

# MONTGOMERY COUNTY MARYLAND

## *Comprehensive Annual Financial Report*



*Fiscal Year 2014*

**July 1, 2013 - June 30, 2014**  
**Rockville, Maryland**



Government Finance Officers Association

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, 2013**

Executive Director/CEO

# MONTGOMERY COUNTY MARYLAND

## *Comprehensive Annual Financial Report*

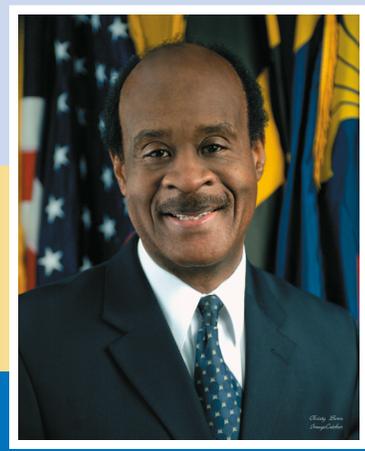


Prepared by the  
DEPARTMENT OF FINANCE

Joseph F. Beach, Director  
101 Monroe Street  
Rockville, Maryland 20850  
240-777-8860

Fiscal Year 2014

July 1, 2013 - June 30, 2014



*Isiah Leggett*  
**ISIAH LEGGETT**

# Mission Statement

## MONTGOMERY COUNTY GOVERNMENT

**WE** pursue the common good by working for and with Montgomery County's diverse community members to provide:

- A Responsive and Accountable County Government
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- A Strong and Vibrant Economy
- Vital Living for All of Our Residents

**AS** dedicated public servants, the employees of the Montgomery County government strive to embody in our work these essential values:

- Collaboration
- Inclusiveness
- Knowledge
- Competence
- Innovation
- Respect for the Individual
- Fiscal Prudence
- Integrity
- Transparency

**Montgomery County, Maryland**  
**COMPREHENSIVE ANNUAL FINANCIAL**  
**REPORT Fiscal Year Ended June 30, 2014**  
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**INTRODUCTORY SECTION**

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DEPARTMENT OF FINANCE

Isiah Leggett  
County Executive

Joseph F. Beach  
Director

December 17, 2014

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

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, 2014.

## FORMAL TRANSMITTAL OF THE CAFR

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. The CAFR 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.

The County is responsible for the completeness and fairness of the information and disclosures presented in this report. We believe the information presented is complete and accurate in all material respects, and that it fairly presents the County's financial position and results of operations. To provide a reasonable basis for making these representations, management of the County has established a comprehensive framework of internal control. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The public accounting firm of CliftonLarsonAllen, LLP has performed an independent audit of, and issued an unmodified opinion on, the County's financial statements as of and for the year ended June 30, 2014. The independent auditors' report is located at the front 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 independent auditors' reports associated with the Single Audit are available in a separately issued *Report on Expenditures of Federal Awards*.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and be reviewed in conjunction with the MD&A. The MD&A can be found immediately following the report of the independent auditors.

Office of the Director

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[www.montgomerycountymd.gov](http://www.montgomerycountymd.gov)

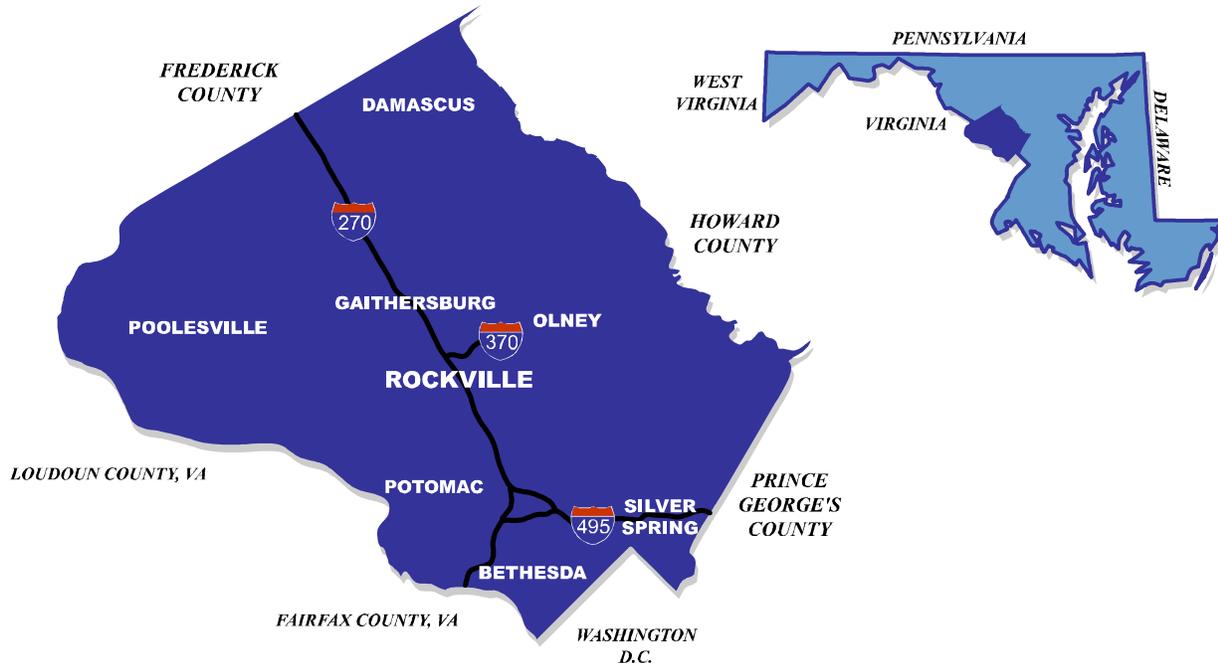
[montgomerycountymd.gov/311](http://montgomerycountymd.gov/311)



240-773-3556 TTY

## 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 to give the County home rule and a council-manager form of government. The charter remains the governing authority of the County, and 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.



### Budgetary Overview

The annual budget provides the basis for coordinating and controlling the County government programs and expenditures. These include public safety, public works and transportation, culture and recreation, health and human services, community development and housing, environment, and general government services. Education services, funded in large part by the County (see Note III-I.1), are provided by Montgomery County Public Schools (MCPS) and Montgomery College (MCC). For County government services, the County Executive annually develops and recommends operating budget proposals. The County Council then authorizes expenditures and sets property tax rates. Expenditure authority is provided at the fund and department level in two major categories (personnel and operating costs). Budgets are annually adopted by the County Council for the General Fund, Debt Service Fund, substantially all Special Revenue Funds, Enterprise Funds (except Liquor), and two Internal Service Funds (Liability and Property Coverage Self-Insurance and Employee Health Benefits Self-Insurance). The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. Additional spending authority, in the form of supplemental or special appropriations, may also be approved by the County Council during the year.

Per state law, the budget of the Liquor Enterprise Fund is approved by the County Executive. The County Executive also determines the amount of working capital required by the Department of Liquor Control (DLC), the amount to retain from the DLC's net profits (before making any deposit into the General Fund), and the funds

necessary to service DLC-related debt and provide adequate working capital. The Capital Projects Fund budget is appropriated at the project level on an annual basis, with an annual unencumbered re-appropriation. The County Council approves the six year Capital Improvements Program (CIP) on a biennial basis with opportunities for limited amendments in the intervening years.

Budget-to-actual comparison schedules (statements) for major funds are presented in Exhibits RSI-1 to RSI-4 as part of the Required Supplementary Information section of this annual report. Nonmajor funds are presented in the Supplementary Data section of the report.

## **The Reporting Entity**

The following organizations are included as component units in the accompanying financial statements: MCPS, MCC, Housing Opportunities Commission of Montgomery County (HOC), Montgomery County Revenue Authority (MCRA), and the Bethesda Urban Partnership, Inc. (BUPI). The County's participation in the following joint ventures and jointly governed organization 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, Northeast Maryland Waste Disposal Authority, and Metropolitan Washington Council of Governments. 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.

# **INFORMATION USEFUL IN ASSESSING THE COUNTY'S ECONOMIC CONDITION**

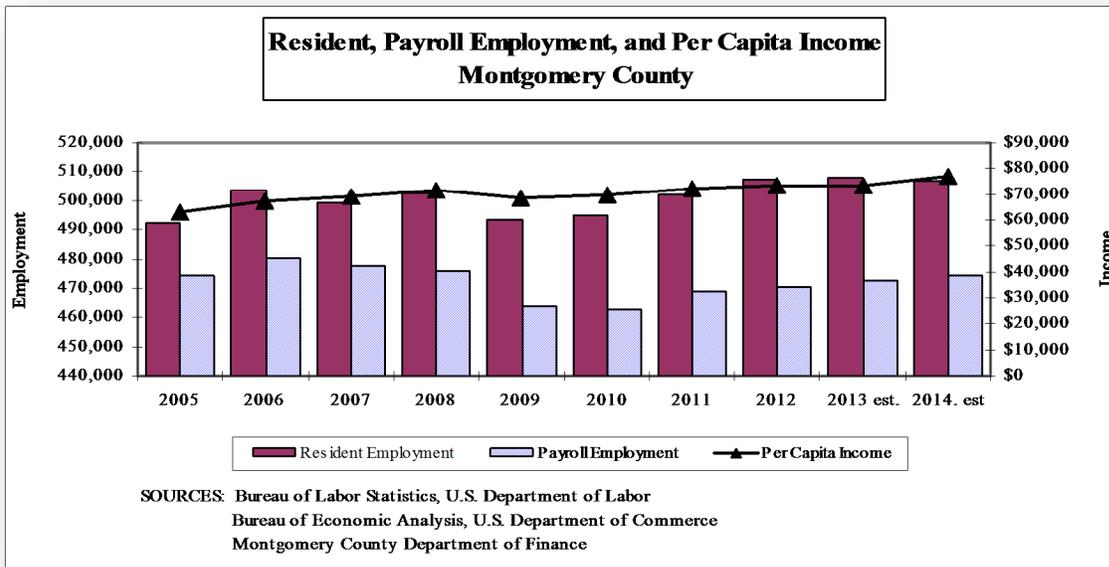
The information presented in the financial statements is best understood in conjunction with the broader perspective of Montgomery County's economic environment.

## **The Local Economy**

Montgomery County's mixed economic performance improved during fiscal year (FY) 2014. On a fiscal year basis, the major reasons for the mixed performance were an increase in payroll employment (↑0.4%) contrasted with a decrease in resident employment (↓0.3%). However, other economic indicators improved during FY14. The unemployment rate declined from 5.2 percent in FY13 to 4.7 percent in FY14, sales of existing homes increased from 10,255 in FY13 to 10,814 in FY14 (↑5.5%), and median home prices increased from \$379,975 to \$397,646 (↑4.7%). In addition, residential construction levels increased in FY14 as compared to FY13.

## **Personal Income and Employment**

Income tax revenues for the County represented 47.2 percent of total tax revenues for the General Fund in FY14. Two economic indicators, personal income and employment, are the major factors that impact income tax receipts. On a calendar year (CY) basis, per capita personal income increased from \$62,885 in CY05 to an estimated \$77,007 in CY14 – an average annual growth rate of 2.3 percent. However, over the past ten years, the rate of growth in per capita personal income experienced two distinct cycles. From CY05 to CY08, per capita income grew at a 4.4 percent average annual rate, while it is estimated to grow at an annual rate of 1.3 percent from CY08 through the remainder of CY14.



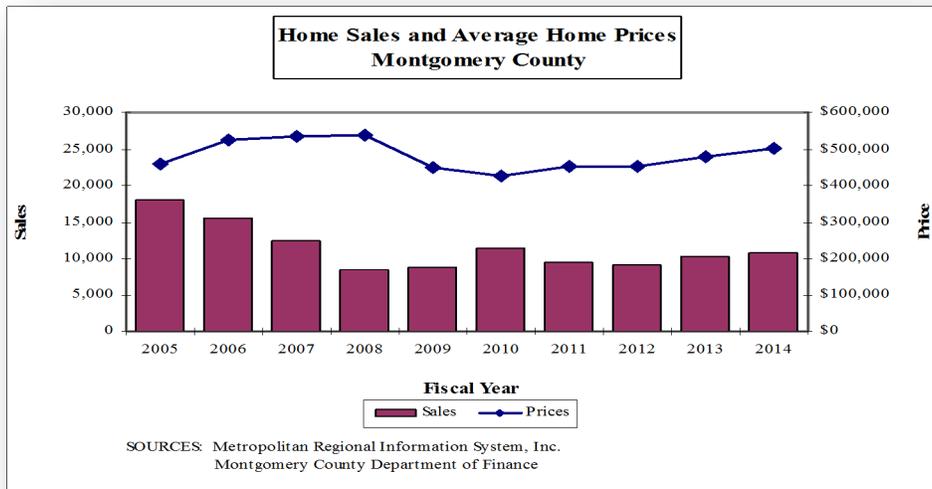
In CY05, resident employment in Montgomery County was 492,431. By the end of calendar year CY14, employment is expected to reach approximately 506,937 — an average annual increase of 0.3 percent. However, growth in resident employment experienced two distinct cycles. Between CY05 and CY08, resident employment grew at an average annual rate of 0.7 percent, while employment is expected to increase at an average annual rate of 0.1 percent from CY08 through the remainder of CY14.

Payroll employment in the County was approximately 474,400 in CY05 and is expected to experience no significant increase through the remainder of CY14 (474,600). However, payroll employment also experienced two distinct cycles over the ten-year period. From CY05 to CY08, payroll employment increased at an average annual rate of 0.09 percent. From CY08 through the remainder of CY14, payroll employment is expected to decrease at an average annual rate of 0.04 percent.

### Construction and Real Estate

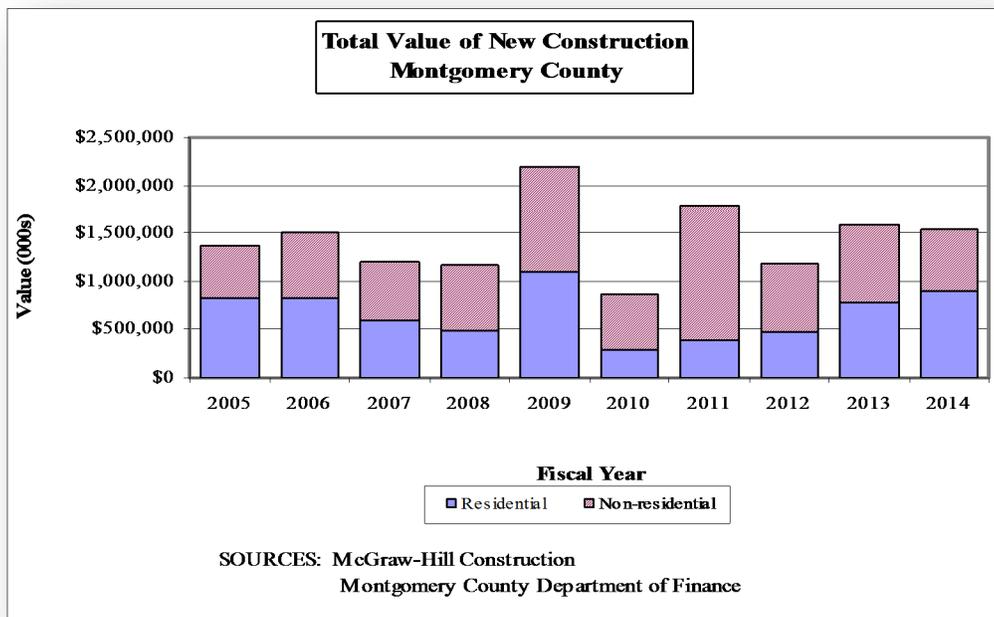
The property tax (General Fund) and the transfer and recordation taxes consisted of 38.0 percent share and 5.0 percent share, respectively, of total tax revenues for the General Fund in FY14. Construction and real estate activity are a significant facet of Montgomery County’s economy, and they strongly influence the amount of property, transfer, and recordation taxes collected. Non-residential and residential construction maintains the value of the existing assessable property tax base by replacing technologically obsolescent property (equipment, and real estate) and providing additional capacity to meet increases in employment and new households.

Changes in home prices affect both the property tax assessments and the transfer and recordation taxes. However, changes in home prices may affect property tax revenues with delayed effect because of the Homestead Tax Credit. Average prices for existing homes increased 5.2 percent in FY14 and sales of existing homes increased 5.5 percent. This increase in home sales was preceded by a decrease of 17.6 percent in FY11 (largely attributed to expiration of the Federal First-Time Homebuyer Credit), a decline of 2.7 percent in FY12, and an increase of 11.4 percent in FY13. The increase in average sales price and sales in FY14 resulted in an increase of 9.8 percent from residential transfer taxes, which partially offset the decline in receipts from non-residential transfer taxes (↓17.9%). Overall, transfer taxes collected for the General Fund increased 3.0 percent in FY14 and recordation taxes increased 1.8 percent in FY14.



Residential construction experienced strong performance during FY14 (↑13.7%). The total value of new residential construction was \$887.0 million and represents an increase of nearly \$285.0 million compared to the five-year average between FY09 – FY13. New residential construction levels were strong for both multi-family and single-family units in FY14 compared to FY13. The number of new single-family units increased 16.7 percent from 1,276 single-family units in FY13 to 1,489 units in FY14. Construction of single-family units in FY14 reached the highest level since FY05. The number of new multi-family units increased 13.3 percent in FY14 from 2,597 units to 2,942 units – the largest number of units since FY05.

However, compared to the strong residential sector, the total value of non-residential construction at \$647.7 million declined 20.5 percent in FY14 and the number of non-residential projects declined 20.6 percent.

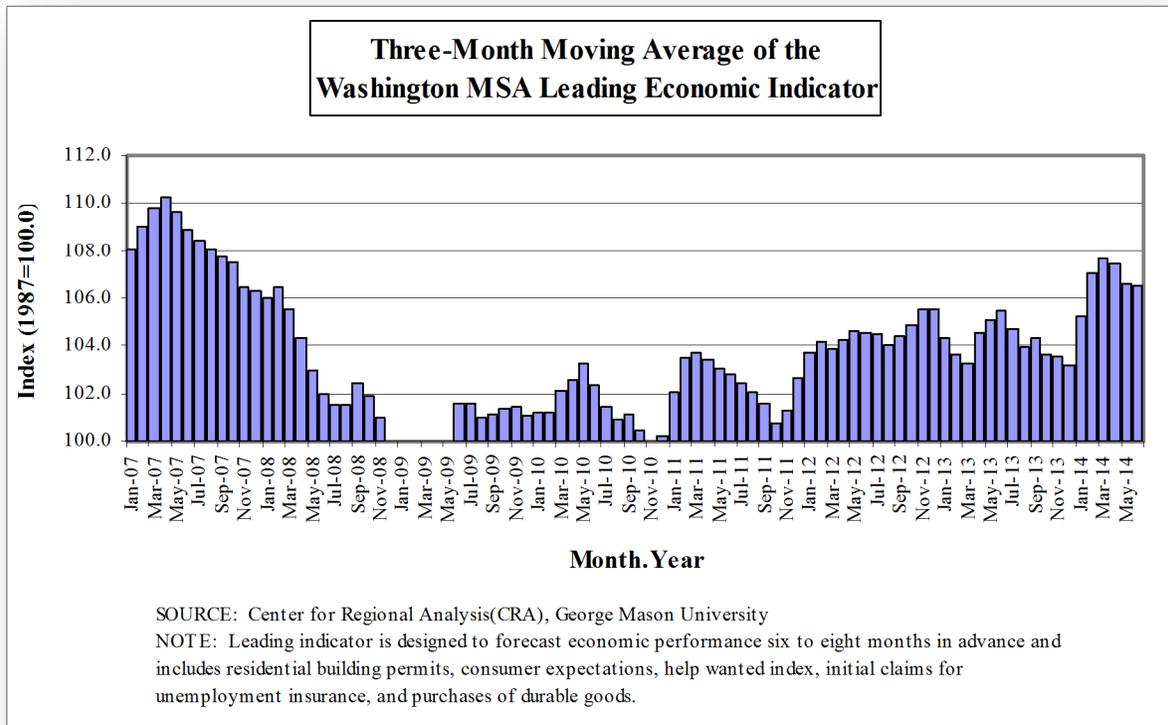


## Future Economic Outlook

Following FY14, the outlook for FY15 is expected to see a modest continuation of economic growth. However, such growth will be tempered by the continuing effects of Federal government sequestration, which may impact Federal employment and procurement. In addition, while the real estate market experienced a 5.5 percent growth in sales during FY14, that growth mainly occurred during the first half of the fiscal year. Monthly home sales during the second half of FY14 declined on a year-over-year basis compared to the second half of FY13. If the second-half trend continues into FY15, revenues from residential transfer and recordation taxes may experience little or no growth in FY15.

Uncertainty remains with regards to the mortgage interest rate environment. This uncertainty can be attributed to the actions by the Federal Reserve, particularly the purchases of mortgage-backed securities. Mortgage refinancing may continue to experience a slowdown in FY15 compared to FY14 due to higher mortgage rates. This has the potential to affect recordation tax revenues in tandem.

Overall growth of the Greater Washington region is also an important factor in the economic health of Montgomery County. The Center for Regional Analysis (CRA) at George Mason University produces the Washington Area Leading Index, which forecasts the performance of the region's economy six to eight months in advance. This index's measure of regional growth increased 0.5 percent from FY13 to FY14. The overall rate has increased 14.1 percent as of FY14 year-end from the lowest point in March CY09. However, the strength and sustainability of the region's economy will depend on consumer confidence in the economy as reflected by labor market conditions, the housing market, and action by the Federal government due to sequestration. While the labor market hampers the economic recovery, the risk to short- and long-term economic performance in the region will depend on the fiscal policy decisions made by the Federal government.



## **Collective Bargaining**

### **International Association of Fire Fighters (IAFF)**

Full funding was appropriated for the following contract provisions in FY15 for the Local 1664, Montgomery County Career Fire Fighters Association of the International Association of Fire Fighters, AFL-CIO:

- 2.75% general wage adjustment for all bargaining unit members on the first full pay period after July 1, 2014.
- 3.5% longevity increment for bargaining unit members with either 20 or 28 years of service.
- 3.5% service increments for all eligible members.
- 3.5% FY12 service increments for eligible members payable on the pay period beginning June 14, 2015.

### **Fraternal Order of Police (FOP)**

Full funding was appropriated for the following contract provisions in FY15 for the Fraternal Order of the Police, Lodge 35:

- 2.1% general wage adjustment for all bargaining unit members on the first full pay period after July 1, 2014.
- 3.5% service increments for all eligible members.
- 1.75% service increment for each eligible member whose service increment was deferred during FY11, FY12, or FY13, payable on the first pay period beginning after February 1, 2015
- 3.5% longevity increments for bargaining unit members with 20 year of service.

### **Municipal and County Government Employees Organization (MCGEO)**

Full funding was appropriated for the following contract provisions in FY15 for Local 1994, Municipal and County Government Employees Organization of the United Food and Commercial Workers, AFL-CIO (MCGEO):

- 3.25% general wage adjustment payable on the first full pay period after September 1, 2014.
- 3.5% service increment for all eligible bargaining unit members.
- 3% longevity increments for eligible bargaining unit members with 20 years of service.
- 0.5% lump sum payment for each active bargaining unit member who is at the top of grade on July 1, 2014 and who is not eligible for longevity increase in FY15.
- Increase the Seasonal Salary Schedule by \$0.50 an hour.

## **Long-term Financial Planning**

Montgomery County is required by its adopted fiscal policies (Council Resolutions 16-1415, June 29, 2010; and 17-312, November 29, 2011) to budget for a reserve in the General Fund. This reserve is 5 percent of General Fund revenues in the preceding fiscal year (maximum permitted under §310 of the County Charter). In addition, the County is required to maintain the sum of Unrestricted General Fund Balance and the Revenue Stabilization Fund Balance to 10% of Adjusted Governmental Fund Revenues, as required in Section 20-68 of the County Code. Adjusted Governmental Fund Revenues are defined in Section 20-65 of the County Code.

The reserves will be budgeted in order to provide sufficient funds for unanticipated revenue shortfalls or expenditure requirements. The County's Revenue Stabilization Fund was established to accumulate funds during periods of strong economic growth in order to provide budgetary flexibility during times of funding shortfalls. Annual transfers to the Revenue Stabilization Fund must be made of the greater of: 50 percent of selected revenues in excess of budgeted amounts; or 0.5 percent of Adjusted Governmental Revenues; or the amount

needed to obtain a total reserve of 10% of Adjusted Governmental Revenues. Additional discretionary contributions may also be made. Withdrawals may be used, with the vote of six or more council members, only to support appropriations, which have become unfunded. Notwithstanding any provision of county Code Chapter 20, Article XII, the mandatory annual contribution to the Revenue Stabilization Fund in FY14 must be 0.5% of the Adjusted Governmental Revenues. The County's Revenue Stabilization Fund is consolidated with the General Fund for financial reporting purposes.

As part of the annual operating budget process, the County develops a structurally balanced six-year fiscal plan. This plan addresses long-term structural issues in the budget, maintains the General Fund reserves at the required policy levels, and emphasizes the priorities of education, public safety, affordable housing, transportation, and health and human services.

Significant budget challenges include rising retirement and medical costs, recognition of retiree health expenses, addressing deferred maintenance, and funding program improvements. In addition to these challenges, actions implemented at the Federal and State level may complicate the County's ability to plan for the FY15 – FY20 period. The County Government is closely monitoring proposed changes in the federal budget and tax policy, and analyzing the potential impact on the County's economy and financial position.

### **Relevant Financial Policies**

The financial policies as put forth by the Executive of Montgomery County, which were again recognized by all major rating agencies with the continuation of a AAA credit rating, remain unchanged: grow the local economy and tax base, obtain a fair share of State aid, maintain strong reserves, minimize the tax burden on citizens, and carefully manage indebtedness and debt service. Spending affordability guidelines are adopted annually for the County's capital and operating budgets. The County limits its exposure in future years to rising costs by controlling baseline costs and allocating one-time revenues to one-time expenditures, whenever possible.

### **Major Initiatives**

Major initiatives of the County during FY14 that are expected to affect future financial position include the following:

#### **Housing**

The County broke ground on a new public/private partnership redevelopment project in the Fenton Street Village area of Silver Spring. The project will involve a mix of market rate and affordable housing as well as street-front retail, a public parking garage, and a green space area.

#### **Public Safety**

The County increased the number of county police officers by 120 and opened the Animal Services and Adoption Center, which provides a humane, state-of-the-art facility that replaces the current shelter.

The County also started a three-year plan to convert 66 uniformed Fire and Rescue Service positions to civilian positions. The changes will save the taxpayers an estimated \$3 million.

#### **Transportation**

The County provided support for the expansion of mass transit options in the County, including the Purple Line, the Corridor Cities Transit Way, and the development of a Rapid Transit Vehicle (RTV) System.

## **Environment**

The County continued to inspect, repair and install acoustic fiber optic cable (an early warning system) for large pre-stressed concrete cylinder pipe (PCCP) water mains through the Washington Suburban Sanitary Commission (WSSC). During FY14 the County devised a plan for the Gude landfill pollution remediation. This resulted in an estimated \$28.5 million cost to clean up the landfill.

## **Culture and Recreation**

The County established a senior transportation initiative to enhance access to county facilities and programs serving older adults.

The County also opened the renovated Olney and Gaithersburg branch libraries with increased service hours.

## **Education**

The County provided resources to accommodate the enrollment of 151,354 public K-12 students. Funding support was increased to provide a variety of services for high-risk and gang-involved youth and their families.

## **General Government**

The County will continue to work with small business interested in starting-up, expanding, or relocating to the County, with a project to retain and create 11,358 jobs, lease over 685 thousand square-feet of office space and generate \$521 million in capital investments over the next three to five years.

# **AWARDS AND ACKNOWLEDGMENTS**

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

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County, Maryland for its CAFR for the fiscal year ended June 30, 2013. Montgomery County has received the Certificate of Achievement more than any other county in the nation; 44 times since 1951, and consecutively for 42 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 the Distinguished Budget Presentation Award to Montgomery County, Maryland for its annual budget for the fiscal year beginning July 1, 2014. In order to receive this award, a government 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 every year 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.

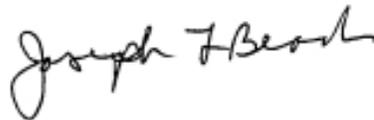
## **Acknowledgments**

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 Hawkins, Chief Operating Officer; Lenny Moore, Controller; Kim Williams, General Accounting Manager; and the staff of the General Accounting, Grants Accounting, Account Receivable, Accounts Payable, and Administration Section for their outstanding performance in the preparation of this report. A list of individuals whose dedicated efforts produced 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 who served the County during the reporting period, and their staffs, for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

## **USE OF THIS REPORT**

This report, and other financial information prepared by the Montgomery County Department of Finance, can be accessed on the County's website at <http://www.montgomerycountymd.gov> (see Departments, Finance, Financial Reports). Copies of this report are also placed in the County Library System for use by the general public.

Respectfully submitted,

A handwritten signature in black ink that reads "Joseph F. Beach". The signature is written in a cursive, flowing style.

