ethical standards
- Appreciating diversity
- Being open, accessible and responsive
- Empowering and supporting employees
- Striving for continuous improvement
- Working together as a team
- Being accountable

Montgomery County, Maryland
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INTRODUCTORY SECTION



DEPARTMENT OF FINANCE

Douglas M. Duncan
County Executive

Timothy L. Firestine
Director

January 17, 2003

Honorable County Executive,
Members of the Montgomery County Council, and
Chief Administrative Officer

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of Montgomery County, Maryland (the County), for the fiscal year ended June 30, 2002. This report, presented in conformity with accounting principles generally accepted in the United States of America (GAAP), was prepared by the County's Department of Finance in cooperation with the finance departments of the County's component unit and joint venture organizations.

This year's CAFR is presented using the new financial reporting model as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). The changes required are described in the Management's Discussion and Analysis (MD&A) and in the Notes to Financial Statements in the Financial Section of the CAFR.

This report has been prepared pursuant to the provisions of Article 2, Section 214 of the Charter of the County, and includes the independent auditors' opinion, issued by the County Council appointed independent public accounting firm, as provided by Article 3, Section 315 of the County Charter. Responsibility for both the completeness and fairness of the information presented in this report, including the disclosures, rests with the County. We believe the information presented in this report is complete and accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

Internal Accounting Controls

To provide a reasonable basis for making these representations, management of Montgomery County, Maryland has established a comprehensive internal control framework. Internal accounting controls are designed to provide reasonable assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions and for reliance upon the financial records in the preparation of the financial statements.

The County has three significant programs that enhance the internal controls of the government. First, the County maintains auditing staff that reports to the Director of Finance. This staff performs periodic and regular financial and operational audits throughout the County's agencies and departments. The internal auditing effort has been bolstered by the use of contracts with public accounting firms. During the year ended June 30, 2002, audits performed by contract with auditing firms covered fiscal operations and contract compliance. Second, the County Council maintains an office responsible for "Legislative Oversight" activities. Third, the Office of Inspector General is responsible to (1) review the effectiveness and efficiency of programs and operations of County government and independent County agencies, (2) prevent and detect fraud, waste, and abuse in government activities, and (3) propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies.

Independent Audit

The County Charter requires that "the Council shall contract with, or otherwise employ, a certified public accountant to make annually an independent post-audit of all financial records and actions of the County, its officials and employees. The complete report of the audit shall be presented to the Council and copies of it shall be made available to the public."

This requirement has been complied with, as the Montgomery County, Maryland financial statements have been audited by the public accounting firm of KPMG LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended June 30, 2002, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Montgomery County, Maryland financial statements for the year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements, including the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Report on Expenditures of Federal Awards.

Overview of the Report

The accompanying report consists of four sections: introductory, financial, statistical, and index.

The introductory section includes this transmittal letter, a copy of our Certificate of Achievement for Excellence in Financial Reporting awarded for the FY2001 report, a list of special acknowledgments, the Montgomery County, Maryland organization chart, and a listing of officials.

The financial section includes the report of the independent auditors, MD&A, the basic financial statements, and the combining and individual fund financial statements and supplementary schedules. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Montgomery County, Maryland MD&A can be found immediately following the report of the independent auditors.

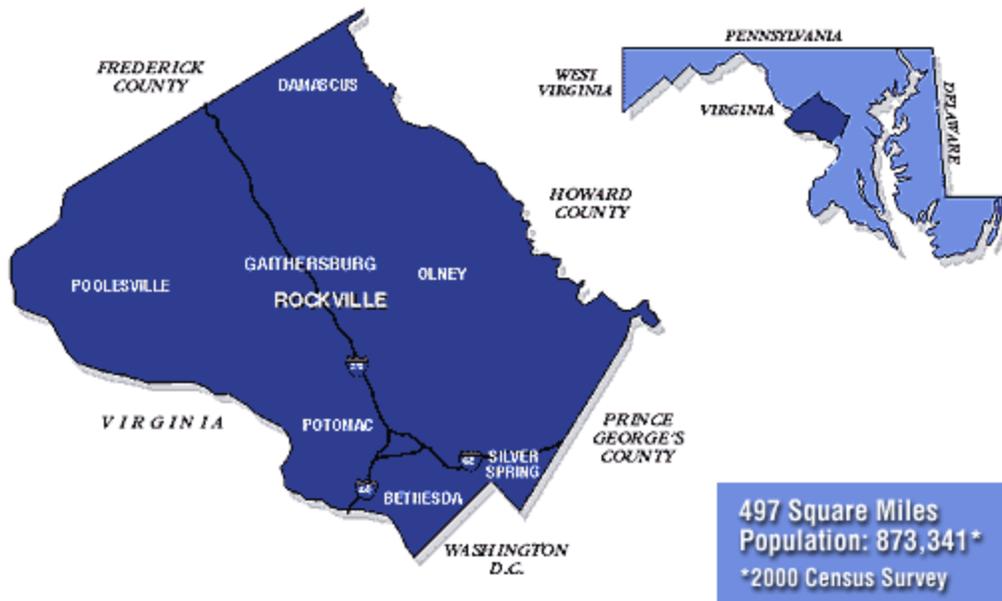
The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The index is presented solely to facilitate the identification of financial statements of the individual funds and component units of the County.

PROFILE OF THE GOVERNMENT

Montgomery County, named after the early American general, Richard Montgomery, was established in 1776 by the State Convention. The County government was structured under the County Commission system until 1948, when voters adopted a charter, which gave the County home rule and a council-manager form of government. The governing authority of the County, today, is still the charter, which was fully implemented in 1970, with the election of an executive and a council. Currently, Montgomery County is the most populated and affluent jurisdiction in Maryland and enjoys the distinction of being named an All-American community.

The annual budget provides the basis for coordinating and controlling the County government programs and expenditures, which include education, public safety, public works and transportation, culture and recreation, health and human services, community development and housing, environment, and general government services. The County Executive develops and recommends budget proposals and the Council then authorizes expenditures and sets property tax rates. A budget-to-actual comparison schedule is presented on Exhibit A-7 as part of the basic financial statements for the governmental funds.



THE REPORTING ENTITY

For financial reporting purposes, the County's reporting entity consists of: (1) the primary government, and (2) component unit organizations for which the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The financial statements of all agencies, boards, commissions, and authorities that have been identified as the primary government or a component unit have been included.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) describes the criteria for determining which organizations should be considered part of the County for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, as well as the County's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

Based on evaluation of this criteria, the following organizations are included as component units in the accompanying financial statements: Montgomery County Public Schools (MCPS), Montgomery Community College (MCC), Housing Opportunities Commission of Montgomery County (HOC), Montgomery County Revenue Authority (MCRA), and Bethesda Urban Partnership, Inc. (BUPI).

The County's participation in the following joint ventures is also disclosed in the Notes to the Financial Statements (see Note IV-D): Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, Metropolitan Washington Council of Governments, and Northeast Maryland Waste Disposal Authority.

Copies of the respective independently audited annual financial reports required by State or County law are available from the above mentioned component units and joint ventures.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Montgomery County operates.

Overview of National Economic Condition and Outlook

As FY02 began, the national economy was entering its third consecutive quarterly decline in real gross domestic product (GDP), payroll employment stood at 133.3 million, the unemployment rate was 4.6 percent, the interest rate on a 30-year home mortgage was 7.16 percent, and inflation was running at an annual rate of 3.2 percent. As the fiscal year came to a close, real GDP increased 2.2 percent, but payroll employment fell to 131.8 million and the unemployment rate jumped to 5.9 percent. Interest rates on 30-year mortgages continued their historic decline and reached 6.65 percent by the end of the fiscal year. Inflation remained subdued at an annual rate of 1.1 percent.

During FY02, significant national and international events created repeated shocks to the national economy, foremost of which were the terrorist attacks on 9/11. Among such shocks were the performance of the stock market and business and consumer confidence. With the war against terrorism at home and abroad taking center stage, uncertainty among both businesses and consumers created an uneven economic recovery and expansion throughout FY02. The stock market, which is propelled by both psychological and economic factors, continued to decline. It is against this backdrop that the effects of the national economy on the condition of the regional economy and of Montgomery County's economy are presented.