Joseph F. Beach  
Director of Finance

## ACKNOWLEDGMENTS

The following individuals' efforts were instrumental in performing the year-end closing of the County's funds and in preparing this Comprehensive Annual Financial Report:

### Department of Finance, The Division of the Controller

Joelle Banota	Tim Hughes	Heidi Metzger	Lisa Sesny
Chander Chadha	Jordan Jones	Ah-Young Moon	Laleh Shabani
Sean D'Costa	Susan Kaplan	Lenny Moore	Philip Smith
Estela de Gomes	Don Klapka	Jay Narang	Karla Thomas
William Davis	Jonathan Kugel	Courtney Orsini	Almon Turner
Mauricio Delgado	Xuerong Liu	Leonard Raymo	Joyce Wallace-Dennis
Jason Hsu	John Mack	Lal Sangliani	Kim Williams
Rachel Hsu	Priti Mehta	Stephanie Sawyer	Rami Zackaria

### Department of General Services

Bill Griffiths  
Michelle West  
Gary Tilman and the Print Shop

Peggy Lynch  
Rick Taylor

### Department of Liquor Control

Melissa Chui  
Lynn Duncan

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

Jacqueline Carter	Amanda Hardy-Konkus	Karen Michalak	Marty Utermohle
Sing Chan	Robert Hagedoorn	Katherine Peeling	Erin Von Nessen
Carrie Coleman	Karen Hawkins	Karen Plucinski	
Michael Coveyou	Molly Hayward-Koert	David Platt	
Dennis Denisov	Lih Jiang	Pam Schroeder	

### Department of Environmental Protection

Richard Hands  
Peter Karasik  
Rao Malladi

Scott McClure  
Anthony Skinner

### Office of Management and Budget

Alex Espinosa  
Chris Mullin

### Office of Public Information

Thomas Whorton

### Department of Transportation

Carolyn McKenzie  
Luz Rodriguez

### Office of Human Resources

Trina Bruce  
George Lacy

### Montgomery County Employee Retirement Plans

Linda Herman  
Akiko Kawashima

### Component Units

#### Bethesda Urban Partnership, Inc.

Jeff Oyer

#### Montgomery County Public Schools

Larry A. Bowers  
Bei (Susan) Chen

Susanne G. DeGraba  
Jack Dodson

#### Housing Opportunities Commission

Eugenia Pascual  
Belle Seyoum

Gail Willison

#### Montgomery College

Phillip Howard  
Natalie Sandel

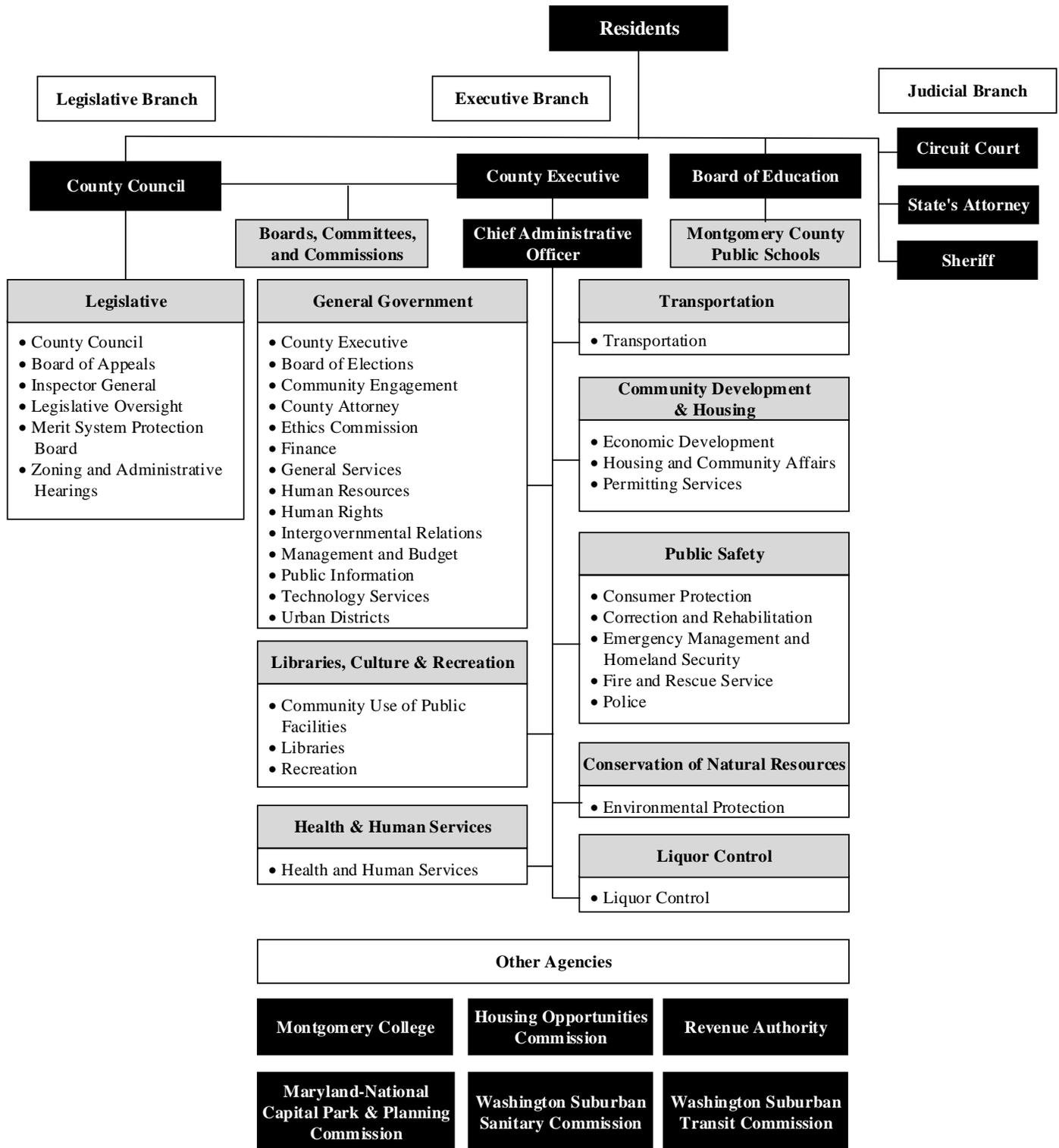
Ruby Sherman

#### Montgomery County Revenue Authority

Michael Boone

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, 2014**

**COUNTY EXECUTIVE  
Isiah Leggett**

**COUNTY COUNCIL**

Craig Rice	President
George Leventhal	Vice President
Phil Andrews	Nancy Floreen
Roger Berliner	Nancy Navarro
Cherri Branson	Hans Riemer
Marc Elrich	

**Other Elected Officials**

John W. Debelius, III	Administrative	Judge	Circuit
	Court		
Loretta E. Knight	Clerk of the Circuit Court		
Joseph M. Griffin	Register of Wills		
Darren M. Popkin	Sheriff		
John McCarthy	State's Attorney		

**APPOINTED OFFICIALS**

Chief Administrative Officer	Timothy L. Firestine
Board of Appeals	Katherine Freeman
Consumer Protection	Eric Friedman
Correction and Rehabilitation	Arthur M. Wallenstein
County Attorney	Marc Hansen
County Council	Stephen B. Farber
Economic Development	Steven A. Silverman
Emergency Management and Homeland Security	Christopher Voss
Environmental Protection	Fariba Kassiri, Acting
Finance	Joseph F. Beach
Fire and Rescue Service	Steven Lohr
General Services	David Dise
Health and Human Services	Uma Ahluwalia
Housing and Community Affairs	Richard Y. Nelson, Jr.
Human Resources	Joseph Adler
Inspector General	Edward L. Blansitt, III
Intergovernmental Relations	Melanie L. Wenger
Legislative Oversight	Dr. Chris Cihlar
Liquor Control	George F. Griffin
Management and Budget	Jennifer Hughes
Merit System Protection Board	Raul E. Chavera Jr.
Permitting Services	Diane Schwartz Jones
Police	J. Thomas Manger
Public Information	Patrick Lacefield
Public Libraries	Parker Hamilton
Recreation	Gabriel Albornoz
Technology Services	Sonny Segal
Transportation	Arthur Holmes, Jr.
Zoning and Administrative Hearings	Martin Grossman

(Continued)

**Montgomery County Officials, Concluded**

**COMPONENT UNIT OFFICIALS**

**Montgomery County Public Schools**

**Board of Education:**

Philip Kauffman, President  
Patricia O'Neill, Vice President

Shirley Brandman      Michael A. Durso  
Christopher S. Barclay   Rebecca Smondrowski  
Dr. Judy R. Docca  
Dahlia Huh, Student Member

Dr. Joshua P. Starr, Superintendent of Schools

**Montgomery County Revenue Authority**

**Board of Directors:**

Stephen H. Edwards, Chairman  
Herbert L. Tyson, Secretary-Treasurer

David Freishtat  
Jonathan Powell  
Scott W. Reilly  
Ramona Bell-Pearson, Ex-Officio Member

Keith Miller, Chief Executive Officer

**Bethesda Urban Partnership, Inc.**

**Board of Directors:**

Andy O'Hare, Chair  
Mark A. Kramer, Vice Chair  
Jane G. Mahaffie, Treasurer  
Marc Korman, Secretary

Jack Alexander                      Elaine Joost  
Kenneth B. Hartman                Patrick O'Neill  
Rich Jordan                             David Smith

W. David Dabney, Executive Director

**Montgomery College**

**Board of Trustees:**

Reginald M. Felton, Chair  
Marsha Suggs Smith, First Vice-Chair  
Michael J. Knapp, Second Vice-Chair

Gloria A. Blackwell      Michael D. Priddy  
Dr. Kenneth J. Hoffman   Benjamin H. Wu  
Dr. Leslie S. Levine      Carlos Mejia-Ramos, Student

Dr. DeRionne Pollard, President and Secretary-Treasurer

**Housing Opportunities Commission  
of Montgomery County**

**Commissioners:**

Roberto Pinero, Chair  
Sally Roman, Vice Chair  
Jean Banks, Chair Pro Tem

Mynor Herrera  
Pamela T. Lindstrom  
Jackie Simon

Stacy L. Spann, Executive Director

**INDEPENDENT AUDITORS**

CliftonLarsonAllen LLP  
1966 Greenspring Drive, Suite 300  
Timonium, Maryland 21093

# Elected Officials

## Montgomery County, Maryland



Isiah Leggett  
County Executive



Craig Rice  
Council President



George Leventhal  
Council Vice-President



Phil Andrews  
Council Member



Roger Berliner  
Council Member



Cherri Branson  
Council Member



Marc Elrich  
Council Member



Nancy Floreen  
Council Member



Nancy Navarro  
Council Member



Hans Riemer  
Council Member





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**FINANCIAL SECTION**

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# CliftonLarsonAllen

## INDEPENDENT AUDITORS' REPORT

The Honorable County Council  
of Montgomery County, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., which represent 16 percent, 6 percent, and 6 percent, respectively, of the assets, net position and revenues of the non-major component units. 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 the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Bethesda Urban Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 25 and the budgetary comparison information for the general, housing initiative and grants funds, the Consolidated Retiree Health Benefits Trust and the notes to required supplementary information on pages 123 through 136 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplementary schedules are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures described above, and the report of the other auditors, the combining and individual fund financial statements and supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 17, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Introduction

This discussion and analysis (MD&A) is designed to a) assist readers in understanding Montgomery County, Maryland's (the County's) basic financial statements, the relationship of different types of statements, and the significant differences in the information they provide; b) assist the reader in focusing on significant financial issues; c) provide an overview of the County's current financial activity; d) identify changes in the County's financial position, i.e., its ability to address the next and subsequent years' financial needs, based on currently known facts; e) identify any material deviations from the approved budget for the fiscal year, and f) identify individual fund issues or concerns. The MD&A is best understood if read in conjunction with the Transmittal Letter and the County's basic financial statements.

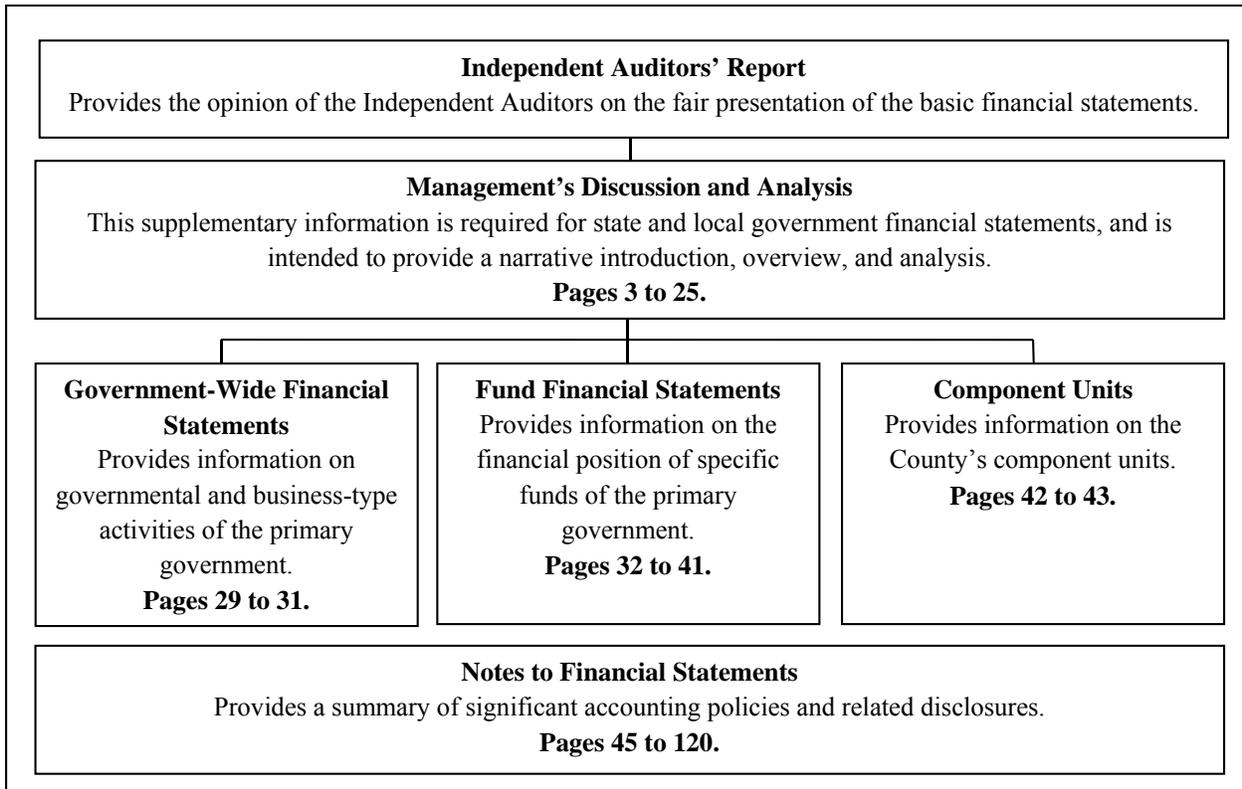
## Financial Highlights

- The government-wide assets and deferred outflows of the County exceeded its liabilities at the close of FY14 by \$1,496.9 million. That amount is net of a \$1,178.7 million unrestricted deficit. The deficit occurs mainly because the County issues debt to fund construction costs for Montgomery County Public Schools (MCPS) and Montgomery College (MCC), two of its component units, and for Maryland-National Capital Park and Planning Commission (M-NCPPC), a joint venture. Debt outstanding for these entities amounted to \$1,498.5 million at June 30, 2014. Absent the effect of this relationship, the County would have reported government-wide unrestricted net position of \$319.8 million.
- The County's total government-wide net position increased by \$88.2 million.
- As of the close of FY14, the County's governmental funds reported combined ending fund balances of \$871.3 million; an increase of \$70.3 million over the prior year's ending fund balances. Of the total ending fund balances, \$239.2 million is available for spending at the County's discretion.
- At the end of FY14, unassigned fund balance for the General Fund was \$284.2 million, or 10.5 percent of total General Fund expenditures.
- The County's government-wide long-term debt and obligations increased by \$220.4 million during FY14. The key factors in this increase are:
  - The issuance of \$355.8 million in general obligation (GO) bonds, used to refund \$295.0 million in bond anticipation notes (BANS), and the issuance of an additional \$295.0 million in BANS
  - Revenue Bonds were issued in the amount of \$46.5 million for Department of Liquor Control
  - Taxable Limited Obligation Certificates were issued in the amount of \$38.0 million.

## Overview of the Financial Statements

The County's financial statements focus on both the County as a whole (government-wide), and on the major individual funds. "Funds" are resources segregated for the purposes of implementing specific activities or achieving certain objectives in accordance with special regulations, restrictions, or limitations. Both the government-wide and fund perspectives allow users to address relevant questions and understand changes in financial conditions. The structure of the financial statements is presented below. This MD&A is intended to be an introduction to Montgomery County's basic financial statements. Montgomery County's basic financial statements comprise three components, including government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## Organization and Flow of Financial Section Information



### Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report the County's net position and how they have changed during the fiscal year.

The first government-wide statement - the statement of net position- presents information on all of the County's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. Additionally, nonfinancial factors, such as a change in the County's property tax base or the condition of County facilities and infrastructure, should be considered to assess the overall health of the County.

The second statement – the statement of activities – presents information showing how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The information on governmental activities included in the statement reflect the County's basic services, including general government, public safety, public works and transportation, health and human services, and others. Taxes, including the property and income tax, license and permit fees, intergovernmental revenues, charges for services, fines and forfeitures, and investment income finance the majority of these services. The business-type activities reflect private sector-type operations, including: liquor control, solid waste activities, four parking lot districts, permitting services, and community use of public facilities, where fees for services or products are required or designed to recover the cost of operation, including depreciation.

The government-wide financial statements include not only the County itself (known as the Primary Government), but also legally separate entities known as Component Units. Component units, which are other governmental units over which the County Council can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column in the government-wide statements and as individual activities in the basic and fund financial statements. The County has five component units – Montgomery County Public Schools (MCPS), Housing Opportunities Commission (HOC), Montgomery College (MCC), Montgomery County Revenue Authority (MCRA), and Bethesda Urban Partnership, Inc. (BUPI).

## **Fund Financial Statements**

Traditional users of governmental financial statements may find the fund financial statement presentation more familiar. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the fund financial statements, the focus is on major funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The County has the following three types of funds:

### **Governmental Funds**

Most of the County's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and how they flow in and out, and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, a reconciliation of the fund financial statements to the government-wide financial statements is presented immediately after the fund financial statements. For example, the fund financial statements will reflect bond proceeds and interfund transfers as other financing sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation will reflect the elimination of these transactions and will incorporate the capital assets and long-term obligations (bonds and others) that are presented in the governmental activities column (in the government-wide statements). The County has five major governmental funds – General, Debt Service, Housing Initiative, Grants and Capital Projects – and 12 nonmajor special revenue funds.

### **Proprietary Funds**

Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long-term and short-term financial information. The fund financial statements provide more detail and additional information, such as cash flows, for the County's enterprise funds. The County has three major enterprise funds – liquor control, solid waste activities, and parking lot districts – and two nonmajor funds. The internal service funds, which are presented in a single, aggregated column in the proprietary fund financial statements, are used to account for the provision of liability and property insurance coverage, employee health benefits, motor pool services, and central duplicating services, to County departments on a cost reimbursement basis. Although both the fund and government-wide financial statements provide a long-term and short-term focus, reconciliations between these two sets of statements are still required. This is due to the fact that the excess income/loss for the internal service funds has been redistributed to the customers, including business-type activities; such reconciliations are reflected on the bottom of the proprietary fund financial statements.

## Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County's fiduciary funds consist of pension and other employee benefit trusts, an investment trust, private purpose trusts, and agency funds.

## Financial Analysis of Montgomery County, Maryland: Government-Wide Financial Statements

A comparative analysis of government-wide financial information is presented below.

### Statement of Net Position

The following presents a summary of the Statements of Net position for the County as of June 30, 2014 and 2013:

Summary of Net Position *						
June 30, 2014 and 2013						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 1,622,212,695	\$ 1,612,061,781	\$ 228,447,368	\$ 215,503,779	\$ 1,850,660,063	\$ 1,827,565,560
Capital assets, net	3,864,096,152	3,561,334,107	280,050,636	268,523,855	4,144,146,788	3,829,857,962
Total Assets	5,486,308,847	5,173,395,888	508,498,004	484,027,634	5,994,806,851	5,657,423,522
Deferred outflows of resources:						
Deferred amount on refunding of debt	20,284,009	27,675,074	151,134	192,075	20,435,143	27,867,149
Total Deferred Outflows of Resources	20,284,009	27,675,074	151,134	192,075	20,435,143	27,867,149
Liabilities:						
Long-term liabilities outstanding	3,991,981,135	3,807,836,011	151,483,512	115,194,750	4,143,464,647	3,923,030,761
Other liabilities	333,818,882	311,235,781	41,103,399	42,383,434	374,922,281	353,619,215
Total Liabilities	4,325,800,017	4,119,071,792	192,586,911	157,578,184	4,518,386,928	4,276,649,976
Net position:						
Net investment in capital assets	2,112,879,507	1,932,495,036	181,965,592	191,266,741	2,294,845,099	2,123,761,777
Restricted	315,878,315	296,564,191	64,810,807	94,329,133	380,689,122	390,893,324
Unrestricted (deficit)	(1,124,796,483)	(1,147,060,057)	69,285,828	41,045,651	(1,178,679,155)	(1,106,014,406)
Total Net Position	\$ 1,180,792,839	\$ 1,081,999,170	\$ 316,062,227	\$ 326,641,525	\$ 1,496,855,066	\$ 1,408,640,695
* Primary Government						
Note: 2013 balances have been reclassified to conform with current year presentation and restated for the adoption of Governmental Accounting Standards Board (GASB) No. 65.						

The County's current and other assets increased by \$14.5 million or 0.8 percent from FY13. The County's assets and deferred outflows of resources exceeded its liabilities at the close of FY14 by \$1,496.9 million. By far the largest portion of the County's net position reflects its investment in capital assets (e.g., land, buildings, improvements, furniture and equipment, infrastructure), less any related outstanding debt used to construct or acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

It is also important to note that although counties in the state of Maryland issue debt for the construction of schools, those school buildings are owned by each county's Board of Education. The County also funds projects for MCC and M-NCPPC. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. Debt outstanding for these entities amounted to \$1,498.5 million at June 30, 2014. Absent the effect of this relationship, the County would have reported government-wide unrestricted net position of \$319.8 million. An additional portion of the County's net position (\$380.6 million or 25.5 percent) represents resources that are subject to restrictions on how they may be used.

The County's total net position increased by \$88.2 million for FY14 or 6.2 percent over FY13.

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## Statement of Activities

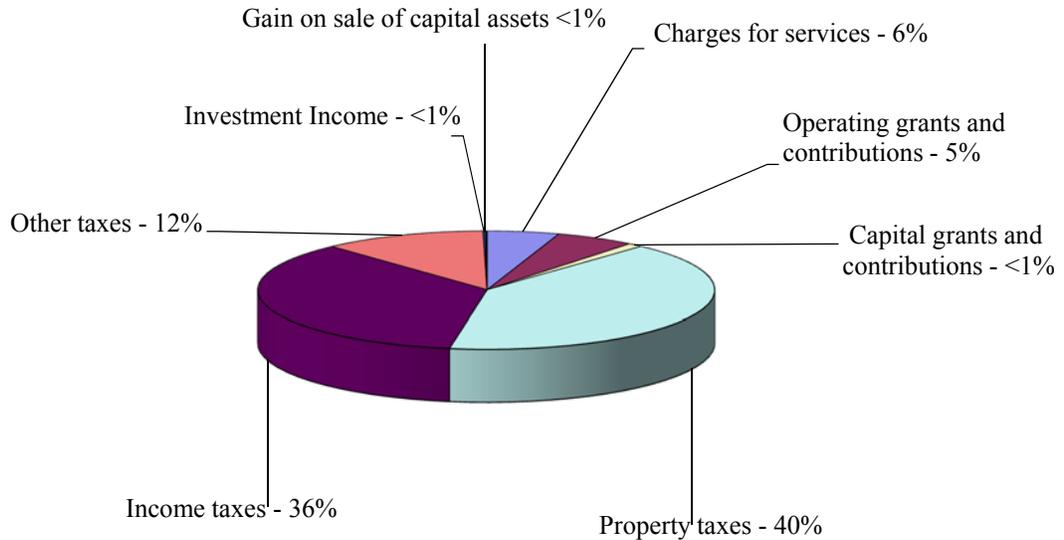
The following table summarizes the County's change in net position for the years ended June 30, 2014 and 2013:

<b>Summary of Changes in Net Position *</b>						
<b>For the Fiscal Years Ended June 30, 2014 and 2013</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 189,491,439	\$ 217,536,545	\$ 464,403,897	\$ 455,875,247	\$ 653,895,336	\$ 673,411,792
Operating grants and contributions	211,052,724	195,874,335	-	-	211,052,724	195,874,335
Capital grants and contributions	40,010,775	23,414,475	-	-	40,010,775	23,414,475
General revenues:						
Property taxes	1,528,302,790	1,463,855,656	10,391,101	10,063,874	1,538,693,891	1,473,919,530
Income taxes	1,329,827,192	1,311,161,472	-	-	1,329,827,192	1,311,161,472
Other taxes	432,455,794	433,751,496	-	-	432,455,794	433,751,496
Investment income	6,457,962	8,036,630	100,857	51,852	6,558,819	8,088,482
Grants, contributions, and other revenue not restricted to specific programs	588,567	-	-	-	588,567	-
Gain/(loss) on sale of capital assets	(3,529,635)	4,965,531	(1,241,279)	-	(4,770,914)	4,965,531
<b>Total Revenues</b>	<b>3,734,657,608</b>	<b>3,658,596,140</b>	<b>473,654,576</b>	<b>465,990,973</b>	<b>4,208,312,184</b>	<b>4,124,587,113</b>
<b>EXPENSES</b>						
Governmental Activities:						
General government	474,084,799	400,023,515	-	-	474,084,799	400,023,515
Public safety	607,555,402	609,565,746	-	-	607,555,402	609,565,746
Public works and transportation	273,021,015	278,716,716	-	-	273,021,015	278,716,716
Health and human services	291,657,233	272,032,818	-	-	291,657,233	272,032,818
Culture and recreation	95,084,426	93,965,468	-	-	95,084,426	93,965,468
Community development and housing	38,160,065	37,821,686	-	-	38,160,065	37,821,686
Environment	31,590,141	28,913,062	-	-	31,590,141	28,913,062
Education	1,770,301,285	1,797,097,286	-	-	1,770,301,285	1,797,097,286
Interest on long-term debt	101,268,081	113,688,959	-	-	101,268,081	113,688,959
Business-type Activities:						
Liquor control	-	-	239,218,758	225,650,484	239,218,758	225,650,484
Solid waste activities	-	-	129,531,260	106,039,038	129,531,260	106,039,038
Parking lot districts	-	-	30,140,788	30,321,385	30,140,788	30,321,385
Permitting services	-	-	29,486,839	27,534,056	29,486,839	27,534,056
Community use of public facilities	-	-	8,997,721	9,533,241	8,997,721	9,533,241
<b>Total Expenses</b>	<b>3,682,722,447</b>	<b>3,631,825,256</b>	<b>437,375,366</b>	<b>399,078,204</b>	<b>4,120,097,813</b>	<b>4,030,903,460</b>
Net Position Before Transfers	51,935,161	26,770,884	36,279,210	66,912,769	88,214,371	93,683,653
Transfers	46,858,508	44,703,099	(46,858,508)	(44,703,099)	-	-
Change in Net Position	98,793,669	71,473,983	(10,579,298)	22,209,670	88,214,371	93,683,653
Net Position, beginning of year as restated	1,081,999,170	1,010,525,187	326,641,525	304,431,855	1,408,640,695	1,314,957,042
Net Position, end of year	<u>\$ 1,180,792,839</u>	<u>\$ 1,081,999,170</u>	<u>\$ 316,062,227</u>	<u>\$ 326,641,525</u>	<u>\$ 1,496,855,066</u>	<u>\$ 1,408,640,695</u>
* Primary Government						
Note: 2013 balances have been reclassified to conform with current year presentation and restated for the adoption of GASB No. 65.						

## Governmental Activities

Revenues for the County's governmental activities were \$3,734.7 million for FY14. Sources of revenue are comprised of the following items:

### Revenues by Source - Governmental Activities For the Fiscal Year Ended June 30, 2014

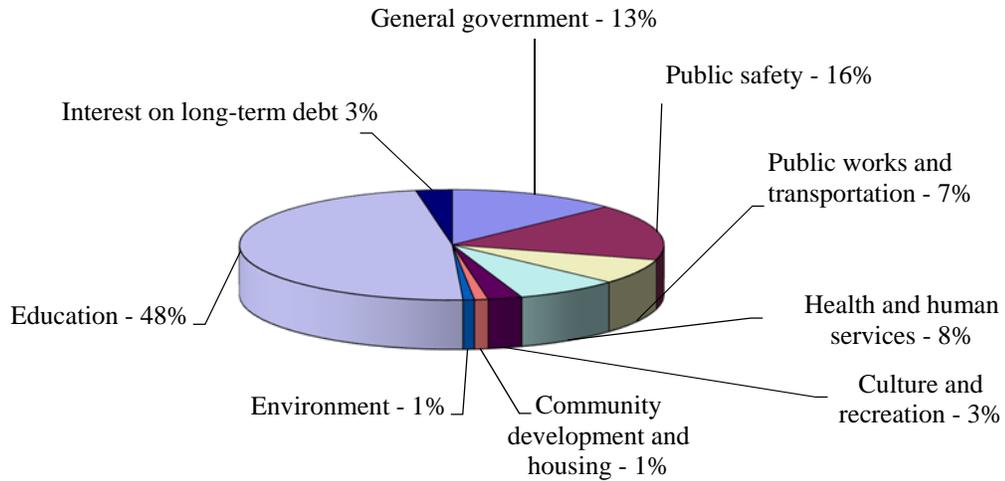


- Taxes constitute the largest source of County revenues, amounting to \$3,290.6 million for FY14.
- Property and local income tax combined comprise 76.5 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 3.2 percent of the State taxable income for calendar years 2014 and 2013. There is no local sales tax in the State of Maryland.
- Operating grants and contributions represent primarily grants from the Federal and State governments and State aid programs. The majority of such revenues are received to fund the following County programs: health and human services (\$111.5 million or 52.8 percent), public works and transportation (\$48.7 million or 23.1 percent) and public safety (\$32.1 million or 15.2 percent).

A more detailed discussion of the County's revenue results for FY14 as compared to what was budgeted can be found in the General Fund Budgetary Highlights section of this MD&A.

The cost of all governmental activities for FY14 was \$3,682.7 million. As the chart on the next page indicates, education constitutes the County's largest program and highest priority; education expenses totaled \$1,770.3 million. Public safety expenses totaled \$607.6 million, general government services totaled \$474.1 million, and health and human services, the fourth largest expense for the County, totaled \$291.7 million.

**Expenses by Function - Governmental Activities  
For the Fiscal Year Ended June 30, 2014**



The following table presents the cost and program revenues of the County as a whole and each of the County's six largest programs – education, public safety, general government, public works and transportation, health and human services, and culture and recreation – as well as each program's net cost (total cost less fees generated by the activities and program-specific intergovernmental aid).

For the Fiscal Years Ended June 30, 2014 and 2013						
	Expenses		Revenues		Net Cost of Services	
	2014	2013	2014	2013	2014	2013
Education	\$ 1,770,301,285	\$ 1,797,097,286	\$ -	\$ -	\$ 1,770,301,285	\$ 1,797,097,286
Public safety	607,555,402	609,565,746	87,023,148	84,302,734	520,532,254	525,263,012
General government	474,084,799	400,023,515	49,785,788	79,700,459	424,299,011	320,323,056
Public works and transportation	273,021,015	278,716,716	103,397,968	77,468,212	169,623,047	201,248,504
Health and human services	291,657,233	272,032,818	116,947,500	110,206,238	174,709,733	161,826,580
Culture and recreation	95,084,426	93,965,468	45,360,701	51,778,244	49,723,725	42,187,224
Other	171,018,287	180,423,707	38,039,833	33,369,468	132,978,454	146,206,515
<b>Total</b>	<b>\$ 3,682,722,447</b>	<b>\$ 3,631,825,256</b>	<b>\$ 440,554,938</b>	<b>\$ 436,825,355</b>	<b>\$ 3,242,167,509</b>	<b>\$ 3,194,152,177</b>

Of the total cost of governmental activities of \$3,682.7 million, \$440.6 million was paid by those who directly benefited from the programs (\$189.5 million) and other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$251.1 million). Of the \$3,242.2 million net cost of services, our taxpayers paid for these activities through County taxes which totaled \$3,290.6 million; also

available to contribute towards such net costs were investment income and other contributions not restricted to a specific program.

Highlights of significant changes in governmental activities compared to last year are:

- Education:  
\$26.8 million decrease in resources spent on education
- Public Works and Transportation:  
\$25.9 million increase in public works and transportation revenues primarily due to increased operating and capital grants and contributions
- General Government:  
\$74.1 million increase in expenses due primarily to a greater contribution to other postemployment benefits and an increase in maintenance for snow storms
- Health and Human Services:  
\$19.6 million increase in health and human services expenses including a significant increase in adult English literacy programs and an increase in Earned Income Tax Credit refunds

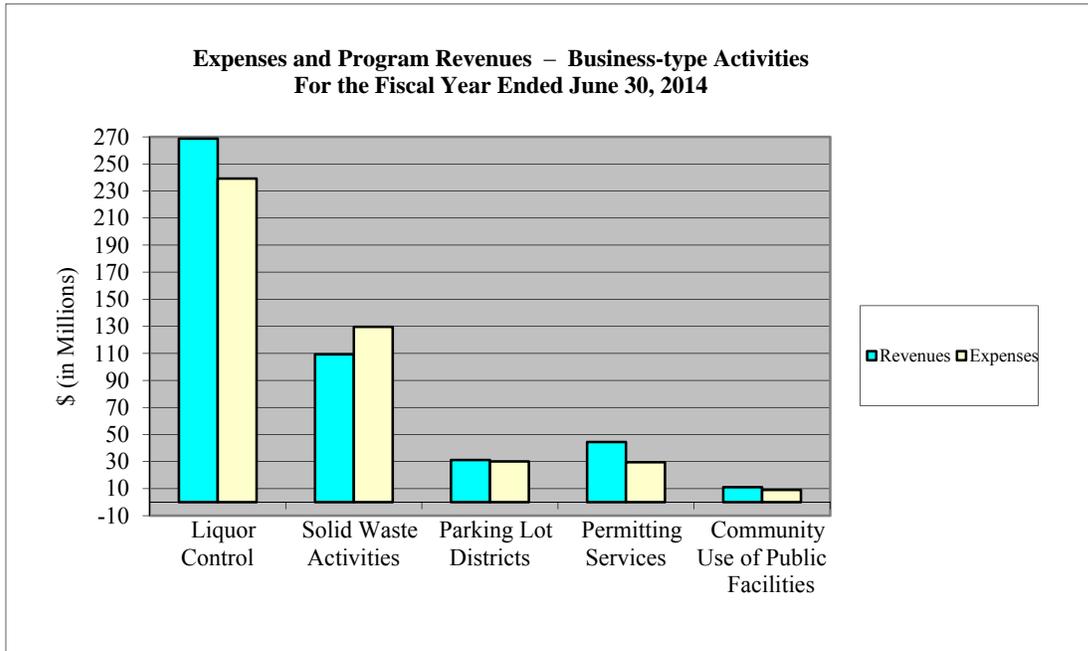
### **Business-type Activities**

Highlights of the County's business-type activities for FY14 are as follows:

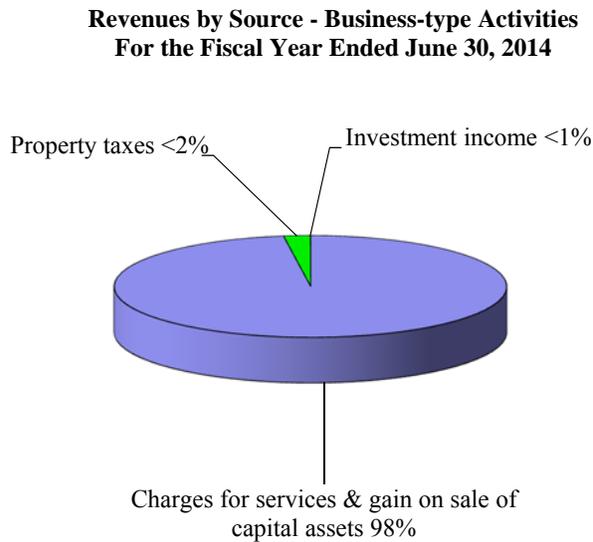
- Business-type activities experienced a decrease in net position of \$10.6 million for FY14. This amount is reported after total net transfers out of \$46.9 million. The most significant components of the change include:
  - \$22.7 million decrease in net position related to solid waste activities; and
  - \$11.0 million increase related to permitting services.
- Charges for services to users comprise 89.0 percent of revenues, with \$266.7 million (64.6 percent of charges for services revenue) attributable to liquor control operations and \$109.1 million (26.4 percent) attributable to solid waste activities. The remaining charges for services are generated from operations relating to parking lot districts, permitting services, and community use of public facilities.
- Parking lot district property taxes of \$10.4 million is the second largest source of revenue at only 2.2 percent of total revenues.
- Investment income of \$0.10 million reflects an increase of \$0.05 million or 50 percent from FY13, primarily because of the increase in pooled cash and investments during the year.

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Business-type activities are shown below comparing costs to revenues generated by related services:



Business-type revenues by source are comprised of the following:



### Financial Analysis of the Government’s Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the County’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is valuable in assessing the County’s financing requirements.

In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of FY14, the County's governmental funds reported combined ending fund balances of \$871.3 million, an increase of \$70.3 million from the end of FY13. Of the total ending fund balances, \$239.2 million constitutes the unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of \$632.1 million is unavailable for new spending because it has been reserved for prior period commitments and legal restrictions.

### **The General Fund**

The General Fund is the primary operating fund of the County. At the end of FY14, the General Fund had \$284.2 million of unassigned fund balance and total fund balance was \$599.7 million. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 22.2 percent of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$91.2 million during FY14, primarily due to increased income tax revenues and the consolidation of \$208.0 million from the Revenue Stabilization Fund (RSF). Additional information pertaining to the RSF consolidation can be found in Notes to Financial Statements, Note II-B.

### **Housing Initiative Fund**

The Housing Initiative Fund (HI) is used to account for the fiscal activity of financing, supplementing, and constructing affordable residential facilities for eligible participants. At the end of FY14, HI had a fund balance of \$241.4 million, which is entirely restricted for legal reasons. The HI fund balance represents an increase of \$10.7 million over FY13. Mortgage Receivables for this fund, which is a measure of its financing activities, decreased \$0.4 million or (0.25) percent over FY13.

### **Grants Fund**

The Grants Fund is used to account for Federal and State grant-funded activities of the tax-supported General and special revenue funds. The Grants fund by design has no fund balance at the end of each fiscal year as revenues equal expenditures - that is, expenditures of this fund are either billable to one or more federal or state agencies or paid via a transfer from another fund. The Grants fund received \$112.2 million in revenues for FY14. This is a \$4.2 million increase over FY13.

### **Debt Service Fund**

The Debt Service Fund accumulates resources for the payment of general long-term debt principal, interest, and related costs. This fund does not maintain an unassigned fund balance; the restricted fund balance of \$8.5 million represents a debt service reserve account.

### **Capital Projects Fund**

The Capital Projects Fund (CIP) has a total deficit fund balance of \$(44.3) million, a decrease of \$40.3 million from the end of FY13. The negative fund balance was primarily due to a delay in the issuance of new debt to fund certain capital projects.

A more detailed discussion of General Fund revenues can be found in the General Fund Budgetary Highlights section of MD&A. Other factors concerning the finances of the governmental funds are addressed in the discussion of the County's governmental activities.

## **Proprietary Funds**

The County's proprietary funds provide the same type of information found in the government-wide statements, but include more detail.

The unrestricted net position of the Liquor Fund at the end of FY14 amounted to \$24.8 million, and operating income was \$31.2 million. After a subsidy transfer to the General Fund of \$26.4 million, the fund ended FY14 with an increase in net position of \$1.8 million.

The Solid Waste Activities Fund total net position amounted to \$56.3 million, of which the unrestricted net position was \$17.3 million. Restricted net position of \$39.0 million is attributable to the net investment of capital assets.

The Parking Lot Districts Fund decrease in net position amounted to \$3.0 million in FY14, resulting in a total ending net position of \$183.4 million. Of this amount, \$135.9 million (74.1 percent) represents the net investment in capital assets; \$7.8 million (4.3 percent) is restricted for debt service on revenue bonds; and \$39.7 million (21.6 percent) is unrestricted.

A discussion of enterprise fund long-term debt can be found in the Long-Term Debt section presented later in this MD&A. Other factors concerning the finances of the enterprise funds are addressed in the discussion of the County's business-type activities.

## **General Fund Budgetary Highlights**

Revisions to the General Fund expenditure original budget (excluding transfers) to arrive at the final budget amounted to \$56.0 million, which included County Council approved supplemental and special appropriations and the year-end County Council transfer and County Executive supplemental appropriations. Major components of the appropriation increases include the following:

- \$29.9 million increase for snow removal and wind and rain storm cleanup relating to 25 snow/ice events with a total accumulation of approximately 68.6 inches.
- \$1.5 million to offer a financial incentive to Sodexo, Inc. to maintain its U.S. headquarters in Gaithersburg and \$.75 million to Emergent Biosolutions, Inc. to relocate and expand its headquarters operations in Gaithersburg.
- \$.5 million for demolition and debris removal of the Karma House property and repairs of four structures on Fleet Street that are in dire need of substantial repairs.

Actual revenues were more than budget amounts by \$120.9 million, while actual expenditures and net transfers out were less than final budget by \$9.1 million and \$27.7 million, respectively. Highlights of the comparison of final budget to actual figures for expenditures and net transfers for the fiscal year-ended June 30, 2014, include the following:

- Actual expenditures of \$1,134.4 million were \$9.1 million less than the final budget, which represents 1.0 percent of the final budget, and is attributable to savings achieved across numerous departments.
- Actual transfers to the Capital Projects Fund and component units for capital purposes were less than budgeted by \$18.5 million. This is due both to the multi-year nature of capital projects, and to time delays that can be encountered for certain projects.

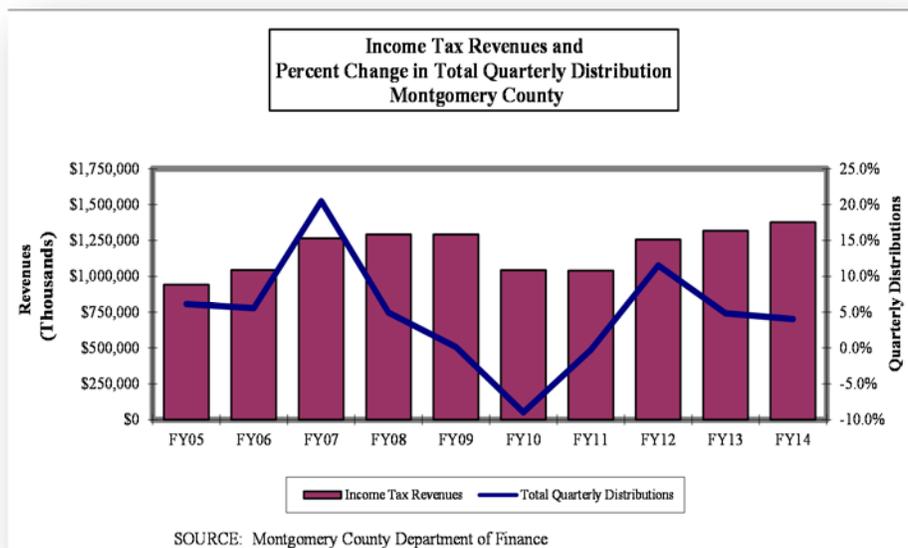
A more detailed comparison of final budget to actual figures for revenues is presented as follows:

## Overview

Actual revenues for the General Fund totaled \$3,031.8 million and were 4.1 percent above the budget estimate for the fiscal year and 4.8 percent above actual tax revenues for FY13. The three largest contributors to the variance in dollars between the budget estimate and actual revenues were the income tax (+\$77.6 million), property tax (+\$16.8 million), followed by federal intergovernmental revenues (+\$10.7 million) the. Revenues from the transfer and recordation taxes amounted to \$144.5 million (+\$2.1 million), or 1.5 percent, above the budget estimate and 1.7 percent above actual tax revenues for FY13. Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and other taxes, were \$284.8 million in FY14. That amount was \$8.2 million or 3.0 percent above the budget estimate and that increase was mostly driven by the telephone tax (+\$8.0 million or ↑17.8%). Licenses and permits came in above the budget estimate (↑3.0%), and charges for services also came in above the budget estimate (↑3.8%). Intergovernmental revenues were 26.7 percent above the budget estimate. This increase was attributed to federal and other (non-state) reimbursements, which came in 73.4 percent and 99.7 percent above budget estimates, respectively.

## Income Taxes

One of the largest revenue sources for the General Fund is the County income tax. Revenues from the income tax were \$1,376.8 million and represented 47.2 percent of actual tax revenues in FY14 and 45.4 percent of total actual revenues. The reliance on the income tax as a major source of revenue in recent years can be attributed to two factors: the employment base reflected in resident employment and wage and salary income in the County and the growth in capital gains. However, the Standard & Poor's 500 index, representing a proxy for capital gains, experienced significant volatility over the past ten calendar years (2004 –2013) - ranging from an increase of 29.6 percent in 2013 to a decrease of 38.5 percent in 2008, and resident employment also experienced volatility during this period - an average annual growth rate of 2.3 percent in the County's resident employment during the 2004-2006 period and a decline of 0.8 percent in 2007, followed by an increase of 0.7 percent in 2008, a decrease of 1.9 percent in 2009, and an average annual increase of 0.7 percent between 2009 and 2013. As the chart below illustrates, total quarterly distributions for withholding and estimated payments increased 4.1 percent in FY14, which followed an increase of 4.9 percent in FY13, an 11.5 percent increase in FY12, a decrease of 0.3 percent in FY11, another decrease of 9.0 percent in FY10 and increases of 0.2 percent and 4.9 percent in FY09 and FY08, respectively.



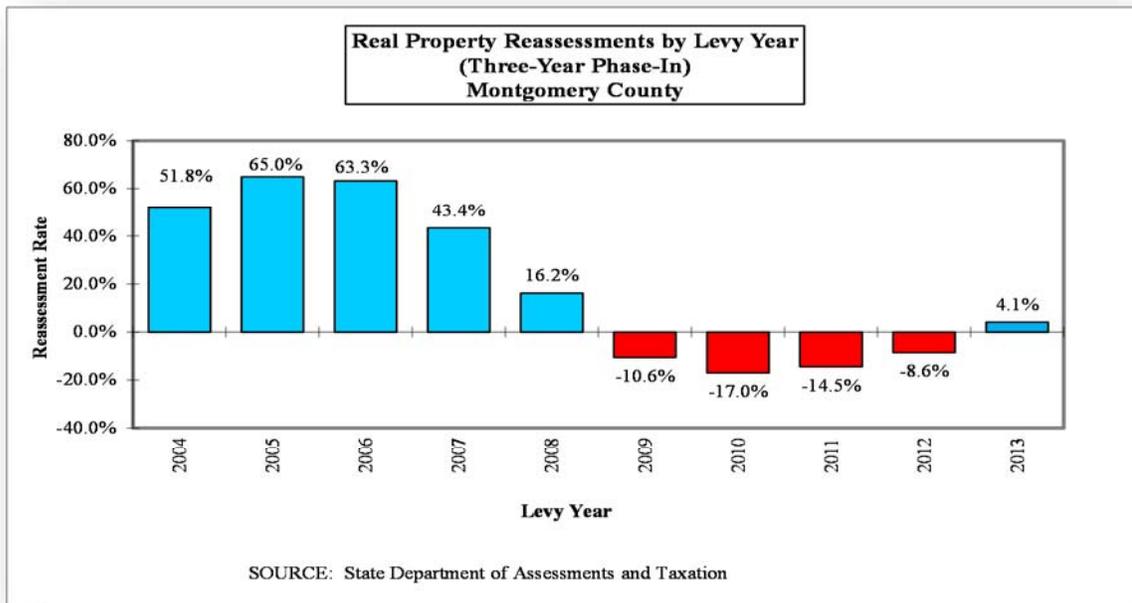
## Property Taxes

Property tax collections, which represent another major contributor of actual tax revenues to the General Fund and the second largest in FY14, amounted to \$1,108.7 million in FY14, which were \$16.8 million (↑1.5%) above the budget estimate and 7.0 percent above actual revenues in FY13. Actual property taxes, excluding penalties and interest and other items, were \$1,106.7 million in FY14 – an increase of 7.1 percent from the previous fiscal year. Collections from penalties and interest and other items were \$2.0 million – a 14.3 percent decrease from FY13.

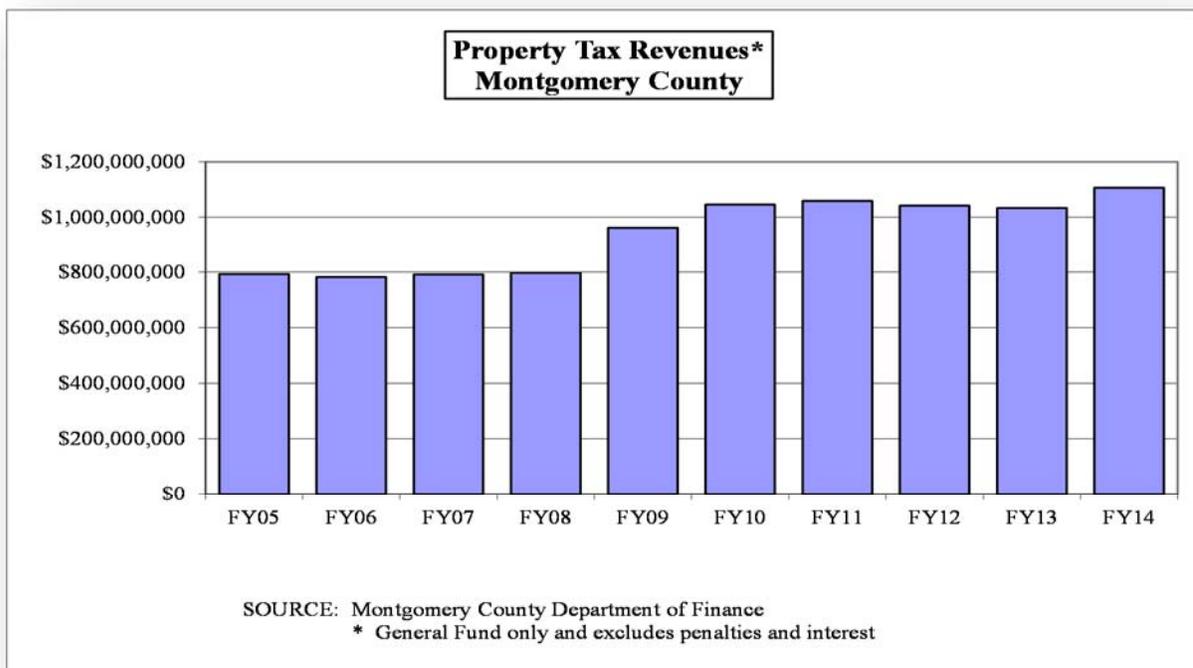
The taxable assessments for real property increased 1.0 percent from FY13 to FY14. This was the first increase since FY11 (↑0.4%). New construction, which added \$1.309 billion to the base in FY14, was 7.0 percent lower than in FY13.

The real estate market, particularly the double-digit price increases during fiscal years FY05 and FY06 and prior fiscal years, fueled the dramatic increases in the triennial reassessment rates, which increased from 51.8 percent in levy year (LY) 2004 (FY05) to 63.3 percent in LY06 (FY07). With the average sales price for an existing home declining 16.2 percent in FY09 and 5.4 percent in FY10, the reassessment rates decelerated from 63.3 percent for LY06 to 16.2 percent for LY08. With those dramatic price declines in FY09 and FY10, the triennial reassessment rates declined for four consecutive years: -10.6 percent in LY09, -17.0 percent in LY10, -14.6 percent in LY08, and -8.6 percent in LY12 before increasing 4.1 percent in LY13.





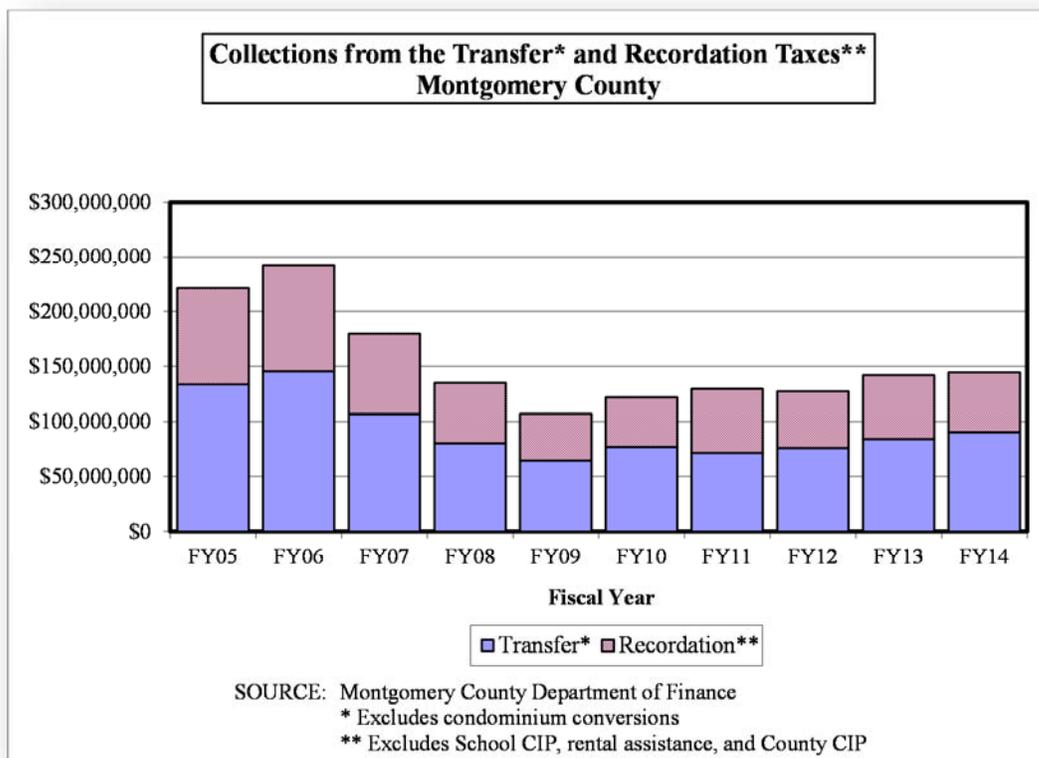
The homestead tax credit limits annual increases in homeowners' taxable assessments to 10 percent per year although other taxable assessments such as commercial and investment residential properties are not limited by this credit. While there was a dramatic decrease in the reassessment rates over the past four levy years, the remaining amount of the homestead credit muted the assessment declines by adding \$229.4 million in FY13 and \$121.2 million in FY14 to the assessable base.



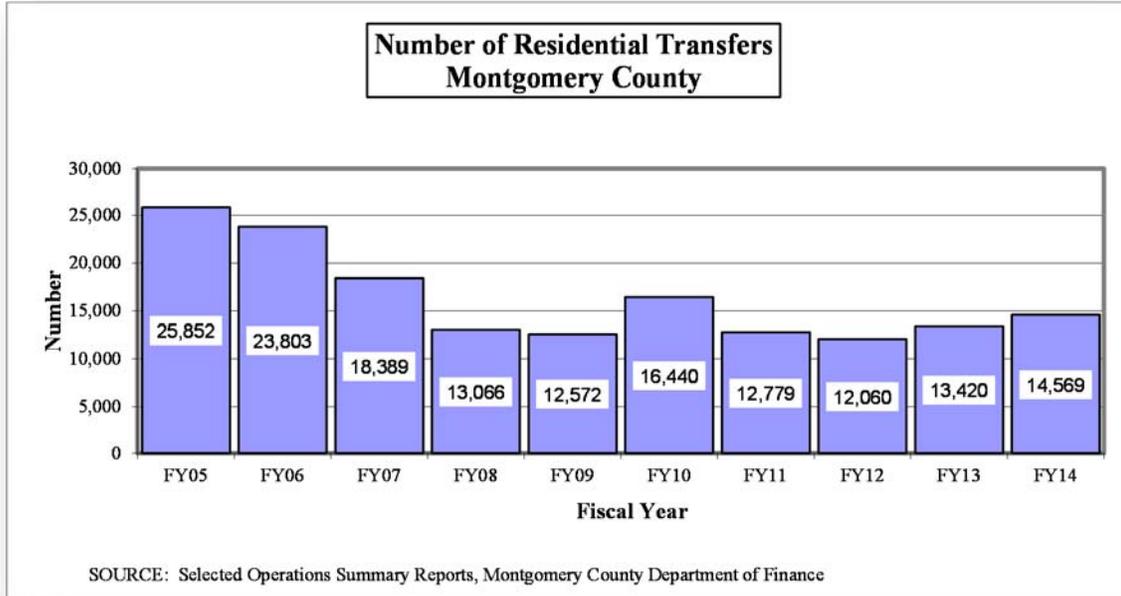
Assessments of personal property decreased 1.5 percent in FY05 and 1.8 percent in FY06 primarily due to weakness in all three categories: individual, public utility, and corporate. The declines in FY05 and FY06 were attributed to adjustments to individual personal property undertaken by the Maryland State Department of Assessments and Taxation (SDAT). Due to a rebound in personal property for public utilities, assessments increased 3.1 percent in FY07 and a modest 0.5 percent in FY08. However, because of declines in individual and corporate personal property and public utility tax assessments, total personal property assessments declined 1.3 percent in FY09, rebounding in FY10 (↑5.2%) attributed to increases in corporate and public utility assessments, declined 6.5 percent in FY11, declined 3.6 percent in FY12 to \$3.719 billion, and declined in FY13 to \$3.605 billion attributed to declines in corporate and utility personal property. Personal property assessments increased 2.9 percent in FY14 attributed to increases in corporate personal property and public utility assessments. For the previous five fiscal years (FY09-FY13), taxable assessments for personal property averaged \$3.844 billion ranging from a low of \$3.605 billion in FY13 to a high of \$4.124 billion in FY10.

### Transfer and Recordation Taxes

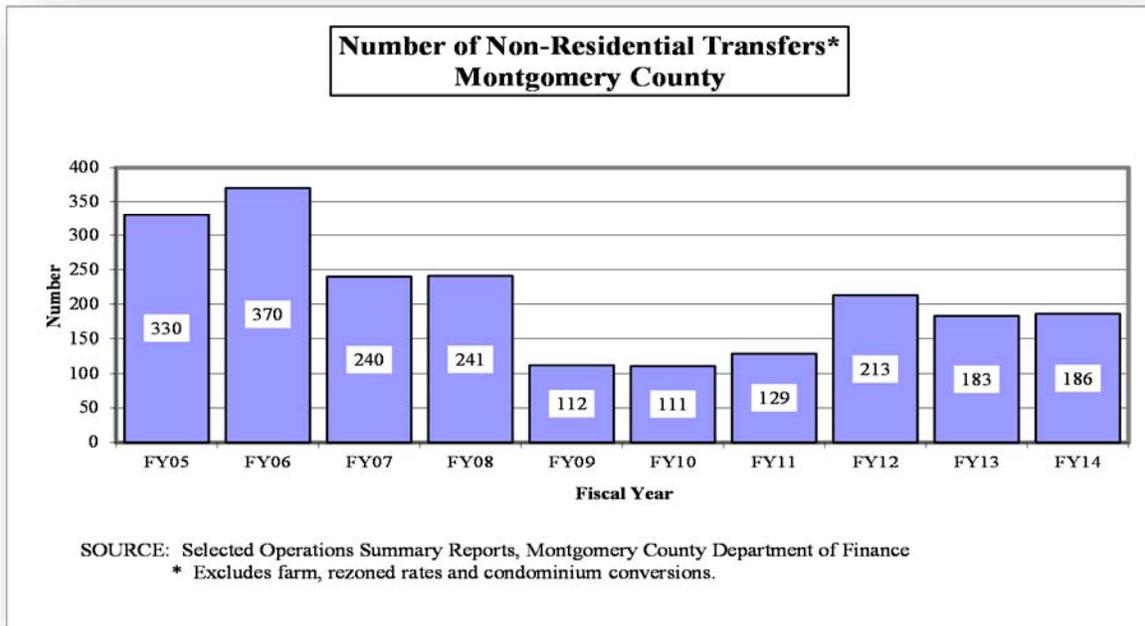
Another major tax revenue category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY14 were \$144.5 million (excluding recordation tax revenues earmarked for CIP funding of school construction, rental assistance, and CIP funding for the County; and transfer tax revenues from condominium conversions). Actual revenues in FY14 were 1.7 percent higher than in the prior year and 1.5 percent above the budget estimate. As the accompanying chart illustrates, the total amount collected from these taxes increased from \$221.3 million in FY05 to a peak of \$241.7 million in FY06, before declining to \$107.2 million in FY09. In FY10, taxes from the combined transfer and recordation taxes rebounded to \$122.0 million, increased to \$129.5 million in FY11, declined to \$127.3 million in FY12, increased to \$142.0 million in FY13, then increased to \$144.5 million in FY14.



General Fund revenues from the transfer tax experienced an increase of 7.2 percent in FY14 but a 6.4 percent decrease in the recordation tax from the prior year. Because of the increase in home sales in FY14, revenues from the residential sector for both taxes jumped 9.7 percent from FY13 to \$101.8 million in FY14. The number of residential transfers increased to 14,569 (↑8.6%).



Based on the amount of revenues from the non-residential transfer tax, the commercial market declined in FY14 with revenues at \$15.4 million – a decrease of 17.9 percent from FY13. The decrease in revenues from the commercial market was attributed to the decrease in the average transfer tax of \$82,535 in FY14 compared to \$102,125 in FY12 while the number of transactions increased slightly from 183 in FY13 to 186 in FY14.



The remaining tax sources – consisting of fuel and energy, telephone, hotel and motel, and other taxes – totaled \$284.8 million and were approximately \$8.2 million, or 3.0 percent, above the budget estimate but 2.5 percent below actual revenues in FY13. Revenues from the fuel/energy tax were \$210.7 million in FY14 and down slightly from the budget estimate (↓\$49,322) and a decrease of 5.9 percent from actual revenues in FY13. The decline in actual revenues was attributed to reductions in both the residential and non-residential tax rates enacted by the County Council for FY14.

Revenues from the telephone tax were 17.8 percent above the budget estimate and 16.3 percent above actual revenues in FY13 due to a one-time retroactive tax payment by one of the County’s largest taxpayers. Revenues from the hotel/motel industry of \$17.7 million in FY14 were 0.4 percent below the budget estimate and 6.5 percent below actual revenues in FY13. Other tax revenues were 9.4 percent above the budget estimate but 3.5 percent below actual revenues in FY13.