The Local Economy

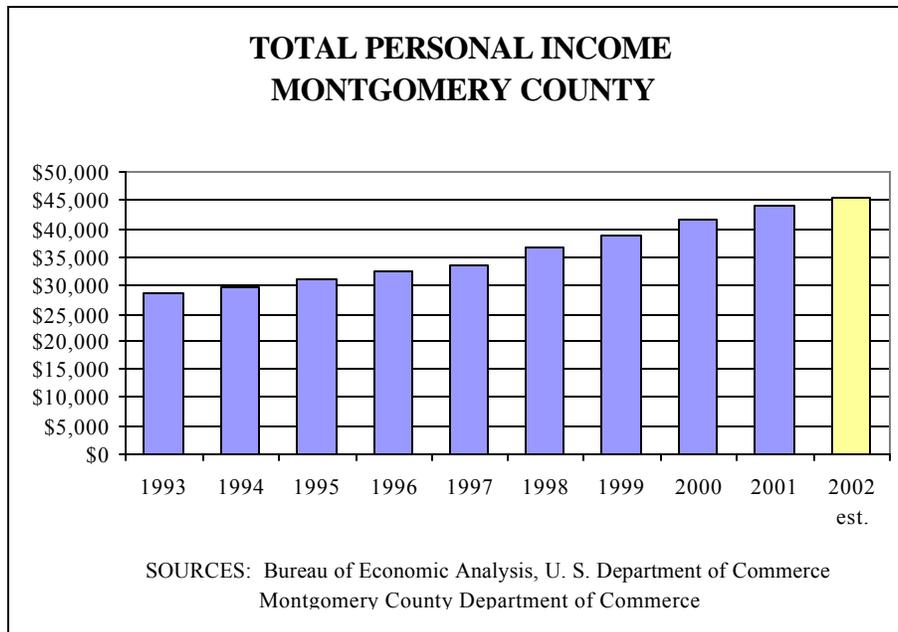
Because of its unique economic infrastructure, the Washington metropolitan area is different from other metropolitan area economies. It is because of this uniqueness that there is a common belief that the Washington economy is "recession proof." However, while recent recessions have been less severe in this area compared to other regions in the country, the regional economy slowed considerably during FY01 and FY02 from its strong performance during the late 1990s and into 2000. According to data from the Center for Regional Analysis, George Mason University, the Washington Coincident Index, which represents the current state of the regional economy, declined 3.7 percent during FY01 and 5.7 percent during FY02 after increases of 3.9 percent and 4.1 percent during FY99 and FY00, respectively. The slowdown in the economy over the past two fiscal years is attributable to a decline in three of the four components of the index – a significant decrease in consumer confidence and in domestic airport passengers particularly after 9/11, and a modest decline in retail sales of nondurable goods. The fourth component, total wage and salary employment, exhibited a modest increase during FY01 and FY02.

Both the regional and Montgomery County economy experienced a slowdown during the past fiscal year. This slowdown in economic activity was, however, less than observed at the national level. Total personal income increased 3.5 percent, inflation remained quiescent although slightly above the national rate, and historically low interest rates help support a modest growth in the housing market. Although such indicators suggest a County economy that was healthy during FY02, there were indicators that exhibited uneven growth and in some cases declined. Such indicators mirrored the national economy and included the weak performance of greater Washington area stocks; declining payroll employment; deceleration in the growth of the construction sector; and a modest increase in retail sales.

The following sections discuss the economic indicators and their trends over previous years. Such indicators include personal income and its components, employment, non-residential and residential real estate activity, and retail sales.

Personal Income

On a calendar year (CY) basis, personal income in Montgomery County increased from \$29.9 billion in CY93 to an estimated \$45.6 billion in - an annual average rate of 5.2 percent. However, the growth rates for total personal income have exhibited a deceleration from a high of 8.9 percent during CY98 to an estimated 3.5 percent during CY02, which was the lowest growth rate over the ten-year period. Per capita income increased from \$35,908 in CY93 to an estimated \$51,090 in CY02. Over the ten-year period per capita income increased at an average annual rate of 3.9 percent.



Employment

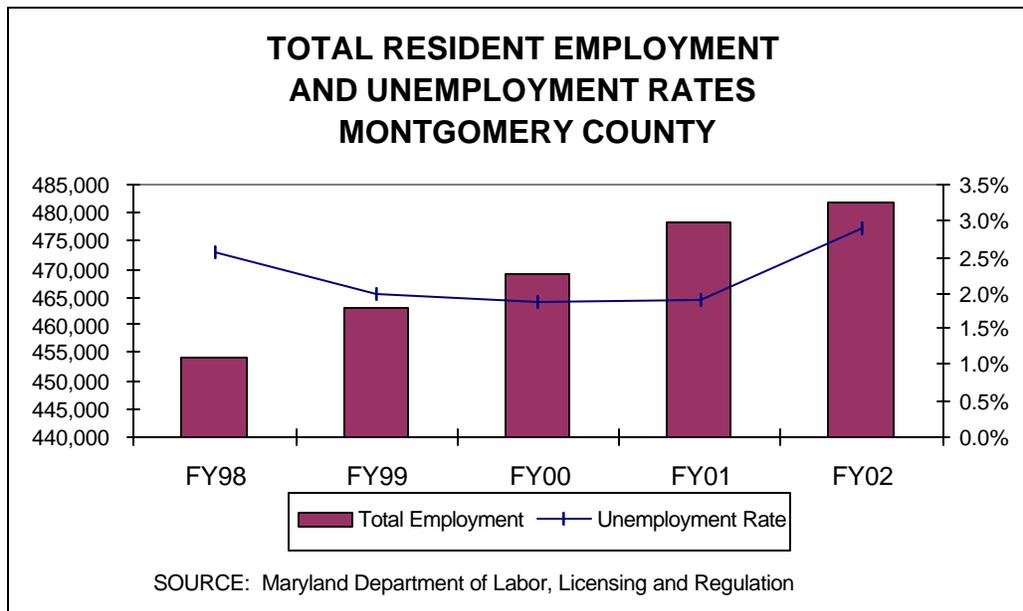
As FY02 began, the labor force in Montgomery County stood at 494,346, employment for County residents was 482,863, and the unemployment rate was 2.4 percent. By the end of the fiscal year, the labor force increased 10,292 to 504,638, employment for County residents increased 7,716, and the unemployment rate had increased to 2.9 percent. Although employment based on place of residence increased during FY02, the size of the labor force grew by a greater amount causing the unemployment rate to increase by 0.5 percentage points.

During the first three quarters of FY02, the latest period for which data are available, the total number of payroll jobs averaged 449,771. When compared to the first three quarters of FY01, the number of payroll jobs during the first three quarters of FY02 decreased by 988.

Payroll employment is a better indicator of the employment situation in Montgomery County, while labor force and resident employment are used to derive the unemployment rate for the County.

Labor Force and Resident Employment

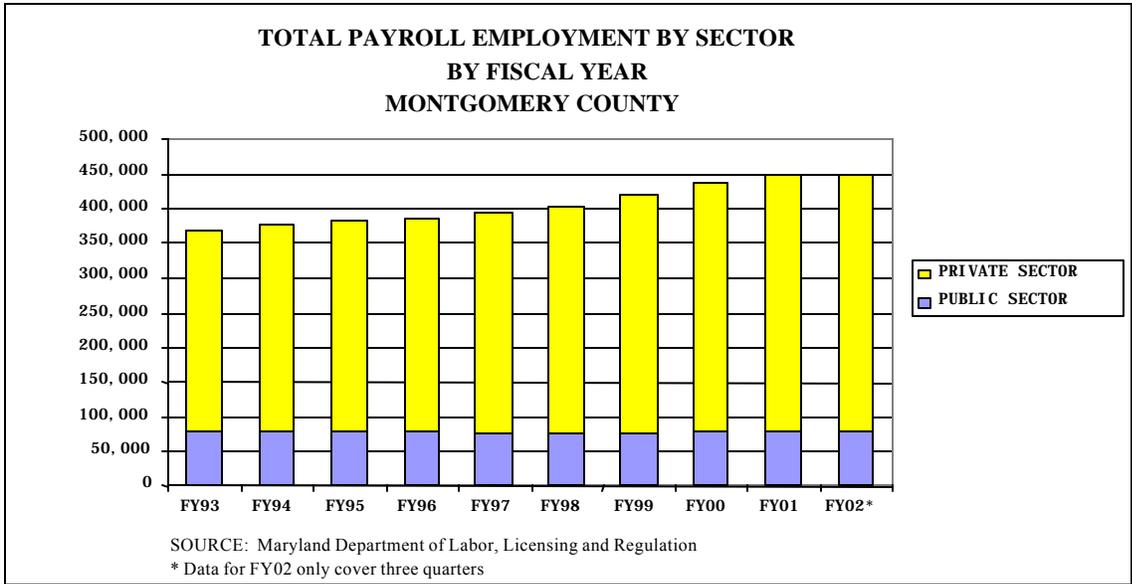
The average total labor force in Montgomery County stood at 496,089 in FY02 – an increase of 1.7 percent over FY01. Average resident employment also increased during FY02 to 481,734 or 0.7 percent since FY01. Even though resident employment experienced rapid growth from FY98 through FY01, growth moderated significantly between FY01 and FY02. While the number of employed increased from FY01 to FY02, the unemployment rate increased over the same period. This phenomenon is attributed to the growth of the labor force, which includes both employed and unemployed, exceeding the growth of resident employment during FY02.