## Capital Asset and Debt Administration

### Capital Assets

The County’s investment in capital assets at June 30, 2014, amounted to \$4,144 million (net of accumulated depreciation and amortization), as summarized below:

<b>Capital Assets, Net of Depreciation</b>				
<b>June 30, 2014</b>				
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total FY14</b>	<b>Total FY13</b>
Land	\$ 888,200,036	\$ 59,158,993	\$ 947,359,029	\$ 858,845,219
Buildings	428,649,024	116,193,173	544,842,197	527,200,040
Improvements other than buildings	32,527,811	50,831,834	83,359,645	68,195,435
Furniture, fixtures, equipment and machinery	53,164,087	9,676,990	62,841,077	57,558,701
Leasehold improvements	5,604,816	-	5,604,816	6,163,085
Automobiles and trucks	123,677,142	836,441	124,513,583	101,362,763
Infrastructure	1,175,420,765	9,902	1,175,430,667	1,130,051,706
Other assets	28,534,757	-	28,534,757	33,472,612
Construction in progress	1,128,317,714	43,343,304	1,171,661,018	1,047,008,401
<b>Total</b>	<b><u>\$ 3,864,096,152</u></b>	<b><u>\$ 280,050,637</u></b>	<b><u>\$ 4,144,146,789</u></b>	<b><u>\$ 3,829,857,962</u></b>

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Changes in the County's capital assets for FY14 are summarized as follows:

<b>Change in Capital Assets For the Fiscal Year Ended June 30, 2014</b>				
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total FY14</b>	<b>Total FY13</b>
Beginning Balance	\$ 3,561,334,107	\$ 268,523,855	\$ 3,829,857,962	\$ 3,607,153,485
Additions*	392,307,321	26,505,025	418,812,346	327,687,486
Retirements, net*	2,928,872	817,130	3,746,002	6,437,050
Depreciation expense	86,616,404	14,161,113	100,777,517	98,545,959
Ending Balance	<u>\$ 3,864,096,152</u>	<u>\$ 280,050,637</u>	<u>\$ 4,144,146,789</u>	<u>\$ 3,829,857,962</u>

\* Presented net of transfers from construction in progress; retirements are also net of related accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- Roads, including underlying land, valued at \$6 million were transferred to the County by various developers.
- The Public Safety Headquarters project accumulated \$76.37 million in land related acquisition cost. This project provides for the acquisition, planning, design, and construction of the Edison Park complex. Facilities and programs to be relocated from their current location as part of this project include: the Montgomery County Police Headquarters from Research Blvd., the Montgomery County Fire and Rescue Service from the Executive Office Building, the Office of Emergency Management and Homeland Security, some divisions of the Department of Transportation, and the 1<sup>st</sup> District Police station.
- The Judicial Center Annex project, which was placed in service in FY14, accumulated \$29.05 million in cost this fiscal year. This project provided for the planning, design, and construction of the Montgomery County Judicial Center annex, the Montgomery County Judicial Center HVAC renovation, and other needed renovations to the Montgomery County Judicial Center.
- The PSTA & Multi Agency Service Park – Site Development project accumulated \$26.51 million in cost. This project is part of the Smart Growth Initiative and provides for land acquisition and site improvements at the Webb Tract (Centerpark) site on Snouffer School Road. The Webb Tract is separated by wetlands into an east and west section. Facilities targeted for relocation to the east section of the Webb Tract are the (1) Montgomery County Public Schools (MCPS) Food Distribution Facility, (2) MCPS Facilities Maintenance Depot, and (3) Maryland-National Capital Park and Planning Commission (M-NCPPC) Facilities Maintenance Depot. The Public Safety Training Academy (PSTA) on Darnestown Road will be relocated to the west side of the Webb Tract.

Additional information pertaining to the County's capital assets can be found in Notes to Financial Statements, Notes I-D5 and III-C.

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## Long-Term Debt

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2014:

<b>Long-Term Debt</b>				
<b>June 30, 2014</b>				
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>FY14</b>	<b>FY13</b>
General obligation bonds	\$ 2,270,500,000	\$ -	\$ 2,270,500,000	\$ 2,149,825,000
Variable rate demand obligation	100,000,000	-	100,000,000	100,000,000
Bond anticipation notes	500,000,000	-	500,000,000	500,000,000
Revenue bonds	104,983,881	91,891,119	196,875,000	158,365,000
Lease revenue bonds	29,285,000	-	29,285,000	31,240,000
HUD loan	440,000	-	440,000	483,000
WSSC promissory note	9,708,040	-	9,708,040	9,679,249
Equipment notes	41,107,707	1,701,104	42,808,811	41,559,162
Certificates of participation	24,305,000	-	24,305,000	30,675,000
Capital leases	16,432,750	-	16,432,750	20,130,000
Energy Performance Lease	4,164,250	-	4,164,250	-
Taxable Ltd. Obligation Certificates	90,020,000	-	90,020,000	54,170,000
Compensated absences	73,230,088	5,635,369	78,865,457	76,181,801
Other Postemployment Benefits	421,855,738	3,965,222	425,820,960	429,058,046
Claims payable self-insurance	140,205,964	-	140,205,964	141,713,632
Landfill closure costs	-	15,047,140	15,047,140	17,329,214
Gude landfill remediation	-	28,500,000	28,500,000	-
<b>Total</b>	<b>\$ 3,826,238,418</b>	<b>\$ 146,739,954</b>	<b>\$ 3,972,978,372</b>	<b>\$ 3,760,409,104</b>

At June 30, 2014, the County had outstanding general obligation (GO) bonds of \$2,270.5 million, with outstanding variable rate demand obligations (VRDOs) of \$100 million and bond anticipation notes (BANs) of \$500 million. Over the last ten years, the County issued its GO bonds once a year, with the exception of FY08, when no GO "new money" bonds were issued. The County currently finances capital construction projects with BANs. BANs are subsequently paid off by the issuance of the County's GO bonds. Montgomery County also issues bonds to finance the capital construction of MCPS, MCC, and M-NCPPC not otherwise financed by the State of Maryland.

The County continues to maintain its status as a top rated issuer of municipal securities, with the highest credit ratings possible for a local government. For its GO bonds, the County is a 'Triple AAA' rated County, and received ratings of Aaa from Moody's Investors Service, Inc., AAA from Standard and Poor's, and AAA from Fitch Ratings. County GO bonds have been consistently awarded the highest credit rating from Moody's and Standard and Poor's since 1973 and 1976, respectively, and from Fitch since 1991. Montgomery County is one of only 12 'Triple AAA' rated counties in the nation with a population greater than 900,000.

In October 2013, the County received its annual credit ratings. Fitch cited “key rating drivers” of commitment to reserve restoration, a balanced fiscal plan, excellent economic profile and moderate debt ratios. Fitch also reported that the County’s multiyear fiscal plan balances current resources against spending and continues to address other critical operating priorities relating to fund balance replenishment, pay-as-you-go capital and other post-employment benefits.

Moody’s stated that their rating and outlook reflected the County’s diverse and substantial economy, sizeable tax base, affluent demographics, and manageable debt burden. Moody’s also expressed the view that the County’s improved financial position was supported by a structurally balanced budget and increased reserves.

Standard and Poor’s rating reflected their opinion of the County’s strong economy, budgetary flexibility, budgetary performance, liquidity, management and financial policies. Standard and Poor’s also cited adequacy of the County’s debt and contingent liability profile and demonstrated resilience to economic pressure.

The rating category, by definition, represents extremely strong capacity to pay principal and interest. Typically, ‘AAA’ rated counties demonstrate an ability to weather all economic cycles by maintaining tight budgetary controls, articulating and executing well-designed capital plans, maintaining sufficient reserves, and planning for future contingencies.

**Significant bond-related debt activities during FY14 were:**

- **Department of Liquor Control (DLC) Revenue Bonds** – In July 2013, the County issued \$46.645 million in DLC Revenue Bonds to finance the acquisition, construction and equipping of warehouse facilities. and design and construction of transportation projects within the County
- **Qualified Energy Conservation Bonds (QECBs)** – In October 2013 the County entered into a 20 year lease purchase agreement with Banc of America Leasing & Capital, LLC in the amount of \$4.165 million to finance energy systems modernization at one of the County’s Health and Human Service buildings. The project is to be implemented under an Energy Performance Contract. The lease purchase qualified as financing under the County’s QECB allocation which provided a federal tax credit and will reduce the net effective interest rate to approximately 1.43%
- **Taxable Limited Obligation Certificates** – In November 2013, the County issued \$38.0 million in Taxable Certificates to finance the Montgomery Housing Initiative Program which was established to promote a broad range of housing opportunities.
- **General Obligation Bonds and Refunding Bonds** – In November 2013, the County’s annual general obligation bond issue was in the amount of \$295 million. The proceeds of this bond issue were used to pay off an equivalent amount of the County’s BANs which funded capital expenditures for transportation, education, and other County facilities. Concurrent with this annual bond sale, the County issued \$24.9 million of general obligation refunding bonds to refund outstanding County bonds for debt service savings.
- **Bond Anticipation Notes (BANs)** – Over the course of FY14, the County retired \$295.0 million in BANs with general obligation bond proceeds and issued \$295.0 million in BANs
- Additional information pertaining to the County’s long-term debt can be found in Notes to Financial Statements, Notes I-D8, III-E3, and III-F.

**Economic Factors and Next Year’s Budgets and Rates**

The following economic factors are reflected in the County’s FY15 budget with updates based on revised economic data subsequent to the approval of the County’s budget:

- Montgomery County experienced mixed economic performance during fiscal year FY14. The major reasons for this were a modest decrease in the unemployment rate, a decrease in resident employment (labor force series) but an increase in payroll employment (establishment series), and an increase in the median prices for existing homes. Residential construction also picked up in FY14.
- The County's economic projections in the FY15 budget assume a modest, yet improving, economic performance in calendar year CY14 with the County continuing to experience a historically elevated unemployment level although with a slight decline in the unemployment rate in CY14. On the same calendar basis, the County projects a modest increase in total resident employment (↑0.8%) and in payroll employment (↑1.0%).
- During the past eleven years (CY03 – CY13), total payroll employment in Montgomery County, which is based on the survey of establishments and derived by the Department of Finance, experienced three distinct cycles: growth from CY03 to CY06 at an average annual rate of 1.1 percent, a decline from CY06 to CY10 at an average annual rate of 0.9 percent, and a modest increase at a revised average annual rate of 0.7 percent from CY10 to CY13. The Department of Finance estimates that total payroll employment is expected to increase 1.0 percent in CY14.
- Resident employment in the County, which is based on a survey of County households, provides a slightly different picture of employment growth. For example, resident employment grew at an average annual rate of 1.6 percent between CY03 and CY06 (compared to the 1.1 percent for payroll employment). Between CY06 and CY10, resident employment in the County experienced a decrease at an annual rate of 0.4 percent while payroll employment declined at an annual rate of 0.9 percent. However, resident employment during that period experienced increases from CY07 to CY08 and from CY09 to CY10. Those increases were more than offset by decreases in resident employment from CY06 to CY07 and from CY08 to CY09, resulting in an average annual decrease over the four year period. On a calendar year basis, resident employment in Montgomery County increased at a revised average annual rate of 0.7 percent from CY10 to CY13 and a revised 1.0 in CY12. Resident employment is expected to increase 0.8 percent in CY14.
- The employment projection in the FY15 budget assumes that personal income will increase 4.8 percent in CY14 and 5.5 percent in CY15 and per capita income will increase 4.3 percent in CY14 and 4.9 percent in CY15. Income data for CY14 and CY15 are based on estimates derived by the Department of Finance.
- The estimated increase in employment and an estimated increase of 2.6 percent in personal income in CY14 are offset by the current elevated unemployment rate thereby reflecting a mixed performance in the County's economy.
- The Federal Open Market Committee (FOMC) of the Board of Governors of the Federal Reserve System is expected to maintain the targeted federal funds rate within the target range of 0.00-0.25 percent through CY15 – based on the policy statement of the FOMC dated July 30, 2014. That policy is based on the progress towards its goals of maximum employment and 2 percent inflation. Because of that policy by the FOMC, the County's budget projections include only a modest increase in the yield on its investments from 0.19 percent in FY14 to 0.35 percent in FY15.
- Inflation, as measured by the Consumer Price Index, is expected to increase 2.03 percent in FY15.

### **Other Significant Matters**

The County is following the appeal of a case in which it is not a party, *Comptroller v. Wynne*, 431 Md. 147 (2013). In that case, the State has filed a writ of certiorari with the United States Supreme Court to review the judgment of the Court of Appeals of Maryland, which ruled that counties are prohibited from collecting personal income taxes from their own residents to the extent that the income was earned from sources in another

state where the income is subject to tax by that state. The ruling has not affected County income tax revenues because the Court of Appeals stayed the effect of the ruling pending appeal to the United States Supreme Court. If the Court of Appeals ruling stands, each county in Maryland will see a reduction in income tax revenue, including this County. The final fiscal impact of the ruling on the County is not determinable at this time.

### **Requests for Information**

The financial report is designed to provide a general overview of Montgomery County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montgomery County Government, Department of Finance, 101 Monroe Street, Rockville, Maryland, 20850. This report can also be found on the County's website, <http://www.montgomerycountymd.gov> (see Departments, Finance, Financial Reports).

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## **BASIC FINANCIAL STATEMENTS**



MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF NET POSITION  
JUNE 30, 2014  
Exhibit A-1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units Total
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 751,242,738	\$ 141,173,836	\$ 892,416,574	\$ 58,134,168
Cash with fiscal agents	70,161,109	5,937,948	76,099,057	54,225,280
Cash	415,145	145,990	561,135	13,160,292
Investments - cash equivalents	-	-	-	112,571,711
Investments	-	-	-	23,870,450
Receivables (net of allowance for uncollectibles):				
Income taxes	315,443,127	-	315,443,127	-
Property taxes	18,405,556	758,668	19,164,224	-
Capital leases	29,285,000	-	29,285,000	17,654,651
Accounts	38,601,567	7,084,983	45,686,550	65,634,533
Notes	3,073,887	-	3,073,887	55,984,966
Parking violations	736,892	1,538,507	2,275,399	-
Mortgage	210,243,761	-	210,243,761	303,098,602
Interest	-	-	-	4,882,458
Other	-	-	-	5,902,844
Internal balances	(38,480)	38,480	-	-
Due from primary government	-	-	-	30,826,959
Due from component units	93,297,071	48,966	93,346,037	-
Due from other governments	77,968,852	171,334	78,140,186	46,545,322
Inventory of supplies	12,874,345	31,652,440	44,526,785	11,809,661
Prepays	502,125	170,974	673,099	4,426,644
Other assets	-	239,634	239,634	88,167,652
Restricted Assets:				
Equity in pooled cash and investments	-	35,170,178	35,170,178	20,449,932
Cash with fiscal agents	-	-	-	18,249,371
Cash	-	-	-	1,265,188
Investments - cash equivalents	-	-	-	117,132,596
Investments	-	4,315,430	4,315,430	76,635,486
Capital Assets:				
Nondepreciable assets	2,016,517,750	102,502,298	2,119,020,048	506,472,230
Depreciable assets, net	1,847,578,402	177,548,338	2,025,126,740	3,014,053,819
Total Assets	<u>5,486,308,847</u>	<u>508,498,004</u>	<u>5,994,806,851</u>	<u>4,651,154,815</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	-	-	11,297,484
Deferred amount on refunding	20,284,009	151,134	20,435,143	-
Total Deferred Outflows of Resources	<u>20,284,009</u>	<u>151,134</u>	<u>20,435,143</u>	<u>11,297,484</u>
<b>LIABILITIES</b>				
Accounts payable	71,647,354	20,060,965	91,708,319	107,340,793
Interest payable	35,044,228	831,564	35,875,792	19,758,340
Retainage payable	27,838,772	296,654	28,135,426	8,637,794
Accrued liabilities	71,162,919	3,429,955	74,592,874	37,105,931
Deposits	163,914	10,225,596	10,389,510	20,358,704
Due to primary government	-	-	-	95,624,348
Due to component units	30,024,075	796,560	30,820,635	-
Due to other governments	18,409,796	2,093,384	20,503,180	-
Unearned revenue	79,527,824	2,908,981	82,436,805	24,785,993
Other liabilities	-	459,740	459,740	23,715,273
Noncurrent Liabilities:				
Due within one year	816,940,341	10,429,108	827,369,449	101,480,092
Due in more than one year	3,175,040,794	141,054,404	3,316,095,198	1,579,168,283
Total Liabilities	<u>4,325,800,017</u>	<u>192,586,911</u>	<u>4,518,386,928</u>	<u>2,017,975,551</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,112,879,507	181,965,592	2,294,845,099	2,945,145,747
Restricted for:				
Capital projects	-	-	-	147,111
General government	10,017,443	-	10,017,443	-
Public safety	15,638,371	-	15,638,371	-
Public works and transportation	18,578,705	64,810,807	83,389,512	-
Recreation	4,913,763	-	4,913,763	-
Community development and housing	245,943,809	-	245,943,809	-
Environment	12,296,894	-	12,296,894	-
Debt service	8,489,330	-	8,489,330	75,324,671
Other purposes	-	-	-	35,774,304
Unrestricted (deficit)	<u>(1,247,964,983)</u>	<u>69,285,828</u>	<u>(1,178,679,155)</u>	<u>(411,915,085)</u>
Total Net Position	<u>\$ 1,180,792,839</u>	<u>\$ 316,062,227</u>	<u>\$ 1,496,855,066</u>	<u>\$ 2,644,476,748</u>

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
 Exhibit A-2

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities				
General government	\$ 474,084,799	\$ 35,879,186	\$ 7,177,643	\$ 6,728,959
Public safety	607,555,402	52,773,389	32,105,352	2,144,407
Public works and transportation	273,021,015	28,606,534	48,675,916	26,115,518
Health and human services	291,657,233	5,448,684	111,498,816	-
Culture and recreation	95,084,426	38,555,482	5,089,403	1,715,816
Community development and housing	38,160,065	5,097,251	4,765,528	3,306,075
Environment	31,590,141	23,130,913	1,740,066	-
Education	1,770,301,285	-	-	-
Interest on long term debt	101,268,081	-	-	-
Total Governmental Activities	<u>3,682,722,447</u>	<u>189,491,439</u>	<u>211,052,724</u>	<u>40,010,775</u>
Business-type Activities				
Liquor control	239,218,758	268,677,859	-	-
Solid waste disposal and collection	129,531,260	109,251,865	-	-
Parking lot districts	30,140,788	31,093,981	-	-
Permitting services	29,486,839	44,393,317	-	-
Community use of public facilities	8,997,721	10,986,875	-	-
Total Business-type Activities	<u>437,375,366</u>	<u>464,403,897</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 4,120,097,813</u>	<u>\$ 653,895,336</u>	<u>\$ 211,052,724</u>	<u>\$ 40,010,775</u>
<b>Component Units:</b>				
General government (BUP)	\$ 4,643,662	\$ 4,469,546	\$ 221,294	\$ -
Culture and recreation (MCRA)	18,747,307	16,398,474	-	363,958
Community development and housing (HOC)	229,498,409	114,486,738	106,144,216	6,471,338
Education:				
Elementary and secondary education (MCPS)	2,669,493,142	26,985,862	117,032,681	61,564,912
Higher education (MCC)	317,144,479	78,412,783	17,855,382	504,936
Total Component Units	<u>\$ 3,239,526,999</u>	<u>\$ 240,753,403</u>	<u>\$ 241,253,573</u>	<u>\$ 68,905,144</u>

General Revenues:  
 Property taxes  
 County income taxes  
 Real property transfer taxes  
 Recordation taxes  
 Fuel energy taxes  
 Hotel-motel taxes  
 Telephone taxes  
 Other taxes  
 Grants and contributions not restricted to specific programs  
 Investment income  
 Gain (loss) on sale of capital assets  
 Transfers  
 Total General Revenues and Transfers  
 Change in Net Position  
 Net Position - Beginning, as restated  
 Net Position - Ending

Notes to Financial Statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (424,299,011)	\$ -	\$ (424,299,011)	\$ -
(520,532,254)	-	(520,532,254)	-
(169,623,047)	-	(169,623,047)	-
(174,709,733)	-	(174,709,733)	-
(49,723,725)	-	(49,723,725)	-
(24,991,211)	-	(24,991,211)	-
(6,719,162)	-	(6,719,162)	-
(1,770,301,285)	-	(1,770,301,285)	-
(101,268,081)	-	(101,268,081)	-
(3,242,167,509)	-	(3,242,167,509)	-
-	29,459,101	29,459,101	-
-	(20,279,395)	(20,279,395)	-
-	953,193	953,193	-
-	14,906,478	14,906,478	-
-	1,989,154	1,989,154	-
-	27,028,531	27,028,531	-
\$ (3,242,167,509)	\$ 27,028,531	\$ (3,215,138,978)	\$ -
\$ -	\$ -	\$ -	\$ 47,178
-	-	-	(1,984,875)
-	-	-	(2,396,117)
-	-	-	(2,463,909,687)
-	-	-	(220,371,378)
\$ -	\$ -	\$ -	\$ (2,688,614,879)
1,528,302,790	10,391,101	1,538,693,891	-
1,329,827,192	-	1,329,827,192	-
90,496,157	-	90,496,157	-
53,962,477	-	53,962,477	-
210,678,660	-	210,678,660	-
17,675,982	-	17,675,982	-
53,160,865	-	53,160,865	-
6,481,653	-	6,481,653	-
588,567	-	588,567	2,720,138,131
6,457,962	100,857	6,558,819	8,982,502
(3,529,635)	(1,241,279)	(4,770,914)	216,379
46,858,508	(46,858,508)	-	-
3,340,961,178	(37,607,829)	3,303,353,349	2,729,337,012
98,793,669	(10,579,298)	88,214,371	40,722,133
1,081,999,170	326,641,525	1,408,640,695	2,603,754,615
\$ 1,180,792,839	\$ 316,062,227	\$ 1,496,855,066	\$ 2,644,476,748

MONTGOMERY COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014  
Exhibit A-3

	General Fund	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 419,525,093	\$ 19,833,273	\$ -	\$ 40,844	\$ 71,498,460	\$ 64,677,461	\$ 575,575,131
Cash with fiscal agents	5,706,028	-	-	9,271,461	55,183,620	-	70,161,109
Cash	169,845	212,450	-	-	-	32,550	414,845
Receivables (net of allowances for uncollectibles):							
Income taxes	315,443,127	-	-	-	-	-	315,443,127
Property taxes	14,453,739	-	-	-	-	3,951,817	18,405,556
Capital leases	-	-	-	29,285,000	-	-	29,285,000
Accounts	26,730,361	-	-	-	177,120	8,841,389	35,748,870
Notes	-	-	2,502,285	-	12,068	559,534	3,073,887
Parking violations	472,326	-	-	-	-	264,566	736,892
Mortgages	126,191	173,728,386	32,851,903	-	300,000	3,237,281	210,243,761
Due from other funds	142,693,012	-	-	-	1,614,546	2,408,292	146,715,850
Due from component units	90,550	54,023,833	8,685,031	-	29,642,254	317,750	92,759,418
Due from other governments	14,050,034	-	31,528,082	-	25,063,791	7,019,930	77,661,837
Inventory of supplies	5,873,503	-	-	-	2,128,115	-	8,001,618
Prepays	286,050	-	-	-	2,500	-	288,550
Total Assets	<u>\$ 945,619,859</u>	<u>\$ 247,797,942</u>	<u>\$ 75,567,301</u>	<u>\$ 38,597,305</u>	<u>\$ 185,622,474</u>	<u>\$ 91,310,570</u>	<u>\$ 1,584,515,451</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 20,094,761	\$ 1,297,492	\$ 7,524,689	\$ 422,976	\$ 28,059,418	\$ 4,551,432	\$ 61,950,768
Retainage payable	2,578	-	-	-	27,772,747	63,447	27,838,772
Accrued liabilities	40,589,330	98,142	813,915	-	2,551,328	12,124,614	56,177,329
Deposits	-	-	-	-	-	163,914	163,914
Due to other funds	8,949,137	23,689	7,029,112	400,000	137,733,784	4,025,721	158,161,443
Due to component units	12,038,087	374,342	1,909,205	-	15,702,441	-	30,024,075
Due to other governments	3,871,774	-	14,252,369	-	165,246	120,407	18,409,796
Unearned revenue	-	4,628,836	44,038,011	29,285,000	5,519,054	139,031	83,609,932
Total Liabilities	<u>85,545,667</u>	<u>6,422,501</u>	<u>75,567,301</u>	<u>30,107,976</u>	<u>217,504,018</u>	<u>21,188,566</u>	<u>436,336,029</u>
<b>Deferred Inflows of Resources:</b>							
Unavailable income taxes	235,844,860	-	-	-	-	-	235,844,860
Unavailable property taxes	13,776,225	-	-	-	-	3,830,579	17,606,804
Unavailable revenues	10,708,496	-	-	-	12,432,807	277,881	23,419,184
Total Deferred Inflows of Resources	<u>260,329,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,432,807</u>	<u>4,108,460</u>	<u>276,870,848</u>
<b>Fund Balances:</b>							
Nonspendable	6,159,553	-	-	-	-	-	6,159,553
Restricted	208,001,441	239,597,573	-	8,489,329	-	66,743,099	522,831,442
Committed	68,078,344	-	-	-	-	-	68,078,344
Assigned	33,293,736	1,777,868	-	-	-	-	35,071,604
Unassigned	284,211,537	-	-	-	(44,314,351)	(729,555)	239,167,631
Total Fund Balances	<u>599,744,611</u>	<u>241,375,441</u>	<u>-</u>	<u>8,489,329</u>	<u>(44,314,351)</u>	<u>66,013,544</u>	<u>871,308,574</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 945,619,859</u>	<u>\$ 247,797,942</u>	<u>\$ 75,567,301</u>	<u>\$ 38,597,305</u>	<u>\$ 185,622,474</u>	<u>\$ 91,310,570</u>	<u>\$ 1,584,515,451</u>

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

**Exhibit A-4**

Total fund balance - governmental funds (see Exhibit A-3)	\$	871,308,574	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental fund activities are not financial resources and therefore not reported in the funds:			
Nondepreciable capital assets:			
Land	\$	888,177,531	
Construction in progress		1,128,317,713	
Depreciable capital assets:			
Buildings		807,569,893	
Improvements other than buildings		56,795,248	
Furniture, fixtures, equipment and machinery		244,613,927	
Automobiles and trucks		190,008,199	
Infrastructure		1,827,665,358	
Other capital assets		40,359,973	
Total capital assets		<u>5,183,507,842</u>	
Less accumulated depreciation		<u>(1,350,936,203)</u>	3,832,571,639
Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds:			
General obligation bonds payable		(2,270,500,000)	
Variable rate demand obligations		(100,000,000)	
Bond anticipation notes payable		(500,000,000)	
Lease revenue bonds payable		(29,285,000)	
Accrued interest payable		(35,044,228)	
Capital leases payable		(16,432,750)	
Taxable limited obligation		(90,020,000)	
Certificates of participation		(24,305,000)	
Notes payable		(55,238,024)	
Revenue bonds		(104,983,881)	
Other postemployment benefits		(420,714,524)	
Compensated absences		<u>(71,003,132)</u>	(3,717,526,539)
Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements:			
Unamortized premiums		(165,742,719)	
Unrecognized amount on refunding		<u>(20,284,009)</u>	(145,458,710)
Internal service funds are used by management to provide certain goods and services to governmental funds. The assets and liabilities of internal service funds are included in the government-wide statement of net position:			
Assets:			
Current and non current assets		188,270,694	
Capital assets		90,335,294	
Less accumulated depreciation		(58,810,781)	
Liabilities		(160,450,716)	
Cumulative gain/loss for certain activities of internal service funds that is reported with business-type activities		<u>(435,621)</u>	58,908,870
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
Income taxes		235,844,860	
Property taxes		17,606,804	
Intergovernmental revenue		16,355,716	
Other revenue		<u>11,181,625</u>	280,989,005
Net position of governmental activities (See Exhibit A-1)	\$	<u><u>1,180,792,839</u></u>	

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Exhibit A-5

	General	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 2,914,802,714	\$ 8,721,575	\$ -	\$ -	\$ 101,430,567	\$ 315,460,297	\$ 3,340,415,153
Licenses and permits	10,585,333	-	-	-	-	1,029,086	11,614,419
Intergovernmental	65,386,079	-	109,965,156	5,808,511	21,841,896	35,024,042	238,025,684
Charges for services	27,704,394	-	159,930	-	238,747	109,764,485	137,867,556
Fines and forfeitures	23,993,497	-	-	-	-	725,410	24,718,907
Investment income (loss)	114,213	2,048,496	731,636	99,499	103,776	149,233	3,246,853
Miscellaneous	8,992,886	1,481,223	1,320,151	3,816,335	2,269,284	1,358,494	19,238,373
Total Revenues	<u>3,051,579,116</u>	<u>12,251,294</u>	<u>112,176,873</u>	<u>9,724,345</u>	<u>125,884,270</u>	<u>463,511,047</u>	<u>3,775,126,945</u>
<b>EXPENDITURES</b>							
Current:							
General government	407,588,107	-	4,016,476	-	-	16,356,902	427,961,485
Public safety	376,809,496	-	17,607,513	-	-	215,484,712	609,901,721
Public works and transportation	81,596,585	-	5,627,913	-	-	115,198,621	202,423,119
Health and human services	208,964,978	-	81,857,548	-	-	-	290,822,526
Culture and recreation	38,346,040	-	121,328	-	-	45,243,251	83,710,619
Community development and housing	10,698,314	19,885,622	3,740,087	-	-	-	34,324,023
Environment	2,135,017	-	83,242	-	-	17,402,899	19,621,158
Education	1,569,587,294	-	-	-	-	-	1,569,587,294
Debt Service:							
Principal retirement	-	-	-	176,485,346	-	-	176,485,346
Leases and other obligations	-	-	-	22,100,609	-	-	22,100,609
Interest	-	-	-	115,657,356	-	-	115,657,356
Issuing costs	-	-	-	4,509,475	-	-	4,509,475
Capital projects							
Total Expenditures	<u>2,695,725,831</u>	<u>19,885,622</u>	<u>113,054,107</u>	<u>318,752,786</u>	<u>617,298,883</u>	<u>409,686,385</u>	<u>4,174,403,614</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>355,853,285</u>	<u>(7,634,328)</u>	<u>(877,234)</u>	<u>(309,028,441)</u>	<u>(491,414,613)</u>	<u>53,824,662</u>	<u>(399,276,669)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	61,851,723	25,975,076	877,234	306,133,014	52,358,665	21,272,864	468,468,576
Transfers (out)	(326,475,913)	(9,228,021)	-	-	(9,850,964)	(68,600,667)	(414,155,565)
Sale of property	-	1,552,618	-	-	-	-	1,552,618
Financing under notes and leases payable	-	-	-	-	15,857,552	-	15,857,552
Payment to refunded bond escrow agent	-	-	-	(29,837,255)	-	-	(29,837,255)
Debt Issued:							
General obligation bonds	-	-	-	295,000,000	-	-	295,000,000
Premium on original issue debt	-	-	-	4,263,188	26,532,157	-	30,795,345
Bond anticipation notes activity	-	-	-	(295,000,000)	295,000,000	-	-
Revenue bonds	-	-	-	-	32,383,753	-	32,383,753
Premium on revenue bonds	-	-	-	537,871	832,673	-	1,370,544
Taxable limited obligation certificate	-	-	-	-	38,015,000	-	38,015,000
Discount on taxable limited obligation certificates	-	-	-	-	(4,763)	-	(4,763)
General obligation refunding bonds	-	-	-	25,059,716	-	-	25,059,716
Premium on general obligation refunding bonds	-	-	-	5,023,826	-	-	5,023,826
Total Other Financing Sources (Uses)	<u>(264,624,190)</u>	<u>18,299,673</u>	<u>877,234</u>	<u>311,180,360</u>	<u>451,124,073</u>	<u>(47,327,803)</u>	<u>469,529,347</u>
Net Change in Fund Balances	91,229,095	10,665,345	-	2,151,919	(40,290,540)	6,496,859	70,252,678
Fund Balances - Beginning of Year	508,515,516	230,710,096	-	6,337,410	(4,023,811)	59,516,685	801,055,896
Fund Balances - End of Year	<u>\$ 599,744,611</u>	<u>\$ 241,375,441</u>	<u>\$ -</u>	<u>\$ 8,489,329</u>	<u>\$ (44,314,351)</u>	<u>\$ 66,013,544</u>	<u>\$ 871,308,574</u>

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Exhibit A-6**

Net change in fund balances - total governmental funds (see Exhibit A-5) \$ 70,252,678

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays are expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated lives and reported as depreciation expense:

Capital outlay	\$ 372,613,877	
Depreciation expense	<u>(80,430,246)</u>	292,183,631

In the statement of activities, only the gain or loss on capital assets is reported. However, in the governmental funds, all proceeds or losses are reported as financial resources. Thus, the change in net position differs from the change in fund balance by the capital assets value. (6,638,219) (6,638,219)

Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources. 7,108,825 7,108,825

Some revenues will not be collected for several months after the fiscal year ends. As such, these revenues are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues increased (decreased) this year, as follows:

Income taxes	(46,936,461)	
Property taxes	(4,935,579)	
Intergovernmental revenues	3,499,776	
Other revenues	<u>(35,437,797)</u>	(83,810,061)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Debt issued or incurred:		
General obligation bonds	(354,283,644)	
Bond anticipation notes	(295,000,000)	
Taxable Limited Obligation Certificates	(38,010,237)	
Notes payable	(15,857,552)	
Revenue bonds	(33,754,297)	
Principal repayments:		
General obligation bonds	199,240,000	
Bond anticipation notes	295,000,000	
Taxable Limited Obligation Certificates	2,165,000	
Leases payable	1,955,000	
Capital leases	2,968,567	
Certificates of participation	6,370,000	
Notes payable	10,065,682	
Revenue bonds	<u>4,111,482</u>	(215,029,999)

Some expenses, representing the change in long-term liabilities or assets, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in

Accrued interest payable	(2,181,172)	
Compensated absences	(2,341,117)	
Other postemployment benefits	3,237,086	
Amortization	<u>22,055,102</u>	20,769,899

The current year gain for certain activities of internal service funds is reported with governmental activities. 13,956,915

Change in net position of governmental activities (see Exhibit A-2). \$ 98,793,669

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014  
Exhibit A-7

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
<b>ASSETS</b>						
Current Assets:						
Equity in pooled cash and investments	\$ 7,852,557	\$ 34,599,322	\$ 42,068,564	\$ 56,653,393	\$ 141,173,836	\$ 175,667,607
Cash with fiscal agents	5,912,997	-	24,951	-	5,937,948	-
Cash	50,500	3,000	92,490	-	145,990	300
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	758,668	-	758,668	-
Accounts	3,445,114	3,541,601	3,643	94,625	7,084,983	920,425
Parking violations	-	-	1,538,507	-	1,538,507	-
Due from other funds	-	-	-	-	-	5,751,392
Due from component units	-	48,966	-	-	48,966	537,653
Due from other governments	-	171,334	-	-	171,334	307,015
Inventory of supplies	31,652,440	-	-	-	31,652,440	4,872,727
Prepays	167,007	927	3,040	-	170,974	213,575
Other assets	239,634	-	-	-	239,634	-
Total Current Assets	49,320,249	38,365,150	44,489,863	56,748,018	188,923,280	188,270,694
Noncurrent Assets:						
Restricted Assets:						
Equity in pooled cash and equivalents	-	31,654,984	3,515,194	-	35,170,178	-
Investments	-	-	4,315,430	-	4,315,430	-
Restricted Assets	-	31,654,984	7,830,624	-	39,485,608	-
Capital Assets:						
Land, improved and unimproved	7,033,656	17,834,755	34,290,582	-	59,158,993	22,506
Improvements other than buildings	14,524,264	81,554,468	79,679,783	-	175,758,515	268,565
Infrastructure	-	14,351	-	-	14,351	-
Buildings	26,208,903	32,750,237	185,519,552	-	244,478,692	-
Furniture, fixtures, equipment, and machinery	9,285,102	12,770,891	1,060,733	2,264,968	25,381,694	4,774,439
Automobiles and trucks	3,409,382	304,687	165,117	342,136	4,221,322	85,269,784
Construction in progress	4,051,605	-	39,291,700	-	43,343,305	-
Subtotal	64,512,912	145,229,389	340,007,467	2,607,104	552,356,872	90,335,294
Less: Accumulated depreciation	9,718,771	106,241,911	154,395,873	1,949,681	272,306,236	58,810,781
Total Capital Assets (net of accumulated depreciation)	54,794,141	38,987,478	185,611,594	657,423	280,050,636	31,524,513
Total Noncurrent Assets	54,794,141	70,642,462	193,442,218	657,423	319,536,244	31,524,513
Total Assets	104,114,390	109,007,612	237,932,081	57,405,441	508,459,524	219,795,207
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding of debt	-	-	151,134	-	151,134	-
Total Deferred Outflows of Resources	-	-	151,134	-	151,134	-

(Continued)

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014  
Exhibit A-7 (Concluded)

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds		
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	\$ 11,569,783	\$ 5,670,829	\$ 2,650,421	\$ 169,933	\$ 20,060,966	\$ 9,696,585
Interest payable	518,804	-	312,760	-	831,564	-
Retainage payable	31,950	-	264,704	-	296,654	-
Deposits	446,040	-	273,737	9,505,819	10,225,596	-
Claims payable	-	-	-	-	-	37,785,076
Accrued liabilities	2,507,815	1,720,484	446,124	2,541,031	7,215,454	3,882,077
Due to other funds	309,511	136,719	58,367	333,570	838,167	4,747,075
Due to component units	-	-	826	795,734	796,560	-
Due to other governments	804,448	903,370	-	385,566	2,093,384	-
Equipment notes payable	262,956	-	-	18,342	281,298	181,972
Unearned revenue	11,579	-	-	2,897,402	2,908,981	36,049
Revenue bonds payable	1,921,442	-	3,120,000	-	5,041,442	-
Landfill closure costs	-	879,842	-	-	879,842	-
Other liabilities	-	-	459,740	-	459,740	-
Total Current Liabilities	<u>18,384,328</u>	<u>9,311,244</u>	<u>7,586,679</u>	<u>16,647,397</u>	<u>51,929,648</u>	<u>56,328,834</u>
Noncurrent Liabilities:						
Claims payable	-	-	-	-	-	102,420,888
Equipment note payable	1,363,496	-	-	56,310	1,419,806	-
Revenue bonds payable	44,820,979	-	46,772,257	-	91,593,236	-
Landfill closure costs	-	14,167,298	-	-	14,167,298	-
Gude Landfill remediation costs	-	28,500,000	-	-	28,500,000	-
Compensated absences	532,935	262,805	89,803	523,299	1,408,842	559,780
Other postemployment benefits	1,838,263	477,233	229,800	1,419,926	3,965,222	1,141,214
Total Noncurrent Liabilities	<u>48,555,673</u>	<u>43,407,336</u>	<u>47,091,860</u>	<u>1,999,535</u>	<u>141,054,404</u>	<u>104,121,882</u>
Total Liabilities	<u>66,940,001</u>	<u>52,718,580</u>	<u>54,678,539</u>	<u>18,646,932</u>	<u>192,984,052</u>	<u>160,450,716</u>
<b>NET POSITION</b>						
Net investment in capital assets	6,425,268	38,987,478	135,895,423	657,423	181,965,592	31,342,541
Restricted for debt service	5,912,997	-	7,830,624	-	13,743,621	-
Unrestricted	<u>24,836,124</u>	<u>17,301,554</u>	<u>39,678,629</u>	<u>38,101,086</u>	<u>119,917,393</u>	<u>28,001,950</u>
Total Net Position	<u>\$ 37,174,389</u>	<u>\$ 56,289,032</u>	<u>\$ 183,404,676</u>	<u>\$ 38,758,509</u>	<u>315,626,606</u>	<u>\$ 59,344,491</u>
<b>ADJUSTMENTS</b>						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>435,621</u>	
Net position of business-type activities					<u>\$ 316,062,227</u>	

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Exhibit A-8

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
<b>OPERATING REVENUES</b>						
Sales - net	\$ 266,676,484	\$ -	\$ -	\$ -	\$ 266,676,484	\$ -
Charges for services	15,240	109,141,736	23,927,846	13,241,288	146,326,110	278,284,129
Licenses and permits	1,747,372	13,145	-	42,045,813	43,806,330	-
Fines and penalties	216,243	56,934	6,968,786	93,658	7,335,621	-
Claim recoveries	-	-	-	-	-	1,641,045
Total Operating Revenues	<u>268,655,339</u>	<u>109,211,815</u>	<u>30,896,632</u>	<u>55,380,759</u>	<u>464,144,545</u>	<u>279,925,174</u>
<b>OPERATING EXPENSES</b>						
Cost of goods sold	190,878,813	-	-	-	190,878,813	-
Personnel costs	27,108,377	12,781,242	4,473,712	24,427,493	68,790,824	25,896,561
Other post employment contributions	2,577,070	676,380	445,210	1,883,580	5,582,240	2,071,920
Postage	9,291	74,688	10,130	11,505	105,614	1,212,408
Self-insurance incurred and estimated claims	-	-	-	-	-	158,212,461
Insurance	814,074	871,213	25,320	137,720	1,848,327	7,095,572
Supplies and materials	658,739	1,083,569	406,548	672,443	2,821,299	31,670,540
Contractual services	2,069,902	83,901,705	6,396,795	5,355,370	97,723,772	12,562,860
Communications	499,128	175,556	162,422	254,511	1,091,617	608,326
Transportation	1,141,938	1,695,201	294,740	709,180	3,841,059	319,891
Public utility services	899,856	156,874	2,291,488	1,721,770	5,069,988	1,243,258
Rentals	6,892,704	26,423	1,248,828	2,612,639	10,780,594	1,805,716
Maintenance	1,162,492	399,726	2,538,157	456,579	4,556,954	14,428,664
Depreciation	2,247,106	1,453,940	10,340,679	119,390	14,161,115	6,174,617
Landfill closure expense	-	26,217,926	-	-	26,217,926	-
Other	475,237	134,062	140,495	303,602	1,053,396	777,079
Total Operating Expenses	<u>237,434,727</u>	<u>129,648,505</u>	<u>28,774,524</u>	<u>38,665,782</u>	<u>434,523,538</u>	<u>264,079,873</u>
Operating Income (Loss)	<u>31,220,612</u>	<u>(20,436,690)</u>	<u>2,122,108</u>	<u>16,714,977</u>	<u>29,621,007</u>	<u>15,845,301</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Property taxes	-	-	10,391,101	-	10,391,101	-
Gain (loss) on disposal of capital assets	(794,351)	40,300	(487,228)	-	(1,241,279)	430,912
Investment income	5,756	44,076	21,053	29,972	100,857	126,410
Interest expense	(2,193,563)	-	(1,412,609)	(1,019)	(3,607,191)	(7,983)
Other revenue	22,520	40,050	185,289	(567)	247,292	5,085,385
Insurance recoveries	-	-	12,060	-	12,060	686,762
Total Nonoperating Revenues (Expenses)	<u>(2,959,638)</u>	<u>124,426</u>	<u>8,709,666</u>	<u>28,386</u>	<u>5,902,840</u>	<u>6,321,486</u>
Income (Loss) Before Capital Contributions and Transfers	<u>28,260,974</u>	<u>(20,312,264)</u>	<u>10,831,774</u>	<u>16,743,363</u>	<u>35,523,847</u>	<u>22,166,787</u>
Transfers In (Out):						
Transfers in	-	-	99,604	25,000	124,604	1,228,133
Transfers out	(26,440,830)	(2,426,022)	(13,913,751)	(4,202,509)	(46,983,112)	(8,682,636)
Total Transfers In (Out)	<u>(26,440,830)</u>	<u>(2,426,022)</u>	<u>(13,814,147)</u>	<u>(4,177,509)</u>	<u>(46,858,508)</u>	<u>(7,454,503)</u>
Change in Net Position	1,820,144	(22,738,286)	(2,982,373)	12,565,854	(11,334,661)	14,712,284
Total Net Position - Beginning of Year, as restated	<u>35,354,245</u>	<u>79,027,318</u>	<u>186,387,049</u>	<u>26,192,655</u>		<u>44,632,207</u>
Total Net Position - End of Year	<u>\$ 37,174,389</u>	<u>\$ 56,289,032</u>	<u>\$ 183,404,676</u>	<u>\$ 38,758,509</u>		<u>\$ 59,344,491</u>
<b>ADJUSTMENTS</b>						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					755,363	
Change in net position of business-type activities					<u>\$ (10,579,298)</u>	

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
Exhibit A-9

	Business Type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 268,414,142	\$ 109,178,592	\$ 64,890,406	\$ 54,119,932	\$ 496,603,072	\$ 279,728,976
Payments to suppliers	(216,502,423)	(87,549,069)	(13,190,182)	(13,651,637)	(330,893,311)	(93,810,288)
Payments to employees	(26,773,731)	(13,037,093)	(7,116,819)	(25,110,094)	(72,037,737)	(24,574,707)
Internal activity - payments from other funds	-	-	-	1,153,770	1,153,770	-
Other operating receipts	22,520	-	185,289	6,324,838	6,532,647	-
Other operating payments	-	-	-	(6,324,856)	(6,324,856)	-
Miscellaneous	-	-	(132,610)	-	(132,610)	-
Claims paid	-	-	12,060	-	12,060	(137,899,427)
Other revenue	-	40,050	-	(567)	39,483	5,696,520
Net Cash Provided (Used) by Operating Activities	<u>25,160,508</u>	<u>8,632,480</u>	<u>44,648,144</u>	<u>16,511,386</u>	<u>94,952,518</u>	<u>29,141,074</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Property tax collections	-	-	10,391,101	-	10,391,101	-
Operating subsidies and transfers from other funds	-	-	99,604	25,000	124,604	-
Operating subsidies and transfers to other funds	(26,440,830)	(2,426,022)	(13,913,751)	(3,773,195)	(46,553,798)	(8,026,549)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(26,440,830)</u>	<u>(2,426,022)</u>	<u>(3,423,046)</u>	<u>(3,748,195)</u>	<u>(36,038,093)</u>	<u>(8,026,549)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from capital debt	14,864,811	-	-	-	14,864,811	-
Proceeds from sale of capital assets	15,693	40,300	-	-	55,993	593,401
Retirement of equipment note payable	(257,112)	-	-	-	(257,112)	-
Acquisition and construction of capital assets	(2,627,469)	(468,588)	(23,313,448)	-	(26,409,505)	(17,136,215)
Principal paid on capital debt	(1,923,518)	-	(2,100,000)	(18,132)	(4,041,650)	-
Interest paid on capital debt	(2,364,529)	-	(1,894,991)	(1,019)	(4,260,539)	(7,983)
Internal activity - payments from other funds	-	-	-	-	-	1,228,133
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>7,707,876</u>	<u>(428,288)</u>	<u>(27,308,439)</u>	<u>(19,151)</u>	<u>(20,048,002)</u>	<u>(15,322,664)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment income from pooled investments	-	44,076	19,015	5,157	68,248	126,410
Investment income from nonpooled investments	5,756	-	-	-	5,756	-
Proceeds from sale of investments	-	3,796,252	-	-	3,796,252	-
Net Cash Provided (Used) by Investing Activities	<u>5,756</u>	<u>3,840,328</u>	<u>19,015</u>	<u>5,157</u>	<u>3,870,256</u>	<u>126,410</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,433,310	9,618,498	13,935,674	12,749,197	42,736,679	5,918,271
Balances - Beginning of Year	7,382,744	56,638,808	31,765,525	43,904,196	139,691,273	169,749,636
Balances - End of Year	<u>\$ 13,816,054</u>	<u>\$ 66,257,306</u>	<u>\$ 45,701,199</u>	<u>\$ 56,653,393</u>	<u>\$ 182,427,952</u>	<u>\$ 175,667,907</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 31,220,612	\$ (20,436,690)	\$ 2,122,108	\$ 16,714,977	\$ 29,621,007	\$ 15,845,301
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	2,247,106	1,453,940	10,340,679	119,390	14,161,115	6,174,617
Other revenue	22,520	40,050	197,349	(567)	259,352	5,116,060
Other operating expenses	-	497,858	-	-	497,858	691,302
Effect of changes in operating assets and liabilities:						
Receivables, net	(241,196)	(531,081)	33,993,774	(39,828)	33,181,669	964,025
Inventories, prepaids and other assets	(6,017,033)	-	-	-	(6,017,033)	(221,346)
Accounts payable and other liabilities	(2,324,523)	(631,325)	654,561	419,360	(1,881,927)	(256,834)
Accrued expenses	253,022	(260,272)	(2,660,327)	(701,946)	(3,369,523)	827,949
Gude Landfill pollution remediation	-	28,500,000	-	-	28,500,000	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,160,508</u>	<u>\$ 8,632,480</u>	<u>\$ 44,648,144</u>	<u>\$ 16,511,386</u>	<u>\$ 94,952,518</u>	<u>\$ 29,141,074</u>
<b>Noncash investing, capital, and financing activities:</b>						
Change in fair value of investments that are not cash and cash equivalents	\$ -	\$ -	\$ 2,037	\$ -	\$ 2,037	\$ -
Capital asset disposals	-	178,103	(7,087)	-	171,016	-

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014  
**Exhibit A-10**

	Pension and Other Employee Benefit Trusts	Investment Trust	Private- Purpose Trusts	Agency Funds
<b>ASSETS</b>				
Current Assets:				
Equity in pooled cash and investments	\$ 1,907,763	\$ 13,191,965	\$ 180,538	\$ 28,990,735
Cash	-	-	-	288,261
Investments:				
Government and agency obligations	359,793,807	-	-	-
Asset-backed securities	3,345,101	-	-	-
Municipal/Provincial bonds	58,203,905	-	-	-
Corporate bonds	632,632,391	-	-	-
Commercial mortgage-backed securities	419,500	-	-	-
Common and preferred stock	1,391,796,570	-	-	-
Mutual and commingled funds	1,545,749,934	-	-	-
Short-term investments	99,565,286	-	-	-
Cash collateral received under securities lending agreements	233,431,419	-	-	-
Real assets	391,199,845	-	-	-
Private equity	257,774,913	-	-	-
Total Investments	<u>4,973,912,671</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receivables (net of allowances for uncollectibles):				
Receivables and accrued interest	3,875,781	-	-	-
Property taxes	-	-	-	5,314,662
Accounts	282,240	-	-	432,968
Due from other funds	13,216,884	-	-	-
Due from component units	2,278,311	-	-	-
Due from other governments	16,906	-	-	-
Total Current Assets	<u>4,995,490,556</u>	<u>13,191,965</u>	<u>180,538</u>	<u>35,026,626</u>
Noncurrent Assets:				
Capital assets:				
Miscellaneous	900,043	-	-	-
Less: Accumulated depreciation	-	-	-	-
Total Capital Assets (net of accumulated depreciation)	<u>900,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>4,996,390,599</u>	<u>13,191,965</u>	<u>180,538</u>	<u>\$ 35,026,626</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	234,364,080	-	44,585	60,057
Accrued liabilities	6,763,401	-	-	6,152
Deposits	-	-	-	3,802,435
Claims payable	4,110,701	-	-	-
Due to other funds	1,627,441	-	-	310,000
Due to component units	-	-	-	6,324
Due to other governments	-	-	-	1,626,964
Uncollected property taxes due to governments	-	-	-	4,989,696
Undistributed taxes and refunds	-	-	-	2,916,927
Unearned revenue	77,121	-	-	-
Tax sale surplus and redemptions payable	-	-	-	2,375,366
Other liabilities	-	-	-	18,932,705
Total Current Liabilities	<u>246,942,744</u>	<u>-</u>	<u>44,585</u>	<u>35,026,626</u>
Noncurrent Liabilities:				
Compensated absences	55,538	-	-	-
Total Liabilities	<u>246,998,282</u>	<u>-</u>	<u>44,585</u>	<u>\$ 35,026,626</u>
<b>NET POSITION</b>				
Held in trust for pension and other postemployment benefits, external investment pool participants, and other purposes	<u>\$ 4,749,392,317</u>	<u>\$ 13,191,965</u>	<u>\$ 135,953</u>	

Notes to the Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit A-11**

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Investment Trust</b>	<b>Private- Purpose Trusts</b>
<b>ADDITIONS</b>			
Contributions:			
Employers	\$ 384,012,957	\$ -	\$ -
Members	71,110,969	-	-
Federal government - Medicare Part D	1,352,301	-	-
Share purchases	-	28,797,230	-
Total Contributions	<u>456,476,227</u>	<u>28,797,230</u>	<u>-</u>
Investment income (loss)	692,272,750	28,249	56
Less: Investment expenses	<u>21,389,510</u>	<u>-</u>	<u>-</u>
Net Investment Income (Loss)	<u>670,883,240</u>	<u>28,249</u>	<u>56</u>
Other income - forfeitures	<u>396,592</u>	<u>-</u>	<u>-</u>
Total Additions, net	<u>1,127,756,059</u>	<u>28,825,479</u>	<u>56</u>
<b>DEDUCTIONS</b>			
Benefits:			
Annuities:			
Retirees	172,472,289	-	-
Survivors	8,585,891	-	-
Disability	48,606,540	-	-
Claims	<u>62,601,633</u>	<u>-</u>	<u>-</u>
Total Benefits	292,266,353	-	-
Share redemptions	-	34,200,000	-
Member refunds	41,517,424	-	-
Administrative expenses	<u>6,997,353</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>340,781,130</u>	<u>34,200,000</u>	<u>-</u>
Net Increase (Decrease)	786,974,929	(5,374,521)	56
Net Position - Beginning of Year	<u>3,962,417,388</u>	<u>18,566,486</u>	<u>135,897</u>
Net Position - End of Year	<u>\$ 4,749,392,317</u>	<u>\$ 13,191,965</u>	<u>\$ 135,953</u>

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF NET POSITION  
COMPONENT UNITS  
JUNE 30, 2014  
Exhibit A-12

	MCPS	HOC	Nonmajor Component Units	Total
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 22,575,818	\$ -	\$ 35,558,350	\$ 58,134,168
Cash with fiscal agents	-	45,985,800	8,239,480	54,225,280
Cash	6,242,190	15,201	6,902,901	13,160,292
Investments - cash equivalents	47,823,456	35,116,522	29,631,733	112,571,711
Investments	5,235,794	-	18,634,656	23,870,450
Receivables (net of allowance for uncollectibles):				
Capital leases	-	-	17,654,651	17,654,651
Accounts	51,359,728	543,641	13,731,164	65,634,533
Notes	-	-	55,984,966	55,984,966
Mortgage	-	303,098,602	-	303,098,602
Interest	-	4,882,458	-	4,882,458
Other	267,274	4,805,869	829,701	5,902,844
Due from primary government	22,336,996	1,480,267	7,009,696	30,826,959
Due from other governments	41,318,147	1,433,170	3,794,005	46,545,322
Inventory of supplies	9,474,633	348,397	1,986,631	11,809,661
Prepays	308,672	1,688,592	2,429,380	4,426,644
Other assets	2,617,917	30,611,627	54,938,108	88,167,652
Restricted Assets:				
Equity in pooled cash and investments	-	-	20,449,932	20,449,932
Cash with fiscal agents	-	18,249,371	-	18,249,371
Cash	-	-	1,265,188	1,265,188
Investments - cash equivalents	-	117,132,596	-	117,132,596
Investments	-	70,154,981	6,480,505	76,635,486
Capital Assets:				
Nondepreciable assets	181,505,034	109,716,932	215,250,264	506,472,230
Depreciable assets, net	2,320,593,021	373,269,458	320,191,340	3,014,053,819
Total Assets	<u>2,711,658,680</u>	<u>1,118,533,484</u>	<u>820,962,651</u>	<u>4,651,154,815</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	9,631,526	1,665,958	11,297,484
Total Assets and Deferred Outflow of Resources	<u>2,711,658,680</u>	<u>1,128,165,010</u>	<u>822,628,609</u>	<u>4,662,452,299</u>
<b>LIABILITIES</b>				
Accounts payable	78,589,228	11,302,528	17,449,037	107,340,793
Interest payable	-	19,280,469	477,871	19,758,340
Retainage payable	8,637,794	-	-	8,637,794
Accrued liabilities	28,016,898	8,125,596	963,437	37,105,931
Deposits	-	20,016,830	341,874	20,358,704
Due to primary government	58,117	85,806,292	9,759,939	95,624,348
Unearned revenue	6,051,502	11,458,798	7,275,693	24,785,993
Other liabilities	-	23,715,273	-	23,715,273
Noncurrent Liabilities:				
Due within one year	48,051,642	42,316,982	11,111,468	101,480,092
Due in more than one year	647,141,653	721,278,941	210,747,689	1,579,168,283
Total Liabilities	<u>816,546,834</u>	<u>943,301,709</u>	<u>258,127,008</u>	<u>2,017,975,551</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,472,493,649	16,074,021	456,578,077	2,945,145,747
Restricted for:				
Capital projects	-	-	147,111	147,111
Debt service	-	73,851,115	1,473,556	75,324,671
Other purposes	1,069,569	2,332,642	32,372,093	35,774,304
Unrestricted (deficit)	<u>(578,451,372)</u>	<u>92,605,523</u>	<u>73,930,764</u>	<u>(411,915,085)</u>
Total Net Position	<u>\$ 1,895,111,846</u>	<u>\$ 184,863,301</u>	<u>\$ 564,501,601</u>	<u>\$ 2,644,476,748</u>

Notes to Financial Statements are an integral part of this statement.

MONTGOMERY COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit A-13**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	MCPS	HOC	Nonmajor Component Units	Total
<b>Component Units:</b>								
General government	\$ 4,643,662	\$ 4,469,546	\$ 221,294	\$ -	\$ -	\$ -	\$ 47,178	\$ 47,178
Culture and recreation	18,747,307	16,398,474	-	363,958	-	-	(1,984,875)	(1,984,875)
Community development and housing	-	-	-	-	-	-	-	-
	229,498,409	114,486,738	106,144,216	6,471,338	-	(2,396,117)	-	(2,396,117)
Education:	-	-	-	-	-	-	-	-
Secondary education	2,669,493,142	26,985,862	117,032,681	61,564,912	(2,463,909,687)	-	-	(2,463,909,687)
Higher education	317,144,479	78,412,783	17,855,382	504,936	-	-	(220,371,378)	(220,371,378)
Total component units	<u>\$ 3,239,526,999</u>	<u>\$ 240,753,403</u>	<u>\$ 241,253,573</u>	<u>\$ 68,905,144</u>	<u>\$ (2,463,909,687)</u>	<u>\$ (2,396,117)</u>	<u>\$ (222,309,075)</u>	<u>\$ (2,688,614,879)</u>
General revenues:								
Grants and contributions not restricted to specific programs					2,468,377,568	-	251,760,563	2,720,138,131
Investment income					-	431,538	8,550,964	8,982,502
Gain on sale of capital assets					216,379	-	-	216,379
Total general revenues					<u>2,468,593,947</u>	<u>431,538</u>	<u>260,311,527</u>	<u>2,729,337,012</u>
Change in net assets					4,684,260	(1,964,579)	38,002,452	40,722,133
Net position - beginning, as restated					<u>1,890,427,586</u>	<u>186,827,880</u>	<u>526,499,149</u>	<u>2,603,754,615</u>
Net position - ending					<u>\$ 1,895,111,846</u>	<u>\$ 184,863,301</u>	<u>\$ 564,501,601</u>	<u>\$ 2,644,476,748</u>

Notes to the Financial Statements are an integral part of this statement.



**MONTGOMERY COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014

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## **NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) applicable to local government entities. The following is a summary of significant policies:

### **A) Reporting Entity**

#### **Background**

Montgomery County, Maryland (County) is a charter government under the constitution and general laws of the State of Maryland (State). The charter provides for separate legislative and executive branches with legislative responsibility vested in an elected nine-member county council and executive responsibility vested in an elected county executive. The County provides its citizens with services in areas of general government, public safety, public works and transportation, health and human services, education, culture and recreation, community development and housing, and environment.

As required by GAAP, these financial statements present the primary government and its component units, which are entities for which the primary government is considered financially accountable. The County reporting entity is determined by criteria established by the Governmental Accounting Standards Board (GASB). The judgment to include or exclude activities is dependent on evaluation of the GASB criteria. Various departments and agencies governed directly by the County Executive and the County Council of Montgomery County are included in the reporting entity as the primary government and are referred to hereafter as the Primary Government. The component units (as discussed below) are included in the reporting entity because the Primary Government approves the budget requests, provides a significant amount of funding for each of these units, and/or appoints the governing boards.

#### **Discretely Presented Component Units**

The financial data of the County's component units are discretely presented in a column separate from the financial data of the primary government, to emphasize that the component units are legally separate from the Primary Government. Financial information regarding the component units is included in the component units' combining statements. The following are the County's component units, each of which has a June 30 fiscal year-end:

#### **Montgomery County Public Schools (MCPS)**

MCPS provides public education in kindergarten through twelfth grade to children residing within Montgomery County. Members of the Board of Education, including one student member, are elected by the voters. However, MCPS is fiscally dependent upon the Primary Government because the Primary Government approves the budget, levies taxes to provide the majority of the fiscal support, and issues debt for construction of school facilities.

#### **Montgomery Community College (Montgomery College or MCC)**

MCC provides educational services to County citizens by offering two-year associate degrees and a continuing education program. MCC is responsible for post secondary education within the government's jurisdiction. The Montgomery County Board of Community College trustees is the governing authority. The State Governor appoints the trustees from a list of candidates supplied by a nominating committee. The nominating committee is controlled by the County Executive and the County Council. Therefore, essentially the Primary Government and the State Governor must agree upon the trustees to serve on the College's Governing Board. In addition, the County Council reviews and approves both the operating and capital budgets and budgetary amendments of MCC.