Payroll Employment

Because of the unique economic infrastructure of the Washington metropolitan area compared to other regions of the country, the recession has been less severe in Montgomery County than in the nation as a whole. This phenomenon is attributed to the effect that the federal government, in terms of direct and indirect employment and procurements, has had on the regional economy in general and on Montgomery County in particular. Of the total payroll jobs in the County, 88.6 percent are either in the federal and local government or in service-sector industries – a proportion that has remained fairly constant over the past ten years – compared to 79.4 percent for the nation as a whole. During the first three quarters of FY02, the total number of payroll jobs averaged 449,711 compared to 450,759 for the first three quarters of FY01. The decline is attributed to a loss of almost 3,500 jobs in the private sector. However, the decline was partially offset by a gain in federal and local government employment of almost 2,000. This confirms the importance of the public sector, since without the presence of the federal and local government employment and procurement spending by the federal government, the decline in the number of jobs would have been greater than 1,000, or larger than 0.2 percent.

Employment in the service-sector industry category comprises the largest proportion of total payroll employment in the County. From FY93 through the third quarter of FY02, the latest period for which data are available, employment in the service sector increased at an average annual rate of 3.5 percent compared to a 2.3 percent increase for total payroll employment.



Because of the concentration of employment in the service sector compared to the goods-producing sector, Montgomery County may not be as susceptible to major contractions in payroll employment during recessions as other regions of the country. Examining changes in the payroll data for the entire United States, over the last nine recessions, the average decline in total payroll employment was 2.1 percent, most of which occurred in the goods-producing sector. The average decrease in goods-producing employment averaged 7.0 percent over the last nine recessions compared to a modest decrease of 0.1 percent in the services sector and an increase of 1.4 percent in the government or public sector. Therefore, regions of the country whose workforce is predominantly employed in the goods-producing industries experienced greater reductions in employment during recessions than those regions whose workforce has been predominantly employed in service industries or in the public sector. Montgomery County workforce fits the latter category and may explain why the County's workforce is not as susceptible to major contractions as other parts of the region, State, or the nation.

Payroll Wages and Salaries

Total payroll wages were \$20.6 billion in CY01 the latest period for which data are available. Compared to CY00, total wages increased \$1.1 billion or 5.6 percent. While total wages have increased over the past five years, the rate of 5.6 percent in CY01 was the lowest over this period. Average salaries also have increased over the past five years. In CY01, the average salary was \$45,879 compared to \$43,668 in CY00 an increase of 5.1 percent.

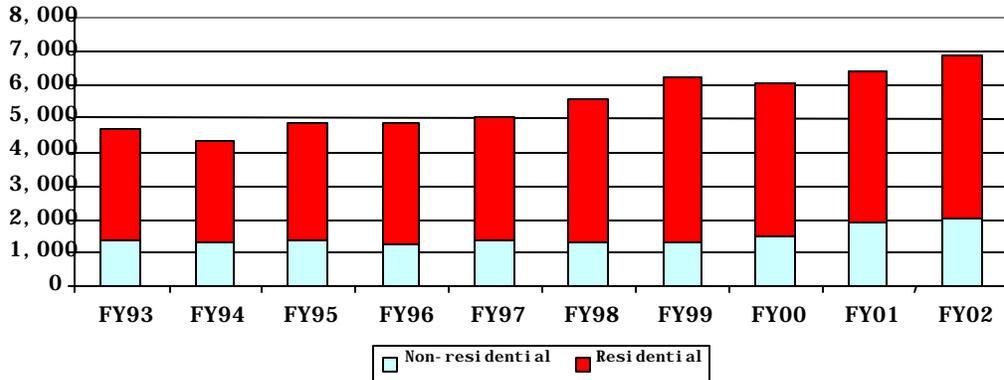
Real Estate

Construction and real estate activity tend to be cyclical and can have significant effects on the local economy, specifically on local employment. A number of economic indicators provide an assessment of supply and demand for non-residential and residential real estate. Such indicators include permit authorizations, new contracts for non-residential and residential construction, home sales, and office vacancy. This section provides an analysis of the real estate activity for Montgomery County during FY02 and for previous fiscal years.

Permits

Permit authorizations are an indicator of planned construction activity in non-residential and residential real estate sectors and are granted by the County. The total number of non-residential and residential permits for Montgomery County for the past ten fiscal years is presented in the accompanying chart. The total number of permits authorized in FY02 was 6,861, an increase of 480 or 7.5 percent from FY01. Permits for residential and non-residential property accounted for 68.1 percent and 31.9 percent of the increase, respectively.

NUMBER OF NON-RESIDENTIAL AND RESIDENTIAL PERMITS MONTGOMERY COUNTY



SOURCES: Montgomery County Department for Permitting Services (non-residential)
U.S. Bureau of the Census, U.S. Department of Commerce (residential)

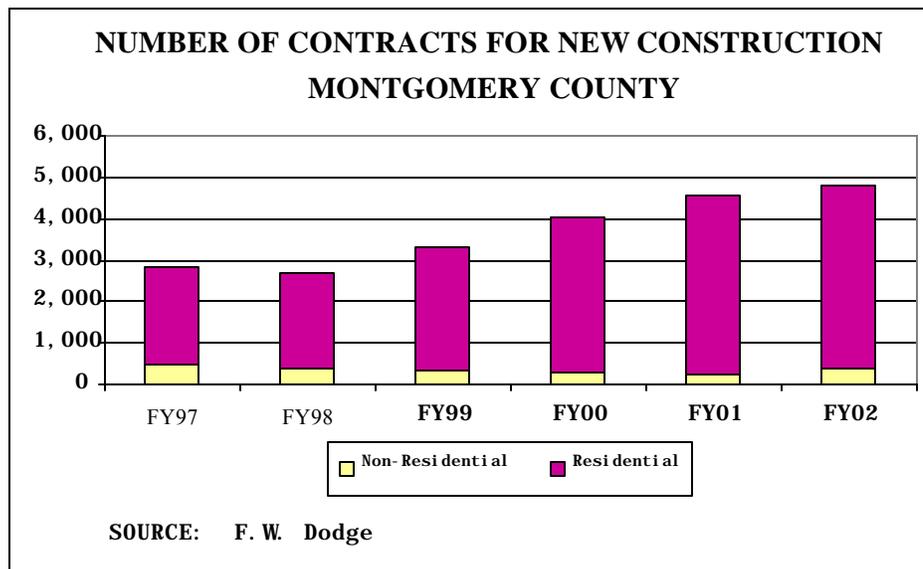
The trend in permit authorizations suggests that over the past ten years three distinct cycles occurred. The latest cycle began in FY00 with total annual authorizations of 6,041. Since that time, the number of permits has accelerated to 6,381 permits in FY01, an increase of 5.6 percent, to 6,861 in FY02, an increase of 7.5 percent. While the majority of permits in FY02 were authorized for residential construction, the acceleration in total permits during FY02 is nearly equally divided between non-residential property and residential property. The rapid increase in the number of non-residential permits authorized over the past three fiscal years suggest that a potential construction boom occurred in this sector for Montgomery County compared to the residential sector.

Construction Starts

Along with permit authorizations, construction starts measure the potential level of the supply of real estate property, non-residential and residential, in the near term. The number of construction starts or projects in the County for non-residential and residential properties was 4,802 in FY02 which was an increase of 247 projects or 5.4 percent from FY01. As the accompanying chart illustrates, the number of construction starts in FY02 is a continuation of a five-year construction cycle in the County that began in FY98. However, residential construction and non-residential construction experienced two different cycles. While residential construction continually increased over the five-year period, non-residential construction did not experience the same pattern. During the current construction cycle beginning in FY98, the number of residential construction projects increased from 2,289 in FY98 to 4,413 in FY02, an average annual growth rate of 16.4 percent. Over the same period, residential construction projects averaged 91.2 percent of the total projects. The value of the residential construction projects was \$764.0 million, over twice the value of \$365.5 million in FY98. Such a construction boom predates the recent drop in interest rates, and indicates the economic strength of Montgomery County between FY98 and FY02. Such a dramatic increase in the number and value of the projects suggests significant additions to the real property tax base during the past five fiscal years.

While residential construction experienced double-digit growth, non-residential construction experienced a much different pattern. The number of new non-residential construction projects was 389 with a value of \$970.1 million in FY02 and was significantly higher compared to FY01. Construction of commercial property represented 72.0 percent of all non-residential construction in FY02 with new education and science facilities a distant second with a 9.0 percent share. However, the increase in non-residential construction in FY02 was the first increase in over six fiscal years, and the number of projects in FY02 matched the number of projects in FY98. The decline in starts between FY98 and FY00 for non-residential property correlates with the decline in the vacancy rates for office property. Office and bank buildings constitute on average 40 percent of total non-residential starts. In July 1998, the vacancy rate for office space was 4.2 percent for Class A property. By July 2000, the vacancy rate declined to 3.1 percent. However, from July 2000 to July 2002, vacancy rates for Class A property increased to 10.2 percent, the highest rate in the seven-year period. At the same time, construction starts for office and bank buildings also increased from 98 in FY00 to 147 in FY02, an increase of 150 percent. Such a correlation between construction starts for office and bank buildings and office vacancy rates suggests that there is excess office property in the County. With the high office occupancy rate in the County for FY02, the number of new non-residential projects, specifically in office property, may decline in the near term in order to bring the supply into balance with demand.