The Primary Government contributes substantial funding for both the operating and capital budgets, as well as issues debt for the construction of college facilities.

### **Montgomery County Revenue Authority (MCRA)**

MCRA is governed by a five-member Board of Directors. All members are appointed by the County Executive subject to the confirmation of the County Council. The County Council approves the capital budget of MCRA. MCRA approves its own operating budget. MCRA is an instrumentality of the Primary Government for the purpose of constructing, improving, and maintaining self-sustaining projects devoted to public use, good or welfare.

### **Housing Opportunities Commission of Montgomery County (HOC)**

HOC is governed by seven commissioners who are appointed by the County Executive with the approval of the County Council. In addition, the County Council provides for a subsidy to the operating budget of HOC and guarantees a relatively small portion of its debt (up to \$50,000,000). The HOC operating budget approval occurs on a project basis, with the County Council having authority to approve project budgets that include County funding. HOC presents its proposed budget to the Council for review and comment only, as required by Article 44A, Section 2 of the Annotated Code of Maryland. Even though there is a large dependence on the U.S. Department of Housing and Urban Development (HUD), HOC has sufficient financial accountability to the Primary Government to be included as a component unit.

### **Bethesda Urban Partnership, Inc (BUPI)**

BUPI has its entire eleven-member Board of Directors appointed by the County Executive with the approval of the County Council. The primary purpose of BUPI is to execute service contracts for the benefit of one of the Primary Government's special taxing districts (Bethesda Urban District). Substantially all of BUPI's funding is granted through the Primary Government's operating budget. The County Council annually approves the BUPI operating budget and is able to modify it in a manner similar to the way Primary Government agency budgets are modified.

Complete financial statements can be obtained at the component units' administrative offices listed below:

Montgomery County Public Schools 850 Hungerford Drive Rockville, MD 20850	Montgomery College 900 Hungerford Drive Rockville, MD 20850	Bethesda Urban Partnership, Inc. 7700 Old Georgetown Road Bethesda, MD 20814
Housing Opportunities Commission of Montgomery County, Maryland 10400 Detrick Avenue Kensington, MD 20895-2484	Montgomery County Revenue Authority 101 Monroe Street, 4 <sup>th</sup> Floor Rockville, MD 20850	

### **Joint Ventures and Jointly Governed Organizations**

The following organizations are considered joint ventures of the County: Maryland-National Capital Park and Planning Commission (M-NCPPC), Washington Suburban Sanitary Commission (WSSC), Washington Suburban Transit Commission (WSTC), Washington Metropolitan Area Transit Authority (WMATA), and Northeast Maryland Waste Disposal Authority (NEMWDA). Metropolitan Washington Council of Governments (COG) is a jointly governed organization. Disclosure of the County's participation in these joint entities is presented in Note IV-D. Complete financial statements can be obtained at the joint entities' offices as follows:

Maryland-National Capital Park and Planning Commission 6611 Kenilworth Avenue Riverdale, MD 20737	Washington Suburban Sanitary Commission 14501 Sweitzer Lane Laurel, MD 20707	Washington Suburban Transit Commission 4351 Garden City Driver, Suite 305 Hyattsville, MD 20785
Washington Metropolitan Area Transit Authority 600 Fifth Street, NW Washington, DC 20001	Northeast Maryland Waste Disposal Authority 100 South Charles St, Tower II-Suite 402 Baltimore, MD 21201	Metropolitan Washington Council of Governments 777 N. Capitol Street, NE, #300 Washington, DC 20002

## **B) Government-Wide and Fund Financial Statements**

### **Government-Wide Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the Primary Government and its component units. Since by definition, assets of fiduciary funds are held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities of the Primary Government, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

#### **Statement of Net Position**

This statement is designed to display the financial position of the reporting entity as of year-end. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. Net position is divided into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

#### **Statement of Activities**

This statement demonstrates the degree to which the direct expenses of a given function or segment for the fiscal year are offset by program revenues. Therefore, this statement reflects both the gross and net costs per functional category (general government, public safety, public works and transportation, health and human services, culture and recreation, community development and housing, environment, and education) that are otherwise being supported by general revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants column includes operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

#### **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund balance/net position, revenues, and expenditures/expenses.

### **Budget-to-Actual Comparison Schedules**

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. Budget-to-actual comparison schedules for the General Fund and the County's major special revenue funds, (Housing Initiative and Grants) are presented as Required Supplementary Information.

## **C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

### **Measurement Focus and Basis of Accounting**

#### **Full Accrual Basis Financial Statements**

The government-wide, proprietary fund, and certain fiduciary fund (pension and other employee benefit trusts, investment trust, and private-purpose trusts) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets and related depreciation are also recorded in these statements. The agency funds, which do not have a measurement focus, use the accrual basis of accounting to recognize assets and liabilities.

#### **Modified Accrual Basis Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In the governmental funds, revenues are recorded as soon as they are susceptible to accrual (both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment has matured and is due. Similarly, expenditures related to claims and judgments and compensated absences are recorded only to the extent that they are expected to be liquidated with expendable available financial resources. Also, capital assets and related depreciation and long-term liabilities are not recorded in these statements.

In applying the susceptible to accrual concept to income taxes (distributed by the State), property taxes, and intergovernmental revenues other than grants, the County defines "available" to mean received within 30 days after year-end.

In the State of Maryland, the State has assumed the responsibility for the collection of all income taxes and for distributing those collections to the respective counties. The counties set their individual tax rates within limits provided by State law. However, collections and pursuit of delinquent taxes are the responsibility of the State. The County records estimated receivables relating to income taxes when the underlying income is earned. Amounts not received within 30 days are reported as unearned revenue. At year-end, unearned revenue relating to income taxes primarily includes amounts related to late filers, delinquent returns and audits, and unallocated withholding, not received within the County's availability period. Amounts relating to late filers are expected to

be received from the State within the next fiscal year; however, collections related to delinquent returns and audits and unallocated withholding may not occur and be remitted to the County for several years. Unearned revenue relating to income taxes primarily includes amounts related to late filers, delinquent returns and audits, and remaining unallocated withholding.

In applying the susceptible to accrual concept to operating and capital grants, classified with intergovernmental revenues in the fund financial statements, the County records receivables when the applicable eligibility requirements including time requirements are met. Related revenues are recognized to the extent that cash is expected to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as unearned revenue within the governmental funds and unearned revenue in the government-wide financial statements.

Charges for services, licenses and permits, fines and penalties, and miscellaneous revenues (except earnings on investments) are generally recorded as revenues when received in cash during the year. At year-end, receivables are recorded for significant amounts due. If such amounts are received in cash after year-end within the County's 30 day availability period, they are recognized as revenue; if not, such amounts are reported as unearned revenue.

## **Financial Statement Presentation**

### **Major Governmental Funds**

- General Fund  
This fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. For financial reporting purposes, the General Fund also includes amounts maintained in a legally separate Revenue Stabilization Fund. (See Note II-B.) The Revenue Stabilization Fund was created to establish a "rainy day" or reserve account to accommodate future funding shortfalls. It was designed to accrue a balance during periods of economic growth and prosperity, when revenue collections exceed estimates. The Fund may be drawn upon during periods of economic slowdown, when collections fall short of revenue estimates.
- Housing Initiative Fund  
This fund is used to account for the fiscal activity for financing, supplementing, and constructing affordable residential facilities for eligible participants. The Fund's revenue sources consist of a portion of each County-owned property sold, repayments on loans, and recordation taxes. All of these revenue sources are restricted, as all funds received must be used to finance, supplement, and construct affordable residential housing for eligible participants.
- Grants Fund  
This fund accounts for the Federal and State grant-funded activities of the tax supported General Fund and special revenue funds. These grant funds must be spent according to the restrictions prescribed by the respective funding agencies.
- Debt Service Fund  
This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Special assessment activities are accounted for in the Debt Service Fund for practical purposes because they differ significantly from traditional special assessment practices. The principal and interest collected annually on such assessments are used as a partial source of funding for debt service on all outstanding general obligation road and storm drainage bonds. The remaining debt service requirement is financed from current governmental revenues and transfers, generally from the General Fund.

- Capital Projects Fund  
This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

### **Major Enterprise Funds**

- Liquor Enterprise Fund  
This fund accounts for the operations of twenty-five liquor stores and one Montgomery County liquor warehouse. Under State law, the Montgomery County Department of Liquor Control has sole control of the distribution of alcoholic beverages, and the sale of spirits, within the County.
- Solid Waste Activities Enterprise Fund  
This fund accounts for the fiscal activity of all solid waste disposal operations, including recycling and leaf vacuuming. The fund utilizes the Dickerson, Maryland Resource Recovery Facility for refuse incineration, in combination with the out-of-County landfill haul and local recycling operations, to meet its disposal and recycling requirements. The fund also accounts for the fiscal activity related to County contracted refuse collection within the Solid Waste Collection District. This district is essentially comprised of the higher density, non-municipal, residential areas of the County. The Vacuum Leaf Collection program provides leaf collection services to down county residents during the late fall and winter months.
- Parking Lot Districts Enterprise Fund  
This fund accounts for the fiscal activity related to serving the parking needs of the people who work and shop in the four central business districts zoned for commercial or industrial use identified as Silver Spring, Bethesda, Wheaton, and Montgomery Hills.

### **Other Fund Types**

- Other Governmental Funds  
The other governmental fund types used by the County are special revenue and permanent. Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes. The County periodically uses permanent funds to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.
- Internal Service Funds  
These funds are used to account for the financing of goods or services provided by one department or agency to other departments or to other governmental units, on a cost-reimbursement basis. There are four internal service funds reported by the County: Motor Pool, Liability and Property Coverage Self-Insurance, Employee Health Benefits Self-Insurance, and Central Duplicating.

### **Fiduciary Fund Types**

- Pension and Other Employee Benefit Trust Fund  
This fund is used to account for all activities of the Employees' Retirement System of Montgomery County (defined benefit plan), Employees' Retirement Savings Plan (defined contribution plan), Deferred Compensation Plan, and Retiree Health Benefits Trust, including accumulation of resources for, and payment of, retirement annuities or other benefits and administrative costs.
- Investment Trust Fund  
This fund accounts for the portion of the external investment pool, sponsored by the County that belongs to participating governments that are not part of the County reporting entity.

- Private-Purpose Trust Funds  
These funds account for arrangements under which principal and interest are legally held in trust for parties outside of the County, such as court appointed guardians, and others, and must be expended in accordance with their designated purposes.
- Agency Funds  
These funds are used to account for assets, such as property taxes, held in a purely custodial capacity, where the County receives, temporarily invests, and remits such resources to individuals, private organizations, or other governments.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. The effect of interfund services provided and used between functions has not been eliminated in the Statement of Activities, since to do so would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds 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.

The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

## **D) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

### **1) Cash and Investments**

#### **Pooled Cash and Investment**

The County sponsors an external investment pool. Participants in the pool include the County, certain component unit agencies, and other legally separate entities. The portion of pooled cash and investments applicable to other legally separate entities (not included in the County reporting entity) is accounted for in a separate Investment Trust Fund. During the year, investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. At year-end, investments in the pool are adjusted to fair value plus accrued interest. See Note III-A for additional information.

#### **Non-pooled Investments**

##### Proprietary Fund Types

The Parking Lot District enterprise fund investments in U.S. Government securities are stated at fair value plus accrued interest.

## Pension and Other Employee Benefit Trust Fiduciary Fund Type

Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2014. Fair value for private investments funds, including private equity, and private real assets, is determined using unit values supplied by the fund managers, which are based upon the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgment and may differ from amounts which would be realized if such holdings were actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

### **Cash and Cash Equivalents**

For Statement of Cash Flows reporting purposes, "cash equivalents" are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less, at the time of purchase, meet this definition. The balance sheet classification for "cash and cash equivalents" in the Statement of Cash Flows includes the following: "Equity in pooled cash and investments," "Cash," "Cash with fiscal agents," and "Restricted Equity in pooled cash and investments."

## **2) Receivables and Payables**

### **Due From/To Other Funds and Internal Balances**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the year and where repayment is expected within a reasonable time are referred to as "due from/to other funds." Such outstanding balances not expected to be repaid within a reasonable time are included in interfund "transfers in/out." Any residual balances of "due from/to other funds" outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Trade Accounts Receivable**

Trade and other receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles is calculated based on historical collection data and, in some cases, specific account analysis.

## **3) Inventories and Prepaids**

### **Inventories**

Inventories are valued at the lower of cost (principally first-in, first-out) or market in the Liquor Enterprise Fund and consist of goods held for sale. Inventories valued at cost (principally moving-average) are carried in the Motor Pool Internal Service Fund and the governmental fund types. All inventories are maintained by perpetual records and adjusted by annual physical counts. Inventories in the governmental funds and Motor Pool Internal Service Fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual items are withdrawn for use. In governmental funds, fund balance equivalent to the year-end inventory value is classified as nonspendable to indicate that portion of fund balance which is not available in a spendable form.

## Prepays

The County uses the consumption method to account for prepaids. Prepaids include payments made to vendors for services that will benefit periods beyond the end of the fiscal year.

## 4) Restricted Assets

Certain proceeds of the County's bonds, as well as certain resources set aside for revenue bond repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

## 5) Capital Assets

Capital assets, which include property, plant, equipment, computer software, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of \$10,000 or more, and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

An asset's cost basis may be adjusted after acquisition due to improvements or impairments to the asset. However, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	20 – 40
Improvements other than buildings	3 – 40
Infrastructure	20 – 60
Furniture, fixtures, equipment and machinery	3 – 20
Automobiles and trucks	2 – 15
Intangibles	3 – 20

For Statement of Cash Flows reporting purposes, proceeds from insurance on capital assets that are stolen or destroyed are classified as proceeds from sale of capital assets.

## 6) Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the County that is applicable to a future reporting period. As of June 30, 2014, the County's deferred outflows consist of deferred charges on refunding of debt. Deferred charges on refunding are being amortized over the term of the respective bonds using the bonds outstanding method which approximates the effective interest method. For the County's Component Units it consists of accumulated decreases in fair value of hedging derivatives.

## **7) Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has been determined by the County to be immaterial and is therefore not reported as an expenditure and a liability of the governmental fund that will pay the leave. Vested or accumulated vacation leave is reported as a liability and expense in the government-wide financial statements and proprietary fund types in the fund financial statements, along with the corresponding employer's share of social security and medicare taxes. Based on a historical analysis of leave usage, accrued leave is classified as current and long-term. In the proprietary fund financial statements, the current portion of compensated absences is classified as accrued liabilities. Such amounts have been reclassified to non-current liabilities (due within one year and due in more than one year) in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

## **8) Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable in the proprietary fund financial statements and noncurrent liabilities in the government-wide financial statements are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

## **9) Deferred Inflows of Resources**

Deferred inflows are the acquisition of net position by the County that is applicable to a future reporting period. As of June 30, 2014, the County's deferred inflows consist of unavailable income taxes, unavailable property taxes and unavailable revenues.

## **10) Fund Equity/Net Position**

In the government-wide financial statements, the County has reported negative unrestricted net position. This is due to the fact that the County issues general obligation bonded debt for purposes of capital construction on behalf of MCPS, MCC, and M-NCPPC. The related capital assets are reported on the financial statements of these governments. For MCPS and MCC, component units of the County, this amount is also classified as net investment in capital assets in the Component Units column of the government-wide Statement of Net position (Exhibit A-1). For Primary Government purposes, since the issuance of such debt has not resulted in a capital asset, the effect of this debt is reflected in unrestricted net position (deficit) in the Governmental Activities column of the government-wide Statement of Net Position. At June 30, 2014, the County has reported outstanding general obligation bond, variable rate demand obligation, and bond anticipation note debt related to MCPS, MCC, and M-NCPPC amounting to \$1,498,460,648. Absent the effect of this relationship, the County would have reported a surplus in unrestricted net position of governmental activities in the amount of \$319,781,493.

## **Classification of Fund Balance**

The County classifies fund balance based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The constraints are a hierarchy of five classifications. First identified are *nonspendable* fund balances including amounts that are not in spendable form or the government is legally or contractually required to maintain the resources intact. The next four classifications are based on the relative strength of the constraints that control how specific amounts can be spent:

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. In the County's case this would be the County Council. The highest act of this body is for it to pass a bill, which becomes a public law.

Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The County Council may make assignments of fund balance or can delegate this authority to the Chief Administrative Officer (CAO). The CAO may then make additional assignments of fund balance, but only at the direction of the County Council.

*Unassigned* fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification can only be used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County has established a fund balance spending policy for those instances where an expenditure is incurred for a purpose for which amounts in any of the restricted or unrestricted fund balance classifications (committed, assigned, or unassigned) could be used. The County will apply expenditures against restricted amounts first, followed by committed, assigned and unassigned amounts.

## **11) Property Taxes**

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was levied above the constant yield rate for FY14. Following the Fairness in Taxation (FIT) legislation, the County Charter requires an affirmative vote of nine members of the Council to increase the real property tax rate to a level that will produce total revenues exceeding the total revenue produced by the tax on real property in the preceding year, plus 100 percent of any increase in the Consumer Price Index with exemptions for revenue from newly constructed, rezoned property and development district tax to fund capital improvement projects. The tax rate adopted for Levy Year 2013 (i.e., FY14), in conjunction with a one-time income tax offset credit, generated revenues above the Charter limit for that year.

Generally, property taxes are levied as of July 1 and become delinquent on October 1. Interest and penalty amounts are assessed annually at 20 percent on delinquent tax bills. Owner-occupied residential and "small business" property owners pay their tax on a semi-annual schedule, with the first and second installments due on September 30 and December 31, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30.

The County collects delinquent real property taxes through a public tax lien sale. Tax liens, representing delinquent taxes on real property are sold in random groups, utilizing a sealed bid process, on the second Monday in June, when taxes have remained overdue since the preceding October 1 or in the case of a semi-annual schedule, January 1.

## E) New Accounting Standards

The County has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items as deferred outflows or inflows of resources that were previously reported as assets or liabilities. These changes are reflected in the County’s financial statements.

GASB 65 also requires bond issuance cost to be expensed in the year incurred. This provision was required to be applied retroactively as follows:

	Proprietary Funds	
	Liquor	Parking Lot Districts
Net Position, June 30, 2013	\$ 35,650,663	\$ 186,999,235
Unamortized debt issuance costs	(296,418)	(612,186)
Net Position, as restated	<u>\$ 35,354,245</u>	<u>\$ 186,387,049</u>

	Primary Government	
	Governmental Activities	Business-type Activities
Net Position, June 30, 2013	\$ 1,089,718,473	\$ 327,550,129
Unamortized debt issuance costs	(7,719,303)	(908,604)
Net Position, as restated	<u>\$ 1,081,999,170</u>	<u>\$ 326,641,525</u>

The County has adopted GASB Statement No. 66, *Technical Corrections — 2012 — an amendment of GASB Statements No. 10 and No. 62*, issued to resolve conflicting guidance resulting from the issuance of two pronouncements- Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. These changes were not material and are reflected in the County’s financial statements.

The County has adopted GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which was issued to improve financial reporting for state and local government pension plans. This statement did not have an impact on the County’s financial statements as it applies to the County’s pension plan which issues a separate publicly available CAFR.

The County has adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and financial reporting standards for state and local governments that guarantee the obligations of a third-party under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. This statement did not have an impact on the County’s financial statements as no guarantees requiring disclosure exist.

## **NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A) Deficit Fund Equity**

#### **Capital Projects**

The \$44,314,351 deficit in the Capital Projects Fund represents a timing difference between the construction of capital assets during FY14 and the planned FY15 issuance of debt to fund that construction.

#### **Liability and Property Coverage Self Insurance Internal Service Fund**

The \$3,502,762 total net deficit in the Liability and Property Coverage Self Insurance Fund significantly decreased from the previous fiscal year due to increased participant contributions. These increased participant contributions will need to continue through FY16 in order to eliminate the fund deficit. Central Duplicating Internal Service Fund.

The \$546,863 total net deficit in the Central Duplicating Fund resulted from actual printing and mailing work that was less than anticipated in the budget, leading to a reduction in chargeback revenue to the fund. As a result, overhead costs were not fully recovered by chargeback collections. Chargebacks have been adjusted to eliminate the fund deficit by FY15.

#### **Recreation Special Revenue Fund**

The \$729,555 deficit in the Recreation Fund was caused primarily by higher than anticipated part-time staffing costs and increased utility costs and a shortfall in activity fee revenue. To address this shortfall, in FY16 management will recommend a property tax rate adjustment and other expenditure and revenue adjustments for the Recreation Fund.

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## B) Additional Fund Information

### Revenue Stabilization Fund

This fund is used to account for the accumulation of resources at a targeted reserve level sufficient to address unexpected increases or decreases in revenues and expenditures. For financial reporting purposes this fund is included within the General Fund. Below is the change in the Revenue Stabilization Fund (RSF) balance for the fiscal year ended June 30, 2014.

Revenue Stabilization Fund (RSF)	
Balance Beginning of Year	\$ 184,879,381
Investment Income	108,641
FY14 Statutory Contribution	<u>22,998,919</u>
Balance – End of Year	<u>\$ 207,986,941</u>

### White Flint Special Taxing District

The White Flint Special Taxing District (WFSTD) is used to accumulate and account for financial activity within the WFSTD. This fund is included within in the Capital Projects Fund. Below is the change in the WFSTD balance for the fiscal year ended June 30, 2014.

White Flint Special Taxing District (WFSTD)	
Balance Beginning of Year	\$ 942,222
Property Taxes	1,204,569
Investment Income	<u>1,014</u>
Balance – End of Year	<u>\$ 2,147,805</u>

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## NOTE III. DETAILED NOTES ON ALL FUNDS

### A) Cash and Investments

#### 1) Overview

The Montgomery County reporting entity total cash and investments as of June 30, 2014, totaled \$6,522,728,781 of which \$6,027,034,307 is related to the Primary Government, as presented below and in the government-wide financial statements. These funds are held in several pools, various non-pooled investments, and cash funds. The following is a schedule of total cash and investments:

	Primary Government	Component Units	Total Reporting Entity
<u>Statement of Net Position Amounts:</u>			
Equity in pooled cash and investments	\$ 936,687,575	\$ 58,134,168	\$ 994,821,743
Cash with fiscal agents	76,099,057	54,225,280	130,324,337
Cash	849,396	13,160,292	14,009,688
Investments - cash equivalents	-	112,571,711	112,571,711
Investments	4,973,912,671	23,870,450	4,997,783,121
Restricted equity in pooled cash and investments	35,170,178	20,449,932	55,620,110
Restricted cash with fiscal agents	-	18,249,371	18,249,371
Restricted cash	-	1,265,188	1,265,188
Restricted investments - cash equivalents	-	117,132,596	117,132,596
Restricted investments	4,315,430	76,635,486	80,950,916
Total	<u>\$ 6,027,034,307</u>	<u>\$ 495,694,474</u>	<u>\$ 6,522,728,781</u>
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 521,071,740	\$ 109,131,738	\$ 630,203,478
Investments	5,429,014,114	239,877,204	5,668,891,318
Cash on hand, fiscal agents, safe deposit escrow	76,948,453	146,685,532	223,633,985
Total	<u>\$ 6,027,034,307</u>	<u>\$ 495,694,474</u>	<u>\$ 6,522,728,781</u>

Primary Government cash and investments reconciles to the basic financial statements as follows:

Government-wide	\$ 1,008,562,374
Fiduciary funds	<u>5,018,471,933</u>
Total	<u>\$ 6,027,034,307</u>

### Primary Government

#### 2) External Investment Pool

##### Overview:

The County maintains an external investment pool that is subject to oversight by the County's Internal Investment Committee, but is not subject to regulatory oversight by the Securities and Exchange Commission (SEC). Participants in the pool include the County, certain component unit agencies, and other legally separate entities. The equity position of each fund and component unit is reported as an asset by the funds and component units. The external portion of the pool (i.e., participation by legally separate entities) is reported as

the Investment Trust Fund in the accompanying financial statements. Participants' shares redeemed during the year are based on actual cost; participants' shares are then adjusted to fair value at year-end. The County has not provided or obtained any legally binding guarantees during the year to support the value of shares.

During the year, investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. Investments are marked-to-market at year-end, since the pool does not meet the strict definition of the Securities and Exchange Commission Rule 2a-7 ("2a-7 like"). The fair value of U. S. Government securities, repurchase agreements, commercial paper and bankers' acceptances are provided by the County's custodian, which are based on various industry standard pricing sources. For interest-bearing investments, market value quotations do not include accrued interest. However, for reporting purposes, immaterial amounts of accrued interest are typically classified with the fair value of investments in the accompanying financial statements.

Investment income during the year, and any adjustment to fair value at year-end, is allocated to pool participants based upon their average equity in the pool. The adjustment to fair value related to all County funds (exclusive of legally separate entities' accounts reflected in the Investment Trust Fund) is typically recorded in the General Fund, since this amount is not material. At year-end, based on the nature of investments held, there was no adjustment to fair value, since fair value was the same as cost.

External investment pool amounts, included in the schedule above, are as follows:

	Primary Government	Component Units	Total Reporting Entity
<u>Balance Sheet Amounts:</u>			
Equity in pooled cash and investments	\$ 936,687,575	\$ 681,249	\$ 937,368,824
Restricted equity in pooled cash and investments	35,170,178	-	35,170,178
Total	<u>\$ 971,857,753</u>	<u>\$ 681,249</u>	<u>\$ 972,539,002</u>
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 521,071,740	\$ -	\$ 521,071,740
Investments, including accrued interest	450,786,013	681,249	451,467,262
Total	<u>\$ 971,857,753</u>	<u>\$ 681,249</u>	<u>\$ 972,539,002</u>

**Deposits:**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statute requires that securities underlying certificates of deposit have a market value that equals or exceeds the cost of the deposit while County investment policy requires a market value of at least 102 percent of the cost of the deposit. Appropriate sections of these cited statutes also require that funds on deposit in financial institutions be fully secured. The form of such security shall be in compliance with State statute and the County Code. Collateral pledged for protection of these banking deposits is held in the County's name at a third party depository, in the trust department of pledging banks, or insured by a surety bond by a State approved insurance company.

Deposits typically include bank accounts and non-negotiable certificates of deposit; at year-end the County held no non-negotiable certificates of deposit. Deposits at financial institutions were fully insured or collateralized at year-end. Therefore, the County has no significant exposure to custodial credit risk.

## Investments

The County, through its external investment pool, maintains an active and sophisticated cash and investment management program. The primary objectives of the 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. At year-end, the investment portfolio was comprised of money market mutual funds and the Maryland Local Government Investment Pool (MLGIP). During the year, the County also invested in U.S. Government securities. The County was in compliance with all applicable investment statutes throughout the fiscal year.

The Maryland Local Government Investment Pool (MLGIP) provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created the Maryland Local Government Investment Pool within the Annotated Code of Maryland. The Pool's purpose is to assist the public finance officer by providing an investment medium in which the participants may invest their idle balances. A pooled fund strategy is utilized creating a money market fund for municipalities that is a very safe, highly efficient, programmed approach to investing. Participants are provided professional money management, a well-diversified portfolio and reduced cost. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Institutional Investments. A MLGIP Advisory Committee of current participants was formed to review, on a semi-annual basis, the activities of the Fund and to provide suggestions to enhance the Pool.

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Maturity Range</u>	<u>Interest Range</u>
U.S. Government Securities	\$ 215,722,337	\$ 215,711,113	July 2014-June 2015	0.09%-0.21%
Commercial paper	44,911,031	44,911,031	July 2014-November 2014	0.25%-0.41%
Money market mutual funds	13,319	13,319	n/a	0.10%-0.20%
State pool	190,651,941	190,651,941	n/a	0.05%
Total	<u>\$ 451,298,628</u>	<u>\$ 451,287,404</u>		

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to maturities of one year or less. However, a portion of the portfolio may be invested in investments with longer maturities (up to two years); any investment with a maturity of over 12 months must be approved by the Director of Finance prior to execution. At June 30, 2014 the County had no investments with a maturity over 12 months.

## Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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, the MLGIP, and money market mutual funds that are registered and operate in accordance with Rule 2a-7 and in accordance with Maryland State Code. State statutes and County policies require that these money market mutual funds invest only in obligations of U.S. Treasuries, U.S. agencies and repurchase agreements collateralized by an obligation of the United States, its agencies or instrumentalities.

The County's investments held at year-end or during the year were rated as follows:

<u>Investment Type:</u>	<u>Ratings</u>		
	<u>Standard &amp; Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
Repurchase agreements <sup>1</sup>	N/R	N/R	N/R
U.S. Government securities: <sup>2</sup>			
Agency discount notes	A-1+	F1+	P-1
Other U.S. Government securities	AAA	AAA	Aaa
Commercial paper <sup>3</sup>	A-1	F1	P-1
Bankers' acceptances <sup>4</sup>	N/R	N/R	N/R
Certificates of deposit <sup>5</sup>	N/R	N/R	N/R
Money market mutual funds	AAA	AAA	Aaa

N/R - Not Rated

- 1 - Disclosure of the credit risk for the County's repurchase agreements is required since the underlying securities are not issued or explicitly guaranteed by the U.S. Government.
- 2 - Only includes securities implicitly guaranteed by the U.S. Government.
- 3 - Not all commercial paper is rated by all agencies. However, each commercial paper is rated by at least one rating agency. Each such rating is of the highest investment grade.
- 4 - While the bankers' acceptances are not rated, County policy requires that the underlying issuer is of the highest short-term investment grade.
- 5 - While the certificates of deposit are not rated, County policy requires that the underlying issuer is of the highest short-term investment grade

#### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the County will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name.

County and State statutes require that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the investment. County policies require that a third party custodian hold investment securities and the collateral underlying all repurchase agreements. At June 30, 2014, the County's investments were not exposed to custodial credit risk.

#### Concentration of Credit Risk

Concentration of credit risk for investments is the risk that, in the event of failure of an issuer, the County will not be able to recover the value of the investment or suffer a loss as a result of the magnitude of the County's investment in that single issuer. It is the County's practice to manage the investment portfolio according to the County's investment policy and the guidelines, as outlined in the Annotated Code of Maryland, to insure diversification by investment type and institution in order to avoid unreasonable and foreseeable risks but in conjunction with the need to ensure safety, liquidity and return in an ever changing economic environment. The County's policy provides the maximum limits as follows:

<u>Diversification by Investment Type:</u>	<u>Maximum percent of Portfolio*</u>
U. S. Treasury obligations	100 %
U. S. Government agencies	50
Repurchase agreements	50
Bankers' acceptances	50
Money market mutual fund	25
Local government investment pool	25
Collateralized certificates of deposit**	25
Commercial paper	5

<u>Diversification by Institution:</u>	<u>Maximum percent of Portfolio*</u>
Approved broker/dealers	50 %
Money market mutual funds by fund	25
Bankers' acceptances by country	25
Bankers' acceptances by institution	10
Commercial banks (certificates of deposit)**	10
U.S. Government agencies by agency	20

\* At time of purchase

\*\* Certificates of deposit are classified as deposits for financial reporting purposes.

Certain types of investments were over the County's requirements for maximum percentage of the portfolio at year end. The investments over the maximum allowed in the investment pool are the Local Government Investment Pool (LGIP) at 39.13%, (limited to 25%), and Commercial Paper at 9.00%, (limited to 5%). The maximum allocation at the time of investment purchase was consistent with the County's Investment Policy. Other than US Agency Debt (19.9% Federal Home Loan Banks (FHLB), 12.3% Farmer Mac (FAMCA), and 10.9% Federal Farm Credit Bank (FFCB)) and the MLGIP, the County's investments are all under 5% for any one issuer. However, US Obligations (US Treasury and Agency Debt), mutual funds, and external investment pools (MLGIP) are exempt from the 5% of any one issuer maximum.

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### External Investment Pool Condensed Financial Statements:

The condensed financial statements of the County's external investment pool at June 30, 2014, are as follows:

#### Statement of Net Position June 30, 2014

Assets:	
Investment in securities, at fair value	\$ 451,298,628
Cash	521,071,740
Accrued interest receivable	<u>168,634</u>
Total assets and net position	<u>\$ 972,539,002</u>
Net position consists of:	
Internal participants' units outstanding (\$1.00 par)	\$ 959,347,037
External participants' units outstanding (\$1.00 par)	<u>13,191,965</u>
Net position	<u>\$ 972,539,002</u>
Participants net position value, offering price and redemption price per share (\$972,539,002 /972,862,786 units)	<u>\$ 1.00</u>

#### Statement of Changes in Net Position For the Fiscal Year Ended June 30, 2014

Investment Income *	\$ 613,455
Distributions to participants:	
Distributions paid and payable	(613,455)
Share transactions at net position value of \$1.00 per share:	
Purchase of units	\$ 363,900,205 *
Redemption of units	<u>(323,460,487)</u>
Net increase (decrease) in net position and shares resulting from share transactions	<u>40,439,718</u>
Total increase (decrease) in net position	40,439,718
Net position, July 1, 2013	<u>932,099,284</u>
Net position, June 30, 2014	<u>\$ 972,539,002</u>

\* The pool has no expenses.

### 3) Major and Nonmajor Fund Deposit and Investment Risks

Primary government (non-fiduciary) cash and investments are primarily invested in the County's external investment pool. Major funds with significant cash and investments comprised of other than the external investment pool include the following:

#### General Fund

Cash with fiscal agents of \$5,706,028 relates to amounts held by Marriott Hotels, pursuant to a management agreement, for the operation of the Conference Center.

### **Debt Service Fund**

Cash with fiscal agents of \$9,271,461 represents lease revenue bond, revenue bond and certificates of participation debt service reserve funds which are held in money market mutual funds and U.S Government securities.

### **Capital Projects Fund**

Cash with fiscal agents of \$55,183,620 is held in money market mutual funds for the purpose of reimbursing construction expenditures incurred for various capital projects in the County.

### **Liquor Fund**

Cash with fiscal agents of \$5,912,997 is held in money market funds for the purpose of reimbursing design, planning and renovation costs for a warehouse and for debt service. At the end of FY14, the County had incurred and paid renovation expenses that were to be reimbursed from cash from fiscal agents which occurred subsequent to year-end.

### **Parking Lot Districts**

Cash with fiscal agents of \$24,951 represents revenue bond proceeds held in a mutual fund which invests exclusively in short-term U.S government securities, including repurchase agreements secured by U.S. government securities.

There are no cash and investments in nonmajor funds with significantly greater risk exposures than those described above or those relating to the external investment pool.

## **4) Fiduciary Funds**

### **Employees' Retirement System:**

#### Investment Overview

Section 33-61C of the County Code (Code) authorizes the Board of Investment Trustees (Board) (see Note IV-F) to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the Employees' Retirement System (System) is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolios and by monitoring the financial markets, the System's asset allocation and the investment managers hired by the System. Each investment manager has a specific benchmark and investment guidelines appropriate for the type of investments they are managing.

#### Credit Risk/Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board's investment policies and guidelines limit the percentage of the total fund and individual manager's account which can be invested in fixed income securities rated below investment grade. In addition, the Board's investment policies and guidelines, for the majority of public fund managers, limit the percentage of each investment manager's account that may be allocated to any one security, position, issuer or affiliated issuer, to

less than 5 percent of the fair value of the investment manager's account. The System does not have investments (other than those issued or explicitly guaranteed by the U.S. Government or pooled investments) in any one company that represents 5 percent or more of net position held in trust for pension benefits.

The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2014, are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	\$ 105,041,957	9.11%
Foreign Government Obligations	AA	373,547	0.03
	A	6,084,876	0.53
	BBB	2,939,490	0.25
	Unrated	3,588,314	0.31
	Asset-Backed Securities	AAA	3,345,101
Collateralized Mortgage Obligations	B	419,500	0.04
Municipal/Provincial Bonds	AAA	12,676,161	1.10
	AA	25,312,453	2.20
	A	20,215,291	1.75
Corporate Bonds	AAA	2,660,356	0.23
	AA	31,916,012	2.77
	A	142,852,028	12.39
	BBB	94,660,186	8.21
	BB	84,347,026	7.32
	B	106,378,376	9.23
	CCC	46,323,083	4.02
	CC	141,463	0.01
	C	57,500	0.00
	D	855,062	0.07
Fixed Income Pooled Funds	Unrated	29,751,128	2.58
	Unrated	334,455,794	29.01
Short-term Investments and Other	Unrated	98,521,920	8.55
Total Fixed Income Securities		\$ 1,152,916,624	100.00%

\* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Board's investment policies and guidelines manage interest rate risk by establishing duration constraints on each fixed income manager's portfolio based on the duration of each manager's respective benchmark. Duration is a measure of interest rate risk based on a bond price's sensitivity to a 100-basis point change in interest rates. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration of eight would mean that, given a 100-basis point change up/down in rates, a bond's price would move down/up by 8 percent.

As of June 30, 2014, the System's fixed income portfolio had the following sensitivity to changes in interest rates:

Type of Investment	Effective Duration in Years	Fair Value	Percentage of Portfolio
U.S. Government Obligations	17.80	\$ 105,041,957	9.11%
Foreign Government Obligations	5.77	12,986,227	1.12
Asset-Backed Securities	13.44	3,345,101	0.29
Collateralized Mortgage Obligations	2.26	419,500	0.04
Municipal/Provincial Obligations	14.73	58,203,905	5.05
Corporate Bonds	8.63	539,942,220	46.83
Fixed Income Pooled Funds	N/A	334,455,794	29.01
Short-term Investments and Other	N/A	98,521,920	8.55
Total Fixed Income Securities		<u>\$ 1,152,916,624</u>	<u>100.00%</u>

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Board's International Investing Policy's objective is to achieve long-term capital appreciation and current income by investing in diversified portfolios of non-U.S. equities and bonds. The System has indirect exposure to foreign currency risk as follows:

International Securities	Equity	Fixed Income	Short-term and Other	Total Non- U.S. Dollar
Japanese Yen	\$ 127,815,261	\$ -	\$ 102,396,462	\$ 230,211,723
Euro	160,884,853	2,237,003	(18,493,816)	144,628,040
British Pound Sterling	77,770,025	-	37,868,738	115,638,763
Norwegian Krone	3,033,649	-	48,157,605	51,191,254
Hong Kong Dollar	16,496,469	-	27,604	16,524,073
Danish Krone	14,921,402	-	66,645	14,988,047
Australian Dollar	5,305,466	1,504,904	1,866,100	8,676,470
Mexican Peso	-	5,024,878	-	5,024,878
South Korean Won	3,745,822	-	-	3,745,822
Philippine Peso	585,636	2,209,097	-	2,794,733
Other Currencies	50,388,915	2,427,379	(222,933,764)	(170,117,470)
Total International Securities	<u>\$ 460,947,498</u>	<u>\$ 13,403,261</u>	<u>\$ (51,044,426)</u>	<u>\$ 423,306,333</u>

#### Derivatives

In accordance with the Board's Statement of Investment Policy and Objectives, the System regularly invests in derivative financial instruments in the normal course of its investing activities to manage exposure to certain risks within the fund. During FY14, the System invested directly in various derivatives including, exchange-traded future contracts, forward currency contracts, and swaps. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Statement of Investment Policy and Objectives seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain mutual and

commingled funds which may hold derivative financial instruments. The system is not a dealer, but an end-user of these instruments.

The notional or contractual amounts of derivatives indicate the extent of the System's involvement in the various types of derivative financial instruments and do not measure the System's exposure to credit or market risk and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

As permitted by the Board's policies, the System holds off-balance sheet derivatives in the form of exchange-traded financial futures, and foreign currency exchange contracts.

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specified financial instrument at a predetermined date and price. Gains and losses on future contracts are settled daily. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay. As of June 30, 2014, the System held 157 long US Treasury futures contracts with a fair value of \$20,457,117 and 485 short US Treasury futures contracts with a fair value of (\$100,673,578).

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Foreign exchange contracts contain market risk resulting from fluctuations in currency rates. The credit risk is associated with the creditworthiness of the related parties to the contracts. As of June 30, 2014, the System held \$484,182,730 buy foreign exchange contracts and (\$556,299,589) sell foreign exchange contracts. The unrealized gain on the System's contracts was \$1,216,441.

#### Securities Lending

Board policy permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodian is the agent in lending the System's securities for collateral of 102 percent for domestic and 105 percent for international securities. The custodian receives cash, securities or irrevocable bank letters of credit as collateral. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral received from the borrower is invested by the lending agent, as an agent for the System, in a short-term investment pool in the name of the System, with guidelines approved by the Board. Such investments are considered a collateralized investment pool. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pool, which the System cannot determine. The System records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net position. The agent indemnifies the System by agreeing to purchase replacement securities, or return the cash collateral thereof, in the event a borrower fails to return loaned securities or pay distributions thereon. There were no such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from a default of the borrower or lending agent.

As of June 30, 2014, the fair value of securities on loan was \$339,938,314. Cash received as collateral and the related liability of \$233,431,419 as of June 30, 2014, is shown on the Statement of Plan Net Position. Securities received as collateral are not reported as assets since the System does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to \$1,077,992 and (\$78,086), respectively, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

The following represents the balances relating to the securities lending transactions at June 30, 2014:

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral:			
U.S. Government Obligations	\$ 58,673,325	\$ -	\$ 58,831,941
Corporate Bonds	84,814,085	-	86,665,331
Equities	84,914,497	-	86,934,147
Lent for Non-Cash Collateral:			
U.S. Government Obligations	14,581,469	14,870,773	-
Corporate Bonds	749,786	764,905	-
Equities	96,205,152	102,693,697	-
<b>Total</b>	<b>\$ 339,938,314</b>	<b>\$ 118,329,375</b>	<b>\$ 232,431,419</b>

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeded the amounts the borrowers owe the System. The System is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

#### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2014, there were no funds held by a counterparty that was acting as the System's agent in securities lending transactions.

#### **Employees' Retirement Savings Plan:**

Section 33-125 of the Code authorizes the Board to establish a diversified slate of mutual and commingled investment funds from which participants may select an option. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2014, the fair value of the mutual and commingled investment funds was \$290,735,529. The fair value of the investments in international mutual funds was \$64,232,511.

#### **Employees' Deferred Compensation Plan:**

The Board is required to establish a diversified slate of mutual and commingled funds from which participants may select investment options. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2014, the fair value of the mutual and commingled investment funds was \$343,639,371. The fair value of the investments in international mutual funds included in the County Plan was \$43,540,499.

#### **Consolidated Retiree Health Benefits Trust:**

Section 33-163 of the Code authorizes the Board of Trustees of the Trust to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the Trust Fund is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing

constraints on the investment portfolios and by monitoring the financial markets, the Trust Fund's asset allocation and the investment managers hired by the Board.

As of June 30, 2014, the fair value of the mutual and commingled investment funds was \$457,726,578. The fair value of the investments in international mutual funds was \$109,179,236.

## **Component Units**

### **HOC**

At year-end, HOC's cash and investments are significant in relation to the total component unit cash and investments. HOC's cash balances as of June 30, 2014, were entirely insured or collateralized with securities held by HOC's agent in HOC's name. HOC's investments are subject to interest rate, credit, and custodial risk as described below:

#### Interest Rate Risk

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

#### Credit Risk

HOC's investment policy for the General Fund, Public Fund and the Opportunity Housing Fund permits the following investment types: U.S. government and federal agencies; repurchase agreements; banker's acceptances; money market mutual funds; Maryland local government investment pool; Montgomery County investment pool; certificate of deposits and time deposits; and commercial paper. Bankers Acceptances of domestic banks and commercial paper must maintain the highest rating from one of the Nationally Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC or State Treasurer. Repurchase agreements require collateralization at 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities provided the collateral is held by a custodian, other than the seller. Certificates of deposit or time deposits must be collateralized at 102% of the fair value and held by a custodian other than the seller. HOC invests in the Montgomery County Local Government Investment Pool (County external investment pool) and the Maryland State Local Government Investment Pool (MLGIP). The MLGIP is not subject to regulatory oversight by the SEC, however the MGLIP is operated pursuant to the annotated code of Maryland.

The Single Family and Multi-Family Bond Funds require that the trustee invest moneys on deposit under the indenture in investment obligations as defined by the respective bond indenture agreements. Investment obligations are defined as the following: (i) Government obligations; (ii) bond debentures or other obligations issued by government agencies or corporations; (iii) time deposits or certificate of deposits insured by the Federal Deposit Insurance Corporation; (iv) repurchase agreements backed by obligations described in (i) and (ii) above; (v) investment agreements; (vi) tax exempt obligations; and (vii) money market funds.

### Custodial Risk

Amounts held in trust accounts and other demand accounts are covered by federal depository insurance, or collateralized at a level of at least 102% of fair value of principal and accrued interest. Repurchase agreement collateral for the MLGIP is segregated and held in the name of PNC Bank Safe Deposit and Trust's account at the Federal Reserve Bank. The cash and cash equivalents held by PNC Bank for the General Fund, Housing Opportunity Fund and Public Fund are in bank money market accounts and interest bearing accounts. These amounts are unrated by an independent rating agency. The Moody's rating for PNC Bank short-term deposits as of June 30, 2014 was P-1.

At June 30, 2014, HOC had the following cash, cash equivalents, investments and maturities:

<u>Cash Equivalents</u>	<u>Fair Value</u>	<u>Rating</u>
<u>Cash Equivalents:</u>		
General Fund:		
Money Market Accounts	\$ 16,997,953	N/A
Opportunity Housing Fund:		
Investment in MLGIP	281,611	AAAm
Money Market Accounts	14,874,530	N/A
Public Fund:		
Investment in MLGIP	3,819,010	AAAm
Money Market Accounts	3,798,774	N/A
Multi-Family Fund		
Money Market Accounts	33,361,044	N/A
Single Family Fund - Money Market Accounts	<u>66,665,070</u>	N/A
Total cash equivalents	<u>\$ 139,797,992</u>	
<u>Short-term Investments:</u>		
Multi-Family Fund:		
GNMA Pool	7,050,104	AAA
Federal Farm Credit Banks	677,823	AAA
Single-Family Fund:		
GNMA Pass through Certificates	479,462	AAA
US Treasuries	<u>240,601</u>	N/A
Total short-term investments	<u>\$ 8,447,990</u>	

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<u>Long-Term Investments</u>	<u>Fair Value</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Rating</u>
<u>Long-term Investments:</u>					
Multi-Family Fund:					
U. S. Treasuries	\$ 2,418,199	\$ -	\$ 2,084,059	\$ 334,140	AAA
Fannie Mae	3,111,846	-	-	3,111,846	AAA
Freddie Mac	890,412	-	-	890,412	AAA
Federal Farm Credit Banks	887,196	-	-	887,196	AAA
Federal Home Loan Banks	902,160	-	-	902,160	AAA
Israel ST Bonds	448,982	-	448,982	-	AAA
Federal Home Loan Mortgage	901,958	-	-	901,958	AAA
Bank One Investment Agreement	591,525	-	-	591,525	AA/Aa2
Single Family Fund:					
Federal Farm Credit Banks	6,732,184	-	-	6,732,184	AAA
Federal Home Loan Banks	9,090,705	-	-	9,090,705	Aaa
Federal Home Loan Mtg Corp	1,681,703	-	-	1,681,703	AAA
Fannie Mae	1,034,913	-	-	1,034,913	AAA
GNMA Pass-through certificates	15,864,460	-	-	15,864,460	AAA
Solomon Repurchase Agreement	2,345,800	-	-	2,345,800	AAA
U. S. Treasuries	8,246,366	-	-	8,246,366	N/A
Tennessee Valley Authority	6,558,581	-	-	6,558,581	Aaa
Total long-term investments	<u>61,706,990</u>	<u>\$ -</u>	<u>\$ 2,533,041</u>	<u>\$ 59,173,949</u>	
Cash balances	<u>60,309,687</u>				
Total Cash, Cash Equivalents and Investments	<u>\$ 270,262,659</u>				

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## B) Receivables

### 1) Accounts Receivable

Receivables at June 30, 2014 for the County's major funds and internal service funds in the aggregate, including the allowances for uncollectible accounts, were as follows:

	General Fund	Housing Initiative	Grants	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receivables							
Income taxes	\$ 315,443,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315,443,127
Property taxes	14,453,739	-	-	-	-	3,951,817	18,405,556
Capital leases	-	-	-	29,285,000	-	-	29,285,000
Accounts	28,543,242	-	-	-	177,120	9,840,566	38,560,928
Notes	-	-	2,502,285	-	12,068	664,064	3,178,417
Parking violations	472,326	-	-	-	-	264,566	736,892
Mortgages	126,191	182,011,648	37,068,588	-	300,000	3,237,281	222,743,708
Total receivables	359,038,625	182,011,648	39,570,873	29,285,000	489,188	17,958,294	628,353,628
Allowance for uncollectible accounts	(1,812,881)	(8,283,262)	(4,216,685)	-	-	(1,103,707)	(15,416,535)
Total receivable (net)	\$ 357,225,744	\$ 173,728,386	\$ 35,354,188	\$ 29,285,000	\$ 489,188	\$ 16,854,587	\$ 612,937,093
Amounts not scheduled for collection during the subsequent year	\$ 126,191	\$ 182,011,648	\$ 39,570,873	\$ 29,285,000	\$ 312,068	\$ 3,901,345	\$ 255,207,125

	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Receivables						
Property taxes	\$ -	\$ -	\$ 758,668	\$ -	\$ 758,668	\$ -
Accounts	3,477,087	3,544,516	3,643	96,213	7,121,459	1,500,188
Parking violations	-	-	1,538,507	-	1,538,507	-
Total receivables	3,477,087	3,544,516	2,300,818	96,213	9,418,634	1,500,188
Allowance for uncollectible accounts	(31,973)	(2,915)	-	(1,588)	(36,476)	(579,763)
Total receivable (net)	\$ 3,445,114	\$ 3,541,601	\$ 2,300,818	\$ 94,625	\$ 9,382,158	\$ 920,425
Amounts not scheduled for collection during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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## 2) Due from/to Component Units

The balances at June 30, 2014, were:

### Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due to Primary Government:						
General	\$ 360	\$ 3,456	\$ 45,630	\$ 41,104	\$ -	\$ 90,550
Grants	-	-	-	8,685,031	-	8,685,031
Capital Projects	-	9,245,910	-	20,396,344	-	29,642,254
Housing Initiative	-	-	-	54,023,833	-	54,023,833
Nonmajor Governmental	-	317,750	-	-	-	317,750
Solid Waste Activities Enterprise	46,391	386	-	288	1,901	48,966
Major Enterprise	-	-	-	-	-	-
Internal Service	11,366	19,054	77,338	413,490	16,405	537,653
Fiduciary	-	-	32,109	2,246,202	-	2,278,311
<b>Total Due to Primary Government</b>	<b>\$ 58,117</b>	<b>\$ 9,586,556</b>	<b>\$ 155,077</b>	<b>\$ 85,806,292</b>	<b>\$ 18,306</b>	<b>\$ 95,624,348</b>

### Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due from Primary Government:						
General	\$ 11,698,188	\$ -	\$ -	\$ 339,899	\$ -	\$ 12,038,087
Grants	1,102,659	40,520	-	766,026	-	1,909,205
Capital Projects	8,734,091	6,968,350	-	-	-	15,702,441
Housing Initiative	-	-	-	374,342	-	374,342
Parking Lot Districts Enterprise	-	-	-	-	826	826
Nonmajor Enterprise	795,734	-	-	-	-	795,734
Fiduciary	6,324	-	-	-	-	6,324
<b>Total Due from Primary Government</b>	<b>\$ 22,336,996</b>	<b>\$ 7,008,870</b>	<b>\$ -</b>	<b>\$ 1,480,267</b>	<b>\$ 826</b>	<b>\$ 30,826,959</b>

In the major governmental funds, \$54,023,833 due from HOC to the Housing Initiative Special Revenue Fund represents mortgage loans, which are generally repayable based on project cash flows, specified future dates, or sales of the respective properties. Included in this amount is a loan of \$1,926,079, for which payments are based on cash flows. Terms of the note stipulate that the balance of the note will be forgiven at the termination of the ground lease in December 2035. In FY14, \$27,324 was paid based on cash flows generated by the project. Also included in the amount above is a ground lease, upon which is located affordable housing owned by HOC. The ground lease provides for lease payments from HOC for \$1 per year for 83 years, amounting to \$58 at year-end. These two loans are offset by unearned revenue. Fund balance has been reserved for the remaining loans.

## 3) Due From Other Governments

The total amount due from other governments at June 30, 2014, was comprise of the following:

	General	Grants	Capital Projects	Solid Waste Activities	Nonmajor Governmental	Internal Service	Fiduciary	Total
Federal government	\$ 115,593	\$ 23,338,428	\$ 7,925,891	\$ 500	\$ -	\$ -	\$ -	\$ 31,380,412
State of Maryland	13,906,797	8,074,097	16,005,391	34,711	7,019,930	51,883	11,443	45,104,252
Other	27,644	115,557	1,132,509	136,123	-	255,132	5,463	1,672,428
<b>Total</b>	<b>\$ 14,050,034</b>	<b>\$ 31,528,082</b>	<b>\$ 25,063,791</b>	<b>\$ 171,334</b>	<b>\$ 7,019,930</b>	<b>\$ 307,015</b>	<b>\$ 16,906</b>	<b>\$ 78,157,092</b>

## C) Capital Assets

### Primary Government

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Governmental Activities</b>				
Nondepreciable Capital Assets:				
Land	\$ 799,206,085	\$ 91,187,011	\$ 2,193,060	\$ 888,200,036
Construction in progress	1,013,191,055	226,591,674	111,465,015	1,128,317,714
Total Nondepreciable Capital Assets	<u>1,812,397,140</u>	<u>317,778,685</u>	<u>113,658,075</u>	<u>2,016,517,750</u>
Depreciable Capital Assets:				
Buildings	763,410,300	44,977,697	818,104	807,569,893
Improvements other than buildings	51,686,268	5,377,545	-	57,063,813
Furniture, fixtures, equipment and machinery	225,655,665	12,697,447	1,921,588	236,431,524
Leasehold improvements	12,956,842	-	-	12,956,842
Automobiles and trucks	244,621,793	43,365,898	12,709,706	275,277,985
Infrastructure	1,745,897,233	81,768,124	-	1,827,665,357
Other assets	43,489,147	-	3,129,174	40,359,973
Total Capital Assets being Depreciated	<u>3,087,717,248</u>	<u>188,186,711</u>	<u>18,578,572</u>	<u>3,257,325,387</u>
Less Accumulated Depreciation for:				
Buildings	360,679,920	18,659,962	419,013	378,920,869
Improvements other than buildings	23,052,872	1,483,130	-	24,536,002
Furniture, fixtures, equipment and machinery	178,430,508	6,659,290	1,822,361	183,267,437
Leasehold improvements	6,793,757	558,269	-	7,352,026
Automobiles and trucks	143,950,686	19,054,363	11,404,206	151,600,843
Infrastructure	615,856,003	36,388,589	-	652,244,592
Other assets	10,016,535	3,812,801	2,004,120	11,825,216
Total Accumulated Depreciation	<u>1,338,780,281</u>	<u>86,616,404</u>	<u>15,649,700</u>	<u>1,409,746,985</u>
Total Depreciable Assets, net	<u>1,748,936,967</u>	<u>101,570,307</u>	<u>2,928,872</u>	<u>1,847,578,402</u>
Governmental Activities Capital Assets, net	<u>\$ 3,561,334,107</u>	<u>\$ 419,348,992</u>	<u>\$ 116,586,947</u>	<u>\$ 3,864,096,152</u>
<b>Business-Type Activities</b>				
Nondepreciable Capital Assets:				
Land	\$ 59,639,134	\$ -	\$ 480,141	\$ 59,158,993
Construction in progress	33,817,346	24,053,002	14,527,044	43,343,304
Total Nondepreciable Capital Assets	<u>93,456,480</u>	<u>24,053,002</u>	<u>15,007,185</u>	<u>102,502,297</u>
Depreciable Capital Assets:				
Buildings	251,848,811	-	7,370,119	244,478,692
Improvements other than buildings	159,864,713	15,920,470	26,669	175,758,514
Furniture, fixtures, equipment and machinery	26,552,430	1,221,436	2,392,172	25,381,694
Infrastructure	14,351	-	-	14,351
Automobiles and trucks	4,200,374	317,302	296,353	4,221,323
Total Capital Assets being Depreciated	<u>442,480,679</u>	<u>17,459,208</u>	<u>10,085,313</u>	<u>449,854,574</u>
Less Accumulated Depreciation for:				
Buildings	127,379,151	7,652,501	6,746,133	128,285,519
Improvements other than buildings	120,302,674	4,625,353	1,347	124,926,680
Furniture, fixtures, equipment and machinery	16,218,886	1,710,168	2,224,350	15,704,704
Infrastructure	3,875	574	-	4,449
Automobiles and trucks	3,508,718	172,517	296,353	3,384,882
Total Accumulated Depreciation	<u>267,413,304</u>	<u>14,161,113</u>	<u>9,268,183</u>	<u>272,306,234</u>
Total Depreciable Assets, net	<u>175,067,375</u>	<u>3,298,095</u>	<u>817,130</u>	<u>177,548,340</u>
Business-Type Activities Capital Assets, net	<u>\$ 268,523,855</u>	<u>\$ 27,351,097</u>	<u>\$ 15,824,315</u>	<u>\$ 280,050,637</u>

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities:	
General government	\$ 6,891,427
Public safety	9,841,367
Public works and transportation	59,637,412
Health and human services	2,168,773
Culture and recreation	6,999,608
Community development and housing	885,885
Environment	<u>180,391</u>
Total depreciation expense for governmental activities	<u>\$ 86,604,863</u> *
Business-type activities:	
Liquor	\$ 2,247,106
Solid waste activities	1,453,940
Parking lot districts	10,340,679
Permitting services	115,861
Community use of public facilities	<u>3,529</u>
Total depreciation expense for business-type activities	<u>\$ 14,161,115</u>

\* Depreciation expense does not include transfers of assets of \$11,540 completed during the fiscal year.

Construction commitments as of June 30, 2014 are as follows:

General Government	\$ 155,489,512
Public Safety	1,300,135
Public Works and Transportation	62,394,858
Health and Human Services	15,435
Culture & Recreation	77,476
Community Development & Housing	1,421,292
Environment	<u>27,166,745</u>
Total	<u>\$ 247,865,453</u>

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## Component Units

Capital assets of MCPS, amounting to \$2,502,098,055 at June 30, 2014, are significant in relation to the total component unit capital assets.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Governmental Activities</b>				
Nondepreciable capital assets:				
Land	\$ 79,300,160	\$ 1,879,300	\$ -	\$ 81,179,460
Construction in progress	43,674,470	119,653,673	63,002,569	100,325,574
Total nondepreciable capital assets	<u>122,974,630</u>	<u>121,532,973</u>	<u>63,002,569</u>	<u>181,505,034</u>
Depreciable capital assets:				
Buildings and improvements	2,880,476,218	111,987,281	36,302,789	2,956,160,710
Site improvements	295,539,987	7,449,728	786,411	302,203,304
Vehicles and equipment	157,789,381	15,406,052	8,366,151	164,829,282
Total depreciable capital assets	<u>3,333,805,586</u>	<u>134,843,061</u>	<u>45,455,351</u>	<u>3,423,193,296</u>
Less accumulated depreciation for:				
Buildings and improvements	897,035,480	72,272,678	23,974,159	945,333,999
Site improvements	56,236,687	5,605,090	579,413	61,262,364
Vehicles and equipment	98,925,664	10,445,350	8,293,703	101,077,311
Total accumulated depreciation	<u>1,052,197,831</u>	<u>88,323,118</u>	<u>32,847,275</u>	<u>1,107,673,674</u>
Total depreciable capital assets, net	<u>2,281,607,755</u>	<u>46,519,943</u>	<u>12,608,076</u>	<u>2,315,519,622</u>
Government activities capital assets, net	<u>\$ 2,404,582,385</u>	<u>\$ 168,052,916</u>	<u>\$ 75,610,645</u>	<u>2,497,024,656</u>
<b>Business-Type Activities</b>				
Depreciable capital assets:				
Vehicles and equipment	\$ 17,503,501	\$ 2,482,383	\$ 477,391	\$ 19,508,493
Total depreciable capital assets	<u>17,503,501</u>	<u>2,482,383</u>	<u>477,391</u>	<u>19,508,493</u>
Less accumulated depreciation for:				
Vehicles and equipment	14,214,291	728,707	468,091	14,474,907
Total accumulated depreciation	<u>14,214,291</u>	<u>728,707</u>	<u>468,091</u>	<u>14,474,907</u>
Business-type activities capital assets, net	<u>\$ 3,289,210</u>	<u>\$ 1,753,676</u>	<u>\$ 9,300</u>	<u>5,033,586</u>
Educational Foundation capital assets net of accumulated depreciation	<u>\$ 44,237</u>	<u>\$ -</u>	<u>\$ 4,424</u>	<u>39,813</u>
Total MCPS government-wide capital assets				<u>\$ 2,502,098,055</u>

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Depreciation expense of MCPS was charged to functions/programs as follows:

Governmental activities:	
Regular instruction	\$ 74,291,862
Special education	173,857
School administration	87,932
Student transportation	8,142,491
Operation of plant	127,613
Maintenance of plant	4,797,753
Administration	701,610
Total depreciation expense-governmental activities	<u>\$ 88,323,118</u>
Business-type activities:	
Food services	\$ 727,965
Real estate management	742
Total depreciation expense-business type activities	<u>\$ 728,707</u>

Commitments for ongoing construction in progress at June 30, 2014, were \$152,599,201.