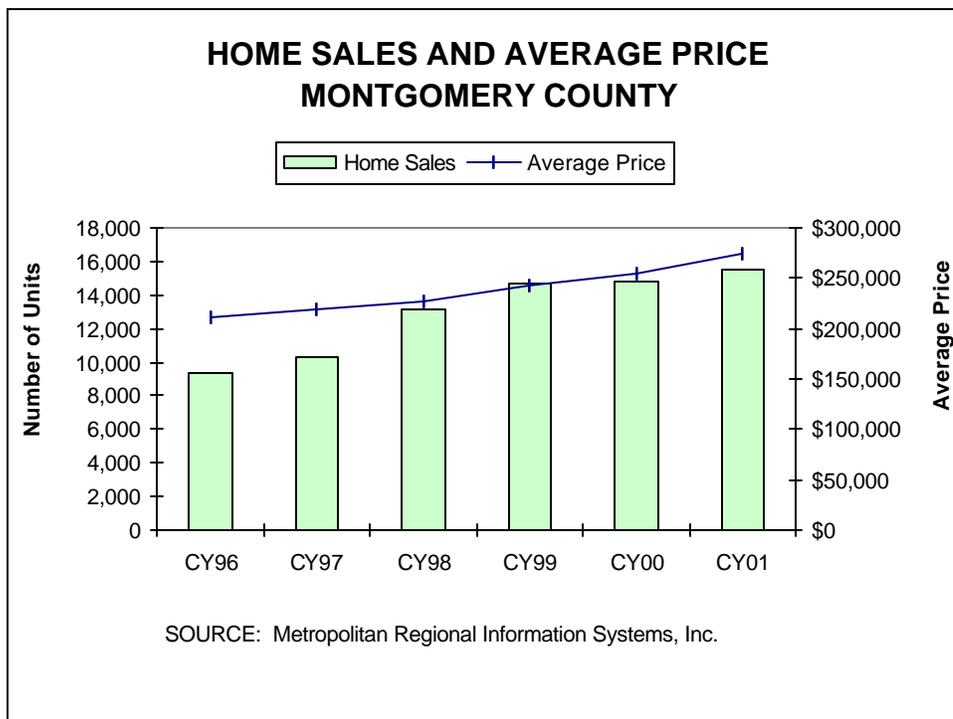
Because of the construction boom in residential property since FY98 and the recent construction boom in the non-residential property, estimated market value for real property increased by \$9.3 billion to \$84.2 billion from FY00 to FY02. While new residential property continued to grow in the late 1990's through 2002, new non-residential construction enabled the County to experience a tremendous growth in real property values and in real property assessments from FY00 through FY02. However, there are fundamental supply and demand issues that may curtail further construction growth in residential and non-residential property.



A closer examination of the recent trend reveals a deceleration in the number of new projects from year to year. For example, the growth in new construction decreased from 19.3 percent between FY98 and FY99 to 5.3 percent between FY01 and FY02. Such a deceleration can be attributed to a number of factors: the national recession and subsequent weakness in business and consumer confidence about the future of the economic recovery, a potential imbalance between supply and demand particularly in the residential housing market due to a lack of available building lots, especially in many down-County areas, and zoning restrictions in some other parts of the County.

Home Sales

With the increase in construction of residential property in Montgomery County and the decline in 30-year fixed mortgage rates to historic lows, one would expect the housing market in the County to experience a dramatic increase in home sales. As the accompanying chart shows, home sales in the County increased a modest 2.5 percent per year from CY99 to CY01. A much different trend occurred in the 1996-1999 period when home sales increased at an average annual rate of 14.9 percent. With the dramatic decline in mortgage interest rates over the past year, the recent deceleration in home sales is counterintuitive. Such a phenomenon may be attributed to three factors – lack of available houses for sale, weak consumer sentiment about the strength of the recovery, and the rapid increase in housing prices. From CY99 through CY01, average home prices increased at an average rate of 6.5 percent annually. The dramatic increase in home prices over this period also had an effect on reassessments in the County. In FY98, total reassessments were \$226.3 million and by FY02 reached \$796.6 million, a threefold increase. The largest gain in reassessments occurred in FY01 and FY02 with three-year phase in of real property assessments increasing 13.5 percent and 21.8 percent, respectively. Those increases were the highest since the early 1990s.



Retail Sales

Retail sales are the most closely watched economic indicator for judging the strength of consumer confidence and demand. The U.S. Bureau of the Census provides monthly retail sales that reflect sales of merchandise either for cash or credit by establishments that sell primarily to the public. Monthly retail sales are affected by a number of factors some of which include various price factors and seasonal considerations. However, retail sales data are not available at the County level. Sales tax receipts are used as a proxy for the strength of consumer spending in Montgomery County.

Sales of nondurable goods, excluding food and beverage, comprised 48.6 percent of total sales, and sales of durable goods comprised 51.4 percent of total sales in FY02. During the past ten fiscal years, sales tax receipts for Montgomery County increased at an average annual rate of 4.2 percent in current dollars. However during FY02, sales tax receipts only increased 1.3 percent – almost 3 percentage points below the ten-year average and the third lowest during the past ten fiscal years. The modest increase in sales tax receipts is attributed to declines in the purchase of apparel; furniture and appliances; and hardware, machinery and equipment. Excluding food and beverage, these items comprised almost 28 percent of total retail sales. Sales of hardware, machinery and equipment experienced the largest decrease, (-14.1 percent), from FY01, followed by furniture and appliances, (-7.7 percent), and finally apparel, (-5.0 percent). On the positive side, sales from building and industrial supplies experienced the largest gain in FY02 an increase of 14.9 percent over FY01, followed by automotive goods and services, an increase of 5.9 percent, and food and beverage, an increase of 5.0 percent.

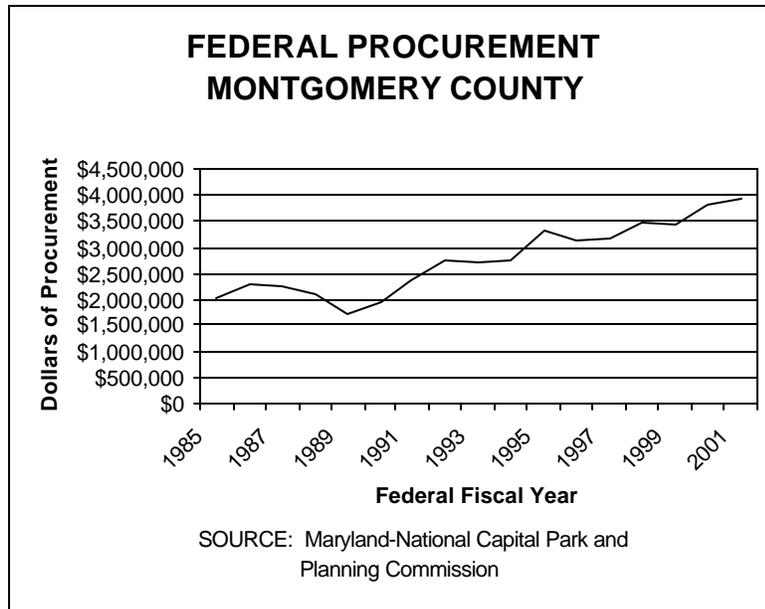
Consumer Prices

The consumer price index for all items less food and energy for the Washington-Baltimore Consolidated Metropolitan Statistical Area (CMSA) increased 3.3 percent during FY02 compared to 2.3 percent for the entire United States. Since the Bureau of Labor Statistics, U.S. Department of Labor, began reporting the index for the region, the increase during FY02 was the largest, and the first time that the increase exceeded the national index. The reason for the large increase in consumer prices for the region is attributed to the increase in the cost of housing, which includes the cost of shelter, utilities, and furnishings, compared to the nation. During FY02, the cost of housing increased 3.9 percent in the Washington region compared to 1.9 percent for the United States.

Federal Procurement Spending

Federal procurement spending is related to the outsourcing of activities by the federal government to the private sectors. Such activities include providing security at federal facilities, the operation and maintenance at federal facilities, the design and construction of military equipment and weapons systems, and developing and operating information management systems. In its ongoing effort to transfer non-critical and non-essential aspects of activities to the private sector, thereby reducing its operating costs, the federal government accelerated its efforts to increase outsourcing of many of its functions. Since such procurements represent a large investment in the economy's private sector, outsourcing is an important part of the County's economy.

As the accompanying chart shows, federal procurement spending Montgomery County reached \$3,942 million in federal fiscal year 2001, which was 2.8 percent above the previous federal fiscal year. The County's share of procurement dollars was 12.0 percent and was the third highest behind the District of Columbia at 31.3 percent and Fairfax County at 21.9 percent.



Since federal fiscal year 1993, the amount of federal procurement dollars for Montgomery County grew at an average annual rate of 4.7 percent. However, year-to-year changes in the amount varied greatly from a high of 20.9 percent in fiscal federal year 1995 to a low of -5.3 percent the following federal fiscal year. Over the past two years, procurement dollars in the County increased 14.5 percent.

Industries Affecting the Local Economy

Montgomery County is the second largest suburban center in the greater Washington region, with an average labor force at 496,089 in FY02. The County's private sector represents approximately 83 percent of the County's total employment base with the remaining 17 percent distributed primarily between federal and local governments at 9.0 percent and 8.5 percent, respectively.

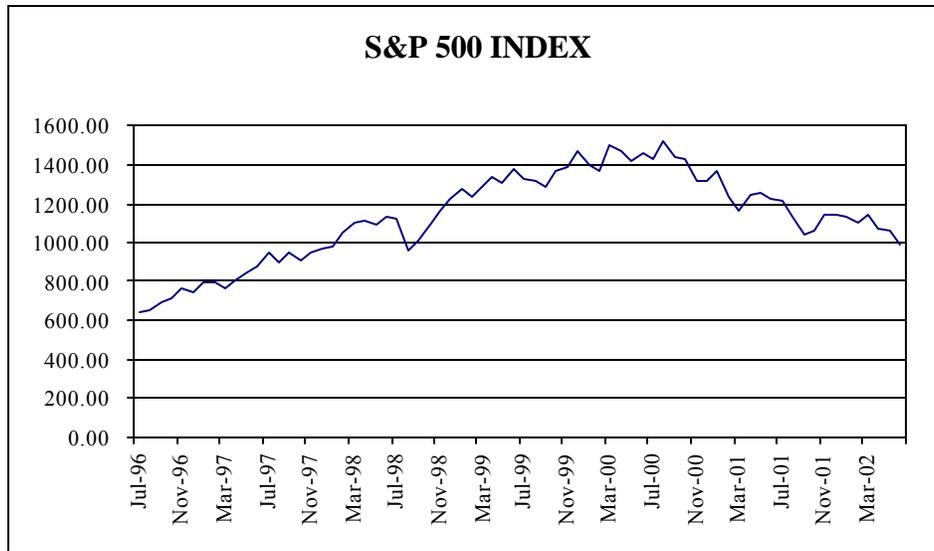
After five years of declines between 1993 and 1998, in which 6,800 federal jobs were lost, federal government jobs increased by 1,020 from 1998 to 2001. The County is home to 23 Federal departments and agencies. The largest consist of the Department of Health and Human Services, the Department of Defense, and the Department of Commerce. Agencies whose headquarters are located in the County are the National Oceanic and Atmospheric Administration, the National Institute of Standards and Technology, and the National Institutes of Health.

There are also several thousand private sector employers in the County, including Adventist Healthcare (6,000), Giant Food Corporation (4,900) Chevy Chase Bank (4,700), Verizon (4,700), Lockheed Martin (3,700), and Marriott International, Inc. (3,500). The County actively supports the high-technology industries and has the largest concentration of Maryland's high-technology employment in computer and data processing services, engineering services, commercial physical research, and biological organization.

Future Economic Outlook

Following a year of uneven and modest economic growth, and a slowing trend in some key economic indicators, the outlook for FY03 is expected to repeat with slow growth during the first half. In fact, several key indicators showed little or no growth during FY02 of which the most notable are weak payroll employment, weak housing sales, excess office property, a weak stock market, and weak consumer confidence. Clearly, the County's economy avoided the recession, to a large degree, because of the presence of the federal government both in terms of employment and procurement.

The weak performance of the stock market over the past two years has had a negative effect on both business and consumer confidence. As the accompanying chart illustrates, the bear market began in March 2000. Since that time, the total value of the firms that comprise the S&P500 has declined 33.9 percent by June 2002 to nearly the level when the bull market began.



While the uncertainty of the stock market has been propelled by both psychological and economic factors, it is a barometer in assessing current and expectations of future corporate earnings. Since the beginning of the bear market, corporate earnings declined 22.2%. Because of declining earnings, corporate executives remain reluctant to either increase the number of hours per employee or hire new employees. The stock market performance also continues to have an effect on consumer attitudes. Consumer sentiment in the region declined 16.8% since August of last year. The performance of the stock market is but one indicator of how well the economy will perform in the future and is a component of the national index of leading indicators.

The index of leading indicators developed by the Center for Regional Analysis (CRA) for the Washington metropolitan area suggests a scenario of uneven and modest growth during the first half of FY03. Data from the CRA show that all four indicators that comprise the leading index exhibited an uneven pattern since January 2002. Consumers who have carried the national economy during FY02 may begin to reduce their spending during FY03. Both the consumer confidence index and consumer sentiment index reveal a decreasing confidence since March 2002. If such pessimism continues into the latter half of FY03, the County's economy may continue to experience little growth in payroll employment, and retail and housing sales. Under such a scenario, Montgomery County may experience only modest growth in income tax receipts reflecting the weak labor market conditions. With the construction in the real estate market, primarily in the non-residential sector, continuing to experience a deceleration in the number of new projects in FY03, property tax receipts will also experience slower growth.

The assumptions underlying this scenario are the continuation of low interest rates, modest inflation through FY03, and a rebound in consumer confidence. However, if inflation begins to increase and the Federal Reserve reverses its accommodative policy of low interest rates, exacerbated by a further decline in consumer confidence, then the local economy may experience a less than modest growth during FY03. The higher than expected interest rates will have an adverse effect on the real estate market, particularly home sales, while an increase in inflation will affect retail sales, and a decline in consumer confidence will dampen consumer spending and local businesses from investing in capital goods and hiring more workers.

Cash Management

The County maintains an active cash and investment management program. The primary objectives of this program are the preservation of capital, providing liquidity to meet financial obligations, and maximization of the investment yield on short-term working capital.

Working capital is managed pursuant to the Annotated Code of Maryland, the County Code, and the County's investment policies as approved by the County Council. The County is authorized to invest in: a) obligations for which the United States has pledged its full faith and credit for the payment of principal and interest, b) obligations that a federal agency or instrumentality issues in accordance with an act of Congress, or c) repurchase agreements that any of the foregoing listed obligations secures. Cited statutes also authorize investments in bankers' acceptances, secured certificates of deposit issued by Maryland banks, commercial paper of the highest investment grade and in money market funds whose portfolio is operated consistent with the Securities and Exchange Commission rule 2a-7. The County requires that these money market funds invest only in obligations that a federal agency or instrumentality issues in accordance with an act of Congress and repurchase agreements collateralized by an obligation of the United States, its agencies, or instrumentalities. The average maturity of the County's working capital portfolio is generally less than six months. At June 30, 2002, the investment balance of the County's portion of the consolidated portfolios was \$730.9 million and had earned investment income of \$18.2 million for FY02.

Risk Management

Montgomery County is self-insured for most claims filed by third parties. Property exposures are commercially insured above a high dollar retention. Potential losses are mitigated by a strong safety program, contractual transfer of exposure to others, and ongoing analysis of risk associated with County activities. In addition to the component units covered by this financial report, the following agencies are also members of the risk management program: Maryland-National Capital Park and Planning Commission, City of Rockville, Rockville Housing Enterprises, City of Gaithersburg, the Town of Somerset, the Village of Martin's Additions, and the Village of Drummond.

Pension and Other Postemployment Benefits

The County sponsors two cost-sharing multiple-employer pension plans, in which other agencies and political subdivisions have the right to elect participation. The Employees' Retirement System of Montgomery County is a defined benefit pension plan. The plan is closed to employees hired on or after October 1, 1994 (except public safety bargaining unit employees). The plan's assets are exclusively managed by the Board of Investment Trustees, which consists of nine trustees and functions as part of the County. The annual contribution required for this plan is based on an actuarial valuation. The Employees' Retirement Savings Plan, a defined contribution plan, covers all non-public safety and certain public safety (non-bargaining unit) employees hired on or after October 1, 1994. The Board of Investment Trustees monitors this plan and offers investment options to the participating employees.

All component units participate in various pension plans, either directly in their own plan or through participation in pension systems of Montgomery County or the State of Maryland. HOC and MCRA participate in the Employees' Retirement System and Employees' Retirement Savings Plan of Montgomery County, and their data is included in that of the retirement system.

Financial data relative to the pension plans administered by the County is as follows:

Plan Name	Covered Payroll	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL
Employees' Retirement System of Montgomery County	\$ 298,456,852	\$ 2,036,100,709	\$ 2,273,179,216	\$ 237,078,507
Employees' Retirement Savings Plan of Montgomery County	95,778,426	28,775,904	-	-

Plan Name	Employer Contributions	Employee Contributions	Number of Members	# of Persons Receiving or Entitled to Benefits
Employees' Retirement System of Montgomery County	\$ 39,168,622	\$ 12,943,679	6,416	4,115
Employees' Retirement Savings Plan of Montgomery County	5,791,248	3,307,782	2,909	2,909

The County sponsors the Montgomery County Deferred Compensation Plan pursuant to Section 457 of the Internal Revenue Code. The assets are held in trust for the sole benefit of participants and their beneficiaries. Trust responsibilities are assigned to the Board of Investment Trustees.

Net assets of the County's pension plans and deferred compensation plan are as follows at June 30, 2002:

Retirement System	\$1,677,520,118
Retirement Savings Plan	28,775,904
Deferred Compensation Plan	184,990,060
	<u>\$1,891,286,082</u>

In addition to the pension benefits described above, the County provides certain postemployment health and life insurance benefits to all employees who retire under the Retirement System or Retirement Savings Plan. These benefits, which are financed on a pay-as-you-go basis by the General Fund and employee contributions, are accounted for in the Employee Health Benefits Self-Insurance Internal Service Fund. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the County's pension plans, deferred compensation plan, and postemployment benefits can be found in Notes IV-E and IV-F in the Notes to the Financial Statements.

MAJOR INITIATIVES

Major initiatives of the County during FY02, including certain initiatives of its component units, presented by functional area, include the following:

Community Development and Housing

Affordable Housing: The Housing Initiative Fund (HIF) provided almost \$17 million in funding over the past fiscal year to non-profit and for-profit developers to support a variety of housing types for a wide range of individuals and families (seniors, low-income and special needs). The largest amount of funding (40%) went to support non-profit acquisition and rehabilitation of multi-family rental housing in order to preserve its affordability. The leverage ratio for HIF funds was 7.5 to 1 – in other words for each HIF dollar, \$7.50 in private, state and federal funds have been leveraged. The Building Neighborhoods to Call Home initiative provided \$450,000 in direct support of revitalization efforts in the County's targeted neighborhoods in the Silver Spring and Longbranch areas. Additionally, \$500,000 was used to fund the County's Closing Cost Assistance program, which leveraged \$2.5 million from Fannie Mae.

This 2.5 million resulted in closing cost assistance loans being made to 350 families, enabling them to become first time homebuyers in Montgomery County.

Wheaton Redevelopment: Substantial progress continues in redeveloping and rejuvenating downtown Wheaton. With the assistance of the Wheaton Redevelopment Office, development activity has been initiated on three key sites. Developers Eakin/Youngentob and Bozzuto Group are approved to develop 325 residential units, including townhouses and apartments, on a six-acre site located adjacent to the Wheaton Metro station. Pulte Homes received approval in March 2002 to develop 43 townhouses on the 1.7 acre Wheaton Lumber site in downtown Wheaton. The Washington Metropolitan Area Transit Authority has selected the Bozzuto Group as a development partner for two Metro Air-Rights Development Projects. A 2.6-acre site east of Georgia Avenue is proposed for development of 175 residential units. A 3-acre site west of Georgia Avenue is proposed for development of 300,000 square feet of office space and 15,000 square feet of retail space.

Business Retention and Development: The County succeeded in the retention and expansion of MedImmune, one of the premier biotechnology companies in the world. Since its inception, MedImmune has grown into a \$400 million company, employing over 300 people in Montgomery County. The company plans on nearly doubling its size within the next ten years. MedImmune will retain and also create a significant number of jobs in the County, and plans to construct two major facilities to house corporate headquarters and research and development facilities

Culture and Recreation

Facility Development: Two recreational facilities, the Fairland Community Center and the Wheaton Glenmont Outdoor Pool, were completed and opened to the public in FY02. The Wheaton Glenmont Pool provides water park features, as well as competitive swimming and diving facilities. The pool served 69,423 participants during the summer months. The Fairland Community Center is located adjacent to the Fairland Library and the MNCPPC Columbia Park. The center opened on May 19, 2002 and received over 12,600 visitors within the first six weeks of operation.

Service Program Initiatives: The Charles W. Gilchrist Center for Cultural Diversity opened in September 2001. The center is located in Wheaton and provides a focal point for a broad range of services and programs for County residents. The center informs and enables individuals and cultural groups to connect effectively with the larger community. Nearly 10,000 clients from 30 countries were served during its first year of operation.

Education

Higher Education: Montgomery College continues to meet the needs of our ever increasing, diverse student body. At the Takoma Park campus, ground was broken for the Health Sciences Building, the first new building for that campus in over a quarter century. The Arts Institute was established to showcase the arts at Montgomery College. Workforce Development and Continuing Education opened a new Business Training Center in Gaithersburg, expanded its site at Westfield South Wheaton Center, and continued its rapid growth. For the third consecutive year, Montgomery College ranked in the Top 10 in fundraising among community colleges. In addition, the college was awarded a grant from the U.S. Department of Education TRIO Program to establish an Educational Opportunity Center. The five-year \$950,000 grant will improve access to higher education for 1,000 low-income, potential first-generation college students in Montgomery County.

Secondary Education:

Montgomery County Public Schools (MCPS) Service Efforts: During FY02, MCPS operated the nation's 19th largest educational system, serving more than 136,000 students in pre-kindergarten through Grade 12 in 190 schools. With growing diversity, no single ethnic group formed a statistical majority of students. The system served more than 2,000 additional students in FY 02, with more than 77 percent of the operating budget devoted to instructional costs. The cost of education was approximately \$52.50 per student per day. The operating budget of \$1.2 billion and the capital budget of \$140 million included \$26 million for new initiatives to improve the quality of education. Over the past eight years, the County has increased the public school system budget by nearly 65 percent, while student enrollment has increased 20 percent.

MCPS Class Size Reductions: The class size reduction initiative continued with \$13 million in FY02 and a total of more than \$36 million over five years. MCPS reduced the number of oversized classes in secondary schools, resulting in the lowest high school class size level in more than ten years. MCPS expanded an initiative to increase the number of schools that offer full-day kindergarten, adding 17 schools, for a total of 34 schools. This initiative includes a reduction of class size in full-day kindergarten to a maximum of 15 students.

Environment

Countywide Forest Preservation Strategy: An Interagency Forest Conservation Team was formed to coordinate County, State and volunteer efforts in the continued implementation of the Countywide Forest Preservation Strategy. Efforts resulted in the addition of 1254 acres of protected upland and riparian forest, the reforestation of 211 acres of stream buffers, and the planting of 1725 new street trees. This initiative helps to protect and restore natural forest cover and urban tree canopy, thereby protecting wildlife habitat and increasing the quality of life enjoyed by county residents.

Stormwater Management Systems: Stormwater management systems are essential to maintaining water quality, preserving stream habitats, protecting groundwater resources, and providing flood control. In September 2001, the County Council approved legislation implementing revisions to existing County regulations governing these activities in order to bring them into compliance with state standards and to improve scientific protocols. As a result, the Department of Environmental Protection was designated as the lead agency for maintaining stormwater management facilities, and assumed maintenance responsibilities for a number of additional stormwater management facilities which were transferred to the County. A loan program was created to assist property owners in upgrading their stormwater management facilities.

Solid Waste Services Billing and Fee Collection: A new accounts receivable system was created for the billing and collection of fees. Programming and data storage, via e-Montgomery, enables all account activity to be accessible to account holders, via the internet.

General Government

eMessaging Replacement: Within the span of one year, the County's communication infrastructure was streamlined by replacing the enterprise email system with Exchange/Outlook, consolidating all departmental email servers, and creating a central directory structure with a single domain. Employees now have a single logon into the network which authenticates their account into the Exchange Mail System. Security of user accounts is now centralized and determined by County policy following guidelines set by the NSA and other security agencies. Users can schedule meetings across departmental boundaries, view available resources in any department, share information with members of their department or the entire County government, and gain access to their mailbox from anywhere on the Internet.

eContract System: The County's eContract System (electronic contract developing system) was designed to help contract administrators create legally acceptable contracts through the use of a web-based application with built-in templates and a contract "wizard". The new system facilitates many phases of contract approval, including review and participation among the contract administrators, procurement specialists, risk management staff and the county attorneys. All contract data is centralized, so purchases can be monitored across all departments. This facilitates searches for specific contracts, as well as analysis regarding department and county-wide expenditures and purchasing trends. The eContract System improves efficiency by reducing legal staff time spent on the contract approval process by 50 percent.

Implementation of Photo Identification, Building and Garage Access System: Over 8,000 County employees are now using a common Photo ID access card. The initiative has improved County building security by enabling quick identification of County employees, and by the implementation of a building and garage access system, through the use of a central server and card readers, at selected critical facilities. The initiative was authorized and partially funded by the Emergency Preparedness Initiative.

Health and Human Services

Mental Health Strategic Plan: In response to a growing need to strengthen the mental health services system, the Department of Health and Human Services convened a mental health coalition and completed a comprehensive strategic plan for coordinated and accessible mental health services. The Plan included an agreement between the County and the State, calling for shared responsibility for the mental health services system, and added \$1 million in FY02 and FY03 for increased mental health services. The funding allowed the County to provide support to eight outpatient mental health clinics for administrative and other costs, not covered by the State fee-for-service system. As a result of this support, clinics continued to operate and improved business and management practices.

Minority Health Initiatives: In order to improve minority access to health care and to reduce morbidity and mortality related to cardiovascular disease and diabetes, Montgomery County provided support and direction to two health networks - the Latino Health Initiative and the African American Health Initiative. The African American Initiative resulted in the opening of a wellness center to provide health education and prevention services, as well as primary medical care to low income, uninsured residents in the eastern region of the County. The Latino Health Initiative focused on improving health data sources, improving coordination between programs, and providing technical assistance by supporting culturally competent model programs and increasing the number of Latino health care professionals.

Public Safety

Homeland Security: An Emergency Preparedness Initiative (EPI) was established in the wake of the September 11 attack to support improved emergency preparedness in Montgomery County services that were affected by the events of that day. The County Executive and County Council made a large investment of local funding with a commitment to pursue additional funds from the State and Federal Governments. The initiative focuses in on enhancements to the following areas: response capability and capacity (including fixed communications, command, and control; field communications, command, and control; and major incident preparedness); security for employees and facilities; security for school children; communication to the public during emergencies; and general information to the public regarding emergency preparedness/terrorism threats.

Development of a Two-Jail Correctional System: A new, 1000-bed jail is in the final stages of construction in the Clarksburg/Boyd's area. This facility, the Montgomery County Correctional Facility (MCCF), which represents the latest thinking in management and rehabilitation of inmates, is expected to open in the third quarter of FY03 as the Department of Correction and Rehabilitation (DOCR) completes this \$90 million project and moves to a two-jail system. The existing Detention Center (jail) in Rockville will transfer most inmates to the new facility and will close down the majority of the older housing units, retaining capacity for up to 200. Under the new organization, the Detention Center will hold newly arrested persons for up to 72 hours for booking, a bail/bond hearing with a District Court Commissioner, background check, medical assessment, etc. A capital construction project for renovation of the old jail is being requested. A combination of State and local monies is funding both projects. Planning, construction, and operation for both jails involve strong, collaborative participation from advisory committees including local community representatives and managers and staff from DOCR and the capital construction team. Over the past three years, this project has been managed by a special departmental transition team which has worked with the National Institute of Corrections to incorporate the best and latest training, planning tools, and experience into the development and design of the new jail.

Public Safety 2000: The County's \$140 million Public Safety 2000 (PS2000) effort is aimed at developing a complete mobile data system for the participating agencies and includes lap-top computers in public safety vehicles, an upgraded computer-aided dispatch system, and a new 800 MHz radio system. The project also includes a record management system, an automated vehicle location system, and other mapping features. This system is expected to be operational early in 2003. A new Emergency Communications Center has been leased in Gaithersburg, and has been designed to house the major components of the PS 2000 system.

Emergency Communications System: The County continued to enhance its emergency communications system with the installation of eleven communication antenna sites, which serve as the backbone infra-structure to facilitate communication utilizing the new 800 MHz radio system. The County completed the installation of a new Automated Call Distributor (ACD), which places calls in a queue for the next available operator, at the new Emergency Communications Center (ECC) for handling E911 calls. The new ACD replaces the 8-year-old call distribution system, has a greater record management capability, and can handle emergency calls more efficiently. The new ACD system is also FCC Phase II compliant, which when implemented, will allow for automatic locating of cell phone callers.

Public Works and Transportation

Transit Services: The Division of Transit Services took delivery of 44 new buses for the County's Ride On bus service. These buses allowed for the retirement of older buses in the Ride On fleet, and the expansion of bus service in the County. In addition, 21 of these buses are equipped with cameras inside the bus to provide an additional level of security for both our passengers and drivers. The County also purchased 83 new small buses to replace existing small buses that were well beyond their useful life. Small bus service is operated by a contractor and the bus replacement has resulted in a great improvement to reliability and comfort for Ride On passengers.

Free Wheeling Program: Fares were reduced on several bus routes operating in the well-traveled Interstate 270 corridor under the name of Free Wheeling. This effort resulted in a 16% increase in ridership on the designated routes. Included in the Free Wheeling program was the County's fare buy-down on a Maryland Transit Administration bus route from Hagerstown to the Shady Grove Metrorail Station. Ridership almost doubled on this route.

AWARDS AND RECOGNITION

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County, Maryland, for its CAFR for the fiscal year-ended June 30, 2001. Montgomery County has received the Certificate of Achievement more times than any other county in the nation – thirty-two times – as early as 1951 and consecutively for thirty years, since 1972.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Department of Finance believes its current report continues to meet the Certificate of Achievement Program's requirements and is submitting it to GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation

GFOA presented an award of Distinguished Presentation to Montgomery County, Maryland, for its annual budget for the fiscal year beginning July 1, 2001. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. Montgomery County has received this award consecutively since 1984, the year the program was established. The Office of Management and Budget believes the current budget continues to conform to program requirements and is submitting it to GFOA to determine its eligibility for another award.

USE OF THIS REPORT

The Government Finance Officers Association of the United States and Canada reports a growing awareness that the CAFR should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. I agree with this direction, and I continue to send copies of this report to elected officials, County management personnel, bond rating agencies, nationally recognized municipal securities information repositories, the State information depository, if any, and other agencies such as financial institutions and government agencies that have expressed an interest in the financial affairs of Montgomery County, Maryland.

In addition to the vast amount of financial information presented, there is included herein a Statistical Section containing comprehensive data which relates to the financial condition of the entire governmental structure of Montgomery County. Use of this report by the elected officials and department heads of the County is encouraged when furnishing information to interested parties. Considerable effort is being made to present financial information on a uniform and consistent basis nationwide, which will make this report all the more valuable to those desiring to secure information regarding the financial activities of the County.

This report, and other financial information prepared by the Montgomery County Department of Finance, can be accessed on the World Wide Web at <http://montgomerycountymd.gov> (see county services, finance, financial reports). Copies of this report are also being placed in the County Library System for use by the general public.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the staff of the County's Department of Finance. I express my appreciation to all participants who assisted and contributed to its preparation. I particularly express my sincerest appreciation to Karen Q. Hawkins, CPA/CGFM, Controller, and her staff, particularly the General Accounting and Administration Sections, for their outstanding performance in the preparation of this report, especially as it relates to the implementation of GASB Statement No. 34. A list of individuals who labored long and hard in preparing this report is provided separately after this letter. A special appreciation is extended to the finance and accounting managers of the component units whose cooperation greatly facilitated the preparation of this report. I express my appreciation to the County Executive, the members of the County Council and the Chief Administrative Officer and their staffs for their continuing interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Timothy L. Firestine
Director of Finance

ACKNOWLEDGMENTS

The following individuals' efforts were instrumental in analyzing and implementing GASB Statement No. 34, in closing the County's funds, and in preparing this Comprehensive Annual Financial Report:

Department of Finance

Joyce E. Boyd	Stephen M. O'Malley
Wayne Johnson	Catherine Patterson
Marilyn C. Clement	Nora A. Ravarra
Michelle S. Hwang	Danielle R. Snowden
Jay Narang	Claudia L. Stalker
Judson T. Williams	Vasili Stavrakas
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Nancy C. Foster	Jan Clagett
Timothy D. Hughes	Richard D. Hands
Karen J. Jackson	Josephine Gilbert
Susan Kaplan	Michael Lawton
Felix O. A. Ogunba	

Department of Public Works and Transportation

Florence Okolo Jo Ann Byrum

Department of Liquor Control

Andy Brown Richard J. Duthoy

The following individuals provided data and information for inclusion in this report:

County Government

Department of Finance

Jennifer Barrett	Ray Gulhar
David J. Bernstein	Robert Hagedoorn
Phavann Chhuan	David Platt
Michael Coveyou	Marty Utermohle
Terry Fleming	Glenn Wyman

Department of Public Works and Transportation

Thomas Huff	Bill Davidson
Edna McGraw	Tom Kusterer
Richard Taylor and the Print Shop	

Office of Management and Budget

Robert K. Kendal	Nancy Moseley
Joseph Beach	

Office of Public Information

Thomas Whorton

Component Units

Montgomery County Public Schools

Larry A. Bowers	Susanne G. DeGraba
Robert J. Doody	Jack Dodson

Housing Opportunities Commission

Linda Mansouri	Eugenia Pascual
Micky Hall	

Montgomery Community College

Marshall Moore	Linda Hickey
Kenneth Mullinex	

Montgomery County Revenue Authority

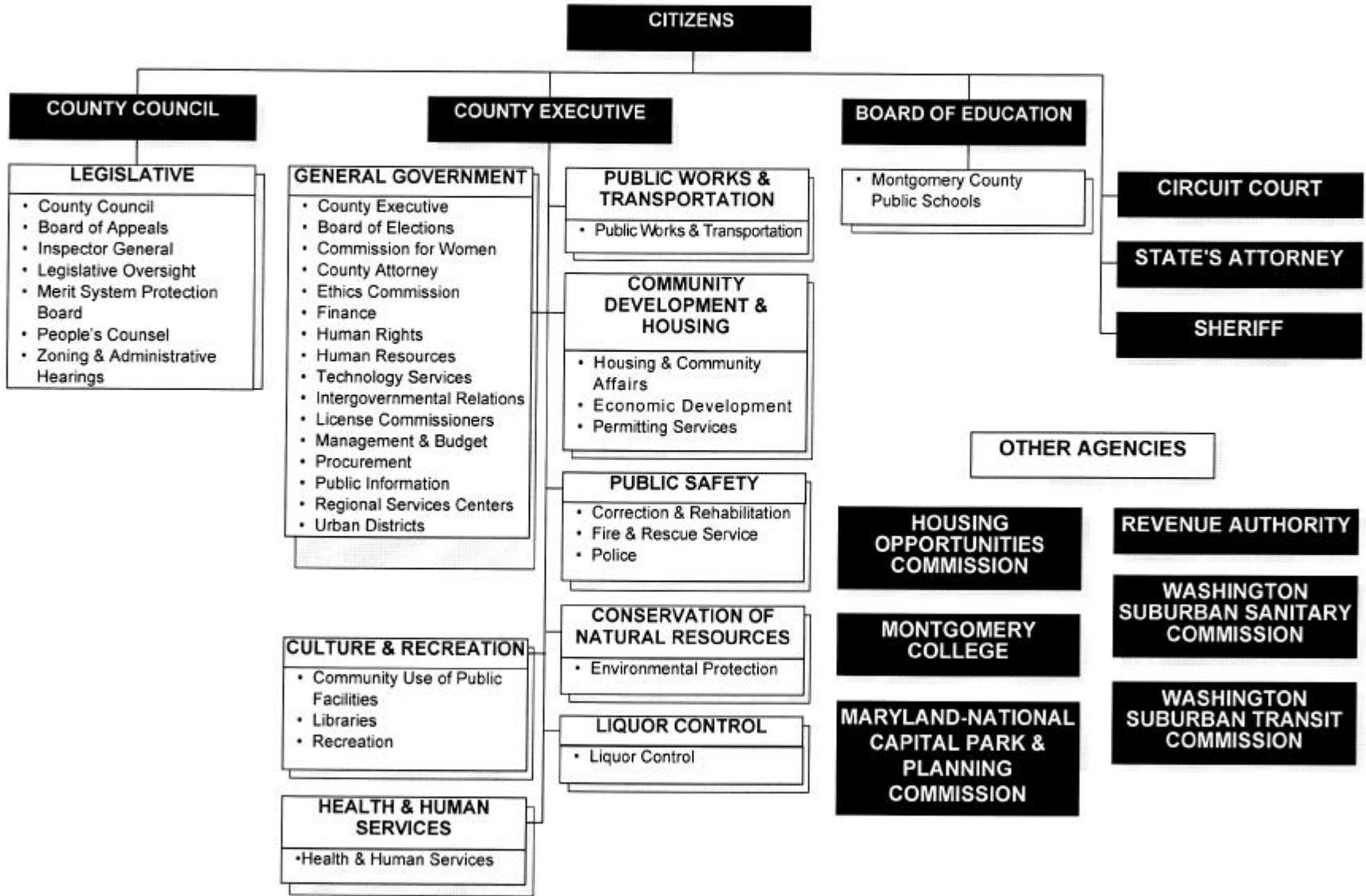
John Luke

Bethesda Urban Partnership, Inc.

Deborah Williams

Appreciation is extended to all those in the County Government who take a leadership role in the year-end closing processes and the audit process, including staff in Accounts Payable, Financial Systems Control, Payroll, Internal Audit, the Office of Management and Budget, the Office of Procurement, the Department of Technology Services, and the Board of Investment Trustees. Appreciation is also extended to employees in all County departments and agencies who participate in the year-end process.

MONTGOMERY COUNTY, MARYLAND FUNCTIONAL ORGANIZATION CHART



MONTGOMERY COUNTY, MARYLAND

ELECTED OFFICIALS

June 30, 2002

COUNTY EXECUTIVE

Douglas M. Duncan

COUNTY COUNCIL

Steven Silverman	President
Derick P. Berlage *	Vice President

Phil Andrews	Nancy Dacek
Howard A. Denis	Blair G. Ewing
Isiah Leggett	Marilyn Praisner
Michael L. Subin	

* Derick Berlage resigned from the Council on June 12, 2002.

Other Elected Officials

Administrative Judge Circuit Court	Paul H. Weinstein
Clerk of the Circuit Court	Molly Q. Ruhl
Register of Wills	Joseph M. Griffin
Sheriff	Raymond M. Kight
State's Attorney	Douglas F. Gansler

APPOINTED OFFICIALS

Chief Administrative Officer

Board of Appeals

Correction and Rehabilitation

County Attorney

County Council

Economic Development

Environmental Protection

Finance

Fire and Rescue Service

Health and Human Services

Housing and Community Affairs

Human Resources

Inspector General

Intergovernmental Relations

Legislative Oversight

Liquor Control

Management and Budget

Merit System Protection Board

People's Counsel

Permitting Services

Police

Procurement

Public Information

Public Libraries

Public Works and Transportation

Recreation

Technology Services

Zoning and Administrative Hearings

Bruce Romer

Katherine Freeman

Arthur M. Wallenstein

Charles W. Thompson, Jr.

Stephen B. Farber

David W. Edgerley

James A. Caldwell

Timothy L. Firestine

Gordon A. Aoyagi

Corinne Stevens

Elizabeth B. Davison

James E. Torgesen

Norman D. Butts

Ben Bialek

Karen Orlansky

George Griffin

Robert K. Kendal

Waddell Longus

Martin Klauber

Robert Hubbard

Charles A. Moose

Beatrice P. Tignor

David S. Weaver

Harriet Henderson

Albert J. Genetti, Jr.

Gregory A. Bayor

Alisoun K. Moore

Philip J. Tierney

Montgomery County Officials, Concluded

COMPONENT UNIT OFFICIALS

Montgomery County Public Schools

Board of Education:

Reginald M. Felton, President
Patricia B. O'Neill, Vice-President

Steve Abrams	Walter N. Lange
Kermit V. Burnett	Mihyar Alnifaidy
Sharon W. Cox	Student Member
Nancy J. King	

Jerry D. Weast, Superintendent of Schools

Montgomery County Revenue Authority

Board of Directors:

Stephen Edwards, Chair
Carol McGarry, Secretary -Treasurer

Peter L. Gray	John Lane
John F. Wolf, Jr.	George F. Griffin, Ex-Officio

Marc D. Atz, Executive Director

Bethesda Urban Partnership, Inc.

Board of Directors:

Robert E. Hebda, Chair
Benjamin W. King, Vice-Chair

Edward Hall Asher, Treasurer
Jason Hoffman, Secretary

Robyn Des Roches	Patricia A. Harris
Page Lansdale	Jeanette Pfothenhauer
Elliot Schnitzer	Deborah Snead
Carol Trawick	

W. David Dabney, Executive Director

Montgomery Community College

Board of Trustees:

Owen D. Nichols, Chair
Gene W. Counihan, First Vice Chair
Sylvia W. Crowder, Second Vice Chair

Mary E. Cothran	Robert E. Shoenberg
Michael W. Gildea	Roberta F. Shulman
Stephen Z. Kaufman	David C. Ford, Student
Michael C. Lin	

Charlene R. Nunley, President and Secretary/Treasurer

Housing Opportunities Commission of Montgomery County

Commissioners:

Warren Lasko, Chair
Richard Y. Nelson, Jr., Vice-Chair

Norman Cohen, Chair Pro Tem	Marjorie M. Harris
Ralph D. Bennett, Jr.	Michael Kator
Monroe Galloway	

D. Scott Minton, Executive Director and Secretary Treasurer

INDEPENDENT AUDITORS

KPMG LLP
2001 M Street, N.W.
Washington, DC 20036

Elected Officials

Montgomery County, Maryland



Douglas M. Duncan
County Executive



Steven Silverman
Council President



Derick P. Berlage
Council Vice-President



Phil Andrews
Council Member



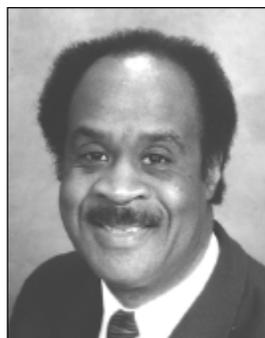
Nancy Dacek
Council Member



Howard Denis
Council Member



Blair G. Ewing
Council Member



Isiah Leggett
Council Member



Marilyn Praisner
Council Member



Michael L. Subin
Council Member



**Prepared by the:
Department of Finance
Division of the Controller
101 Monroe Street
Rockville, Maryland 20850
240-777-8860**