#### D) Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of June 30, 2014, is as follows:

Due To Fund	Due From Fund					Total
	General	Capital Projects	Nonmajor Governmental	Internal Service	Fiduciary	
General	\$ -	\$ -	\$ -	\$ 3,486,834	\$ 5,462,303	\$ 8,949,137
Montgomery Housing Initiative	-	-	-	9,473	14,216	23,689
Grants	6,670,157	-	-	165,073	193,882	7,029,112
Debt Service	400,000	-	-	-	-	400,000
Capital Projects	135,277,855	-	2,098,292	144,736	212,901	137,733,784
Liquor	-	-	-	175,884	133,627	309,511
Solid Waste Activities	-	-	-	61,832	74,887	136,719
Parking Lot Districts	-	-	-	27,851	30,516	58,367
Nonmajor Governmental	-	-	-	1,386,496	2,639,225	4,025,721
Nonmajor Enterprise	-	-	-	131,574	201,996	333,570
Internal Service	345,000	-	-	153,913	4,248,162	4,747,075
Fiduciary	-	1,614,546	310,000	7,726	5,169	1,937,441
Total	<u>\$ 142,693,012</u>	<u>\$ 1,614,546</u>	<u>\$ 2,408,292</u>	<u>\$ 5,751,392</u>	<u>\$ 13,216,884</u>	<u>\$ 165,684,126</u>

Included in the amounts presented above are the following short-term loans from the General Fund that were, or will be, repaid during FY15:

- \$6.7 million to the Grants Special Revenue Fund to cover vendor payments prior to revenues being received from other government agencies; and
- \$135.3 million to the Capital Projects Fund to cover construction payments, due primarily to the timing of reimbursements from Federal, State and other agencies, and the lag time between programming and collection of certain impact taxes.
- \$0.3 million to the Central Duplicating Internal Service Fund to offset cash deficits.

Remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) payroll accrual charges to fiduciary funds.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers In Fund							
Transfers Out Fund	General	Housing Initiative	Grants	Debt Service	Capital Projects	Parking Lot Districts	Subtotal Major
General	\$ -	\$ 18,465,682	\$ -	\$ 256,222,429	\$ 42,493,960	\$ 32,379	\$ 317,214,450
Housing Initiative	264,505	-	-	5,031,093	3,932,423	-	9,228,021
Capital Projects	-	7,509,394	-	2,341,570	-	-	9,850,964
Liquor	20,891,294	-	-	5,549,536	-	-	26,440,830
Solid Waste Activities	2,426,022	-	-	-	-	-	2,426,022
Parking Lot Districts	733,693	-	-	-	-	-	733,693
Nonmajor Governmental	24,651,064	-	877,234	36,988,386	5,932,282	67,225	68,516,191
Nonmajor Enterprise	4,202,509	-	-	-	-	-	4,202,509
Internal Service Funds	8,682,636	-	-	-	-	-	8,682,636
<b>Total</b>	<b>\$ 61,851,723</b>	<b>\$ 25,975,076</b>	<b>\$ 877,234</b>	<b>\$ 306,133,014</b>	<b>\$ 52,358,665</b>	<b>\$ 99,604</b>	<b>\$ 447,295,316</b>

Transfers In Fund					
Transfers Out Fund	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Subtotal Major	Total
General	\$ 8,092,806	\$ 25,000	\$ 1,143,657	\$ 317,214,450	\$ 326,475,913
Housing Initiative	-	-	-	9,228,021	9,228,021
Capital Projects	-	-	-	9,850,964	9,850,964
Liquor	-	-	-	26,440,830	26,440,830
Solid Waste Activities	-	-	-	2,426,022	2,426,022
Parking Lot Districts	13,180,058	-	-	733,693	13,913,751
Nonmajor Governmental	-	-	84,476	68,516,191	68,600,667
Nonmajor Enterprise	-	-	-	4,202,509	4,202,509
Internal Service Funds	-	-	-	8,682,636	8,682,636
<b>Total</b>	<b>\$ 21,272,864</b>	<b>\$ 25,000</b>	<b>\$ 1,228,133</b>	<b>\$ 447,295,316</b>	<b>\$ 469,821,313</b>

Primary activities include:

- Transfers from major and nonmajor governmental funds to the Debt Service Fund to provide funding for debt service principal and interest payments;
- Transfers of current receipts and pay-go from the General Fund to the Capital Projects Fund;
- Transfer of Liquor Enterprise Fund profits to the General Fund; and
- Transfers from Capital Projects to Housing Initiative to build multi-family housing.

## E) Leases

### 1) Operating Leases

The County leases buildings and office facilities and other equipment under non-cancelable operating leases. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated. Total costs for operating leases were approximately \$26,365,616 for FY14. Future minimum lease payments under significant non-cancelable operating leases are as follows.

Fiscal Year Ending	
June 30	
2015	\$ 23,091,212
2016	20,854,348
2017	19,149,896
2018	18,707,967
2019	17,694,507
2020 - 2024	53,625,038
2025 - 2029	<u>16,723,017</u>
Total	<u>\$ 169,845,985</u>

### 2) Capital Lease Receivable

Pursuant to the issue of the 2002 Lease Revenue Bonds and 2004 Lease Revenue Bonds (See Note III-F8), the County is obligated to lease the Shady Grove and Grosvenor Metrorail Garage Projects to WMATA at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. Separate lease agreements were executed in conjunction with each bond issue. The leases associated with the 2002 and 2004 bond issues have original terms of 22 years and 20 years, respectively, both ending on June 1, 2024.

On October 13, 2011, the County issued Series 2011 Bonds to finance a portion of the costs, and construction of the parking structure and related facilities at the Glenmont Metrorail Station within the County; and refunded the County's outstanding Lease Revenue Bonds Series 2002 and Series 2004 Lease Revenue Bonds.

The composition of the capital lease receivable is as follows:

	Minimum Lease	Unearned Income	Net Investment
	Receivable		
Shady Grove	\$ 15,485,845	\$ (3,771,845)	\$ 11,714,000
Grosvenor	15,098,699	(3,677,549)	11,421,150
Glenmont	<u>8,130,069</u>	<u>(1,980,219)</u>	<u>6,149,850</u>
Total	<u>\$ 38,714,613</u>	<u>\$ (9,429,613)</u>	<u>\$ 29,285,000</u>

At June 30, 2014, the minimum future lease payments due under the direct financing capital lease agreements are as follows:

Fiscal Year Ending June 30	
2015	\$ 3,481,613
2016	3,478,613
2017	3,490,613
2018	3,491,613
2019	3,496,862
2020-2024	17,311,062
2025-2029	2,829,637
2030-2031	<u>1,134,600</u>
Total minimum lease payments	<u>\$ 38,714,613</u>

### 3) Capital Lease Obligations

The County has entered into various lease agreements as lessee with the Montgomery County Revenue Authority (MCRA) for financing the construction or acquisition of certain County facilities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates of the leases.

The assets acquired and placed in service through MCRA capital leases are as follows:

Land	\$ 13,449,033
Land improvements	1,673,621
Buildings	53,783,181
Furniture, fixtures, equipment and machinery	<u>159,291</u>
Subtotal	69,065,126
Less accumulated depreciation	<u>(28,397,548)</u>
Total asset value under capital leases	<u>\$ 40,667,578</u>

The leases have maturity dates ranging from April 15, 2017 to April 15, 2023. The County makes annual principal payments and semi-annual interest payments. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	
2015	\$ 2,894,398
2016	2,904,450
2017	2,908,773
2018	2,512,988
2019	2,515,077
2020-2023	<u>3,962,057</u>
Total minimum lease payments	17,697,743
Less: amount representing interest	<u>(1,264,993)</u>
Present value of minimum lease payments	<u>\$ 16,432,750</u>

Included in the preceding schedules are amounts relating to the Montgomery County Conference Center, which was opened during FY05. The Maryland Stadium Authority (MSA) also participated in financing the construction through the issuance of long-term debt. The County recognized the MSA contribution of \$19,719,328 as revenue when the Conference Center opened. The ownership of the Conference Center will transfer to the County at the end of the MCRA lease term. During FY13, the County entered into a new capital lease with MCRA related to the October 18, 2012 refunding of Montgomery County Revenue Authority Taxable Lease Revenue bonds issued for the construction of the Conference Center.

During FY14, the County entered into a new capital lease with MCRA related to the April 30, 2014 refunding of Montgomery County Revenue Authority Taxable Lease Revenue bonds issued for the Germantown Indoor Swim Center Project and the Human Services Headquarters Project.

## **F) Long-Term Debt**

### **Primary Government**

#### **1) General Obligation Bonds Payable**

General obligation bonds are authorized, issued, and outstanding for the following purposes: (1) General County Facilities, (2) Roads and Storm Drainage, (3) Parks, (4) Public Schools, (5) Community College, (6) Consolidated Fire Tax District, (7) Mass Transit Facilities, (8) Public Housing Facilities, and (9) Parking Facilities. All bonds are valid and legally binding general obligations of the County, and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. Such bonds are payable from ad valorem taxes, unlimited as to rate or amount, on all real, tangible personal, and certain intangible property that is subject to taxation at full rates for local purposes in the County.

Proceeds from general obligation bonds for public schools and the community college are appropriated by the County Council to MCPS and MCC (component units), respectively, and remitted to such component units by the County. For GAAP purposes, proceeds from debt issuance for these purposes and any related expenditures incurred and reimbursed to the component units are reflected as other financing sources and expenditures, respectively, in the accompanying fund financial statements. These amounts are not budgeted by the County since this activity is appropriated for budget purposes to the component units. Any general obligation bond proceeds, not yet expended by the component units at year end, are reflected as Committed Fund Balance of the Capital Projects Fund.

The County issued \$24,915,000 in general refunding bonds dated November 26, 2013; the County received a premium on the issue of \$5,023,826. The total net proceeds were used to advance refund \$27,730,000 of general obligation (GO) refunding bonds that were previously issued. These bonds were issued with a true interest cost of 2.77%. A detail listing of these refunded bonds is as follows:

	<u>Dated</u> <u>Date</u>	<u>Original</u> <u>Maturity</u>	<u>True</u> <u>Interest</u> <u>Cost</u>	<u>Originally</u> <u>Issued</u>	<u>Years</u> <u>Refunded</u>	<u>Amount</u> <u>Refunded</u>
GO Bonds	3/15/2004	2005-24	3.8290	\$ 154,600,000	2024	\$ 7,730,000
GO Bonds	5/15/2005	2006-25	3.8806	<u>200,000,000</u>	2024-25	<u>20,000,000</u>
Total				<u>\$ 354,600,000</u>		<u>\$ 27,730,000</u>

Net proceeds of the general obligation refunding bonds were used to purchase direct obligation, or obligations on which the timely payment of principal and interest is unconditionally guaranteed by the U.S government. These government obligations have been deposited in an irrevocable trust with an escrow agent to provide for all future

debt service payments on the advance bond refunding of \$27,730,000, which mature in FY24 and FY25. As a result, the trust account assets and the liabilities for the defeased bonds are not included in these financial statements.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,104,066. This amount is being netted against the new debt and amortized over the remaining life of the new debt.

The debt service savings from this refunding is \$5,070,729 as shown below. The present value of the debt service savings (or economic gain) on the refunding is \$3,647,844.

Fiscal Year	Refunded Debt Service Requirements	Refunding Debt Service Requirements	Debt Service Savings
2014	\$ 1,169,094	\$ 536,365	\$ 632,729
2015	1,338,188	1,245,750	92,438
2016	1,338,188	1,245,750	92,438
2017	1,338,188	1,245,750	92,438
2018	1,338,188	1,245,750	92,438
2019-2023	6,690,937	6,228,750	462,187
2024-2025	<u>29,568,186</u>	<u>25,962,125</u>	<u>3,606,061</u>
Total	<u>\$ 42,780,969</u>	<u>\$ 37,710,240</u>	<u>\$ 5,070,729</u>

General obligation bond issues outstanding as of June 30, 2014, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2014	Unamortized Premium	Carrying Value June 30, 2014
08/15/04*	2008-17	3.000 - 5.250	\$ 97,690,000	\$ 62,780,000	\$ 767,606	\$ 63,547,606
05/15/05	2006-25	4.000 - 5.000	200,000,000	10,000,000	812,613	10,812,613
06/01/05*	2005-16	3.781	120,355,000	107,515,000	4,400,896	111,915,896
05/01/06	2006-17	3.871	100,000,000	20,000,000	264,832	20,264,832
05/01/07	2007-27	4.082	250,000,000	100,000,000	6,023,653	106,023,653
3/12/08*	2009-15	2.750 - 5.000	70,295,000	5,050,000	60,904	5,110,904
07/15/08	2009-29	3.000 - 5.000	250,000,000	187,500,000	4,034,174	191,534,174
11/03/09*	2011-20	2.000 - 5.000	161,755,000	132,150,000	8,693,581	140,843,581
11/03/09	2015-29	3.750 - 5.500	232,000,000	232,000,000	1,191,128	233,191,128
11/17/09*	2010-14	2.000 - 5.000	78,000,000	15,600,000	172,816	15,772,816
07/26/10	2011-22	2.000 - 5.000	195,000,000	146,250,000	12,448,502	158,698,502
07/26/10	2023-30	4.750 - 5.400	106,320,000	106,320,000	160,751	106,480,751
07/26/10	2023-30	4.750 - 5.400	23,680,000	23,680,000	35,803	23,715,803
08/11/11	2012-31	2.000 - 5.000	320,000,000	288,000,000	27,709,444	315,709,444
08/11/11*	2012-22	2.000 - 5.000	237,655,000	217,920,000	25,833,181	243,753,181
10/24/12	2013-32	2.500 - 5.000	295,000,000	280,250,000	27,192,813	307,442,813
10/24/12*	2013-16	2.500 - 5.000	23,360,000	15,570,000	775,708	16,345,708
11/26/13	2014-34	3.000 - 5.000	295,000,000	295,000,000	28,840,867	323,840,867
11/26/13*	2023-24	5.000	<u>24,915,000</u>	<u>24,915,000</u>	<u>4,780,924</u>	<u>29,695,924</u>
Total			<u>\$ 3,081,025,000</u>	<u>\$ 2,270,500,000</u>	<u>\$ 154,200,196</u>	<u>\$ 2,424,700,196</u>

\* Issue represents refunding bonds.

Changes in general obligation bonds during FY14 are as follows:

	Balance July 1, 2013	Bonds Issued	Bonds Retired	Bonds Refunded	Balance June 30, 2014
<b>Governmental Activities:</b>					
General County	\$ 373,459,509	\$ 74,905,195	\$ 33,672,270	\$ 6,465,000	\$ 408,227,434
Roads and Storm Drainage	450,379,638	76,603,155	38,177,008	7,115,000	481,690,785
Parks	64,864,891	9,469,305	6,001,708	1,865,000	66,467,488
Public Schools	974,898,659	92,094,995	76,701,990	9,795,000	980,496,664
Community College	137,060,772	20,144,730	8,789,006	1,710,000	146,706,496
Consolidated Fire Tax District	51,388,035	13,448,130	4,466,356	615,000	59,754,809
Mass Transit	97,773,496	32,549,490	3,701,662	165,000	126,456,324
Public Housing	-	700,000	-	-	700,000
<b>Total</b>	<b><u>\$ 2,149,825,000</u></b>	<b><u>\$ 319,915,000</u></b>	<b><u>\$ 171,510,000</u></b>	<b><u>\$ 27,730,000</u></b>	<b><u>\$ 2,270,500,000</u></b>

General obligation bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	General Obligation Bond Requirements		
	Principal	Interest	Total
2015	\$ 193,000,000	\$ 101,976,079	\$ 294,976,079
2016	188,320,000	92,297,923	280,617,923
2017	172,490,000	83,376,774	255,866,774
2018	161,545,000	74,997,581	236,542,581
2019	155,820,000	67,224,634	223,044,634
2020-2024	676,025,000	233,469,583	909,494,583
2025-2029	494,580,000	100,409,312	594,989,312
2030-2034	228,720,000	16,007,300	244,727,300
<b>Total</b>	<b><u>\$ 2,270,500,000</u></b>	<b><u>\$ 769,759,186</u></b>	<b><u>\$ 3,040,259,186</u></b>

Article 25A, Section 5(P), of the Annotated Code of Maryland, authorizes borrowing of funds and issuance of bonds to a maximum of six percent of the assessable base of real property and 15 percent of the assessable base of personal property and operating real property. The legal debt margin as of June 30, 2014 is \$7,125,210,850.

**Prior-Year Defeasance of Debt**

In prior years, the County defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2014, \$155,475,000 of bonds outstanding are considered defeased.

General obligation bonds authorized and unissued as of June 30, 2014, are as follows:

Purpose	Authority			Amount Unissued
	Chapter	Act	Amount	
General County, Parks, and Consolidated Fire Tax District	54	2010	\$ 341,600,000	\$ 317,390,000
	24	2011	65,400,000	65,400,000
	19	2012	13,900,000	13,900,000
	26	2013	331,600,000	331,600,000
			<u>752,500,000</u>	<u>728,290,000</u>
Roads and Storm Drainage	54	2010	192,000,000	112,340,000
	19	2012	38,700,000	38,700,000
	26	2013	86,800,000	86,800,000
			<u>317,500,000</u>	<u>237,840,000</u>
Public Schools and Community College	54	2010	108,700,000	73,068,000
	24	2011	214,300,000	214,300,000
	19	2012	187,400,000	187,400,000
	26	2013	15,100,000	15,100,000
			<u>525,500,000</u>	<u>489,868,000</u>
Mass Transit	24	2011	103,200,000	75,405,000
			<u>103,200,000</u>	<u>75,405,000</u>
Public Housing	17	1981	2,650,000	1,890,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
	22	2009	1,000,000	1,000,000
	54	2010	46,400,000	46,400,000
			<u>53,030,000</u>	<u>52,270,000</u>
Agricultural Eastments	24	2011	2,000,000	2,000,000
Facade Eastments	24	2011	1,100,000	1,100,000
	26	2013	2,200,000	2,200,000
			<u>5,300,000</u>	<u>5,300,000</u>
Parking Districts:				
Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
	19	2012	20,115,000	1,193,000
			<u>24,280,000</u>	<u>4,458,000</u>
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts			<u>33,430,000</u>	<u>9,323,000</u>
Total General Obligation Bonds			<u>\$ 1,790,460,000</u>	<u>\$ 1,598,296,000</u>

Bond authority and related amounts unissued, presented above, include amounts related to variable rate demand obligations (see Note III-F2). In addition to this bond authority, the County has authority under the provisions of Section 56-13 of the 1994 Montgomery County Code, as amended, to issue County bonds within statutory debt limits to finance approved urban renewal projects.

**2) Variable Rate Demand Obligations**

The County issued variable rate demand obligations (VRDOs) on June 7, 2006, in the amount of \$100 million. These obligations will not mature in total until 2026; however, the County is required by the Note Order to make annual sinking fund payments to retire one-tenth of the notes each year beginning in 2017.

The interest rate on the obligations, which re-sets daily, is established by the remarketing agents and is payable on the first business day of each month. Other potential modes for the obligations include a Weekly Mode, a Commercial Paper Mode, a Term Rate Mode or a Fixed Rate Mode. Subject to certain terms and conditions in the Note Order, the County may effect a change in mode with respect to the obligations. The obligations are subject to optional tender and purchase on the demand of the owners thereof, upon certain terms. All such obligations are general obligations of the County to the payment of which the full faith and credit and unlimited taxing power of the County is irrevocably pledged.

In connection with the VRDOs, on June 1, 2014, the County entered into a Standby Note Purchase Agreement with Wells Fargo Bank, National Association which will expire on July 15, 2017. The Wells Fargo Note Purchase Agreement requires Wells Fargo to provide funds for the purchase of VRDOs that have been tendered and not remarketed pursuant to such agreement. Because the County entered into a financing agreement that ensures the VRDOs can be refinanced on a long-term basis, these obligations are classified as noncurrent liabilities at year-end.

VRDOs outstanding as of June 30, 2014, are as follows:

<u>Dated Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally Issued</u>	<u>Balance June 30, 2014</u>
06/07/06	2017-26	Variable	\$ 50,000,000	\$ 50,000,000
06/07/06	2017-26	Variable	50,000,000	50,000,000
Total			<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>

For budget and bond authority purposes, VRDO activity is reported with general obligation bonds.

There was no change in VRDO balances during FY14. The VRDOs outstanding as of June 30, 2014 are as follows:

	<u>Balance June 30, 2014</u>
Governmental Activities:	
General County	\$ 2,500,000
Roads and Storm Drainage	26,000,000
Parks	1,000,000
Public Schools	64,000,000
Community College	4,000,000
Consolidated Fire Tax District	2,100,000
Mass Transit	400,000
Total	<u>\$ 100,000,000</u>

VRDO requirements to maturity are as follows:

Fiscal Year Ending June 30	Variable Rate Demand Obligation Requirements		
	Principal	Interest*	Total
2015	\$ -	\$ 600,000	\$ 600,000
2016	-	600,000	600,000
2017	10,000,000	600,000	10,600,000
2018	10,000,000	540,000	10,540,000
2019	10,000,000	480,000	10,480,000
2020 - 2024	50,000,000	1,500,000	51,500,000
2025 - 2026	20,000,000	180,000	20,180,000
Total	<u>\$ 100,000,000</u>	<u>\$ 4,500,000</u>	<u>\$ 104,500,000</u>

\* Includes interest on VRDOs at estimated rates of 0.600 percent for Series A and 0.600 percent for series B, respectively, for the June 7, 2006 issue. The interest rate on the notes is calculated daily and due monthly. The estimated rates used for this calculation were based on the proposed budget.

### 3) Revenue Bonds Payable

Revenue bonds are authorized, issued, and outstanding to finance specific projects such as parking garages for the Bethesda Parking Lot District, Department of Liquor Control facilities, and Water Quality stormwater management facilities. Net revenues of Bethesda Parking Lot District including parking fees, fines, dedicated property taxes, and Department of Liquor Control revenues are pledged against the timely repayment of principal and interest of the outstanding revenue bonds of the respective funds. Net revenues of the Water Quality Protection fund are pledged against the timely repayment of principal and interest of the outstanding revenue bonds of the respective funds.

In July 2013, the County issued \$46.6 million Department of Liquor Control Revenue Bonds Series 2013A. The proceeds of the Series 2013A Bonds will be used to finance and refinance the acquisition, construction and equipping of warehouse facilities and the design, right-of-way acquisition, and construction of transportation projects within the County.

The term of the commitments and approximate amounts of the pledged revenues are as follows:

	Terms of Commitment (Years)	Approximate Amount of Pledge
Bethesda Parking Lot District	18	\$ 60,797,603
Water Quality Protection	18	54,334,100
Liquor Control	19	<u>165,534,675</u>
Total		<u>\$ 280,666,378</u>

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The pledged net revenues recognized during FY14 for the payment of the outstanding principal and interest of the revenue bonds are as follows:

	Net Available Revenue for Debt Service	Debt Service		
		Principal	Interest	Total
Bethesda Parking Lot District	\$ 10,871,746	\$ 2,100,000	\$ 1,910,939	\$ 4,010,939
Water Quality Protection	8,798,773	1,310,000	1,706,160	3,016,160
Liquor Control	33,495,994	4,725,000	5,038,843	9,763,843

Revenue bond issues outstanding as of June 30, 2014, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2014	Unamortized Premium/ (Discount)	Carrying Value June 30, 2014
Parking Revenue Bonds:							
Bethesda Parking Lot District 2005A	08/31/05	2007-25	3.620 - 5.000	\$ 16,495,000	\$ 11,830,000	\$ 47,750	\$ 11,877,750
Bethesda Parking Lot District 2012	05/16/12	2015-23	3.000 - 3.250	24,190,000	24,190,000	1,261,333	25,451,333
Bethesda Parking Lot District 2012 Ref.	05/16/12	2013-17	1.250 - 1.930	13,750,000	11,110,000	1,453,174	12,563,174
Water Quality Protection 2012A	07/18/12	2013-32	0.250 - 5.000	37,835,000	35,610,000	4,618,815	40,228,815
Liquor Control Revenue Bonds:*							
Liquor Control & Transportation 2009	05/12/09	2010-29	3.000 - 5.000	46,765,000	38,460,000	1,743,752	40,203,752
Liquor Control & Transportation 2011	04/28/11	2012-31	2.000 - 5.000	34,360,000	30,840,000	1,249,365	32,089,365
Liquor Control & Transportation 2013	07/30/13	2014-33	3.125 - 5.000	46,645,000	44,835,000	1,946,203	46,781,203
Total				<u>\$ 220,040,000</u>	<u>\$ 196,875,000</u>	<u>\$ 12,320,392</u>	<u>\$ 209,195,392</u>

\* Liquor Control Revenue bonds are allocated to Governmental and Business-Type Activities on the Statement of Activities. See Note III-F12 for allocation.

Changes in revenue bond principal during FY14 are as follows:

	Balance July 1, 2013	Bonds Issued	Bonds Retired	Balance June 30, 2014
Bethesda Parking Lot District	\$ 49,230,000	\$ -	\$ 2,100,000	\$ 47,130,000
Liquor Control*	72,215,000	46,645,000	4,725,000	114,135,000
Water Quality Protection	36,920,000	-	1,310,000	35,610,000
Total	<u>\$ 158,365,000</u>	<u>\$ 46,645,000</u>	<u>\$ 8,135,000</u>	<u>\$ 196,875,000</u>

\* Liquor Control Revenue bonds are allocated to Governmental and Business-Type Activities on the Statement of Activities. See Note III-F12 for allocation.

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Bethesda Parking Lot District		Liquor Control	
	Principal	Interest	Principal	Interest
2015	\$ 3,120,000	\$ 1,839,789	\$ 4,640,000	\$ 5,134,501
2016	3,245,000	1,715,917	4,865,000	4,923,013
2017	3,375,000	1,588,008	5,060,000	4,716,076
2018	3,525,000	1,438,470	5,295,000	4,484,189
2019	3,695,000	1,270,220	5,520,000	4,258,989
2020-2024	15,165,000	3,902,727	31,665,000	17,137,723
2025-2029	9,920,000	1,587,048	39,560,000	9,160,234
2030-2034	5,085,000	325,424	17,530,000	1,584,950
Total	<u>\$ 47,130,000</u>	<u>\$ 13,667,603</u>	<u>\$ 114,135,000</u>	<u>\$ 51,399,675</u>

Fiscal Year Ending June 30	Water Quality Protection		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2015	\$ 1,340,000	\$ 1,678,850	\$ 9,100,000	\$ 8,653,140	\$ 17,753,140
2016	1,395,000	1,625,250	9,505,000	8,264,180	17,769,180
2017	1,435,000	1,583,400	9,870,000	7,887,484	17,757,484
2018	1,490,000	1,526,000	10,310,000	7,448,659	17,758,659
2019	1,550,000	1,466,400	10,765,000	6,995,609	17,760,609
2020-2024	8,890,000	6,205,200	55,720,000	27,245,650	82,965,650
2025-2029	11,290,000	3,803,500	60,770,000	14,550,782	75,320,782
2030-2034	8,220,000	835,500	30,835,000	2,745,874	33,580,874
Total	<u>\$ 35,610,000</u>	<u>\$ 18,724,100</u>	<u>\$ 196,875,000</u>	<u>\$ 83,791,378</u>	<u>\$ 280,666,378</u>

Revenue bonds authorized and unissued as of June 30, 2014, are as follows:

Purpose	Resolution Number	Year	Amount Authorized	Amount Unissued
Parking Lot Districts	11-1383	1989	\$ 51,163,000	\$ 1,403,000
Parking Lot Districts	14-921	2001	35,000,000	9,000,000
Solid Waste Disposal	12-1010	1993	56,635,000	6,255,000
Public Housing	16-675	2008	50,000,000	50,000,000
Liquor & Transportation	16-863	2009	138,000,000	10,230,000
Parking Lot Districts	17-403	2012	46,000,000	46,000,000
Public Housing	17-227	2012	40,000,000	40,000,000
Water Quality Protection	Bill 12-12	2012	95,000,000	57,165,000
Total			<u>\$ 511,798,000</u>	<u>\$ 220,053,000</u>

Restricted assets classified as “Investments” or “Equity in Pooled Cash and Investments” for statement of net asset purposes, include the following:

Purpose	Bethesda Parking Lot District	Solid Waste Disposal
Operation and Maintenance Account - Available to pay current expenses	\$ 1,600,570	\$ -
Debt Service Account - Used to pay debt service on bonds	414,624	-
Debt Service Reserve Account - (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available	4,315,430	-
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	1,500,000	3,893,365
Rate Covenant Cash Reserve – Available to fund operating activities for a minimum of three months	-	25,781,315
Rate Stabilization Account – In case of short-term extraordinary expenses	-	1,980,304
Total	<u>\$ 7,830,624</u>	<u>\$ 31,654,984</u>

In lieu of Debt Service Reserve Accounts, the 2002 Series Parking Refunding Bonds and the 2002 Series A Parking Revenue Bonds are being secured with a municipal bond insurance policy. The County is in compliance with all significant financial bond covenants.

#### 4) Bond Anticipation Notes Payable

Commercial paper bond anticipation notes (BANs) are authorized, issued, and outstanding as financing sources for capital construction and improvements. Changes in BANs during FY14 are as follows:

	Balance July 1, 2013	BANs Issued	BANs Retired	Balance June 30, 2014
BAN Series 2009-A	\$ 100,000,000	\$ 60,895,000	\$ 60,895,000	\$ 100,000,000
BAN Series 2009-B	100,000,000	60,895,000	60,895,000	100,000,000
BAN Series 2010-A	63,395,000	173,210,000	86,605,000	150,000,000
BAN Series 2010-B	236,605,000	-	86,605,000	150,000,000
Total	<u>\$ 500,000,000</u>	<u>\$ 295,000,000</u>	<u>\$ 295,000,000</u>	<u>\$ 500,000,000</u>

Interest earned on BAN proceeds totaling \$95,589 was accounted for in the Debt Service Fund. During FY14 interest rates varied from 0.143 to 0.168 percent.

BANs totaling \$295 million were issued during FY14; \$173.2 million Series 2010 and \$121.8 million Series 2009 respectively. BANs are issued at varying maturities to a maximum of 270 days, under a program whose authority was adopted on September 15, 2009, as amended, to consolidate additional authority to borrow money and incur indebtedness. The County reissued the notes upon maturity and continues to do so, until they are replaced with long-term bonds. The County will issue long-term bonds in FY15, and intends to use a portion of the proceeds to replace short-term notes that were issued to fund capital construction and improvements.

In connection with the BANs, the County entered into three-year credit agreements with State Street Bank and PNC Bank to provide liquidity with respect to the 2010 Series BANs for \$150,000,000 each. The agreements

expire on July 31, 2016. With respect to the 2009 Series BANs, the County has a credit agreement with JP Morgan Chase which expires on August 24, 2016. All credit agreements provide liquidity for the principal amount of the notes and approximately one month of interest. Any principal advances under the line of credit must be repaid in semi-annual installments over five years after the advance occurs. No amounts were advanced against this line of credit. Because the County entered into a financing agreement that ensures the BANs can be refinanced on a long-term basis, these BANs are classified as noncurrent liabilities at year-end.

During FY14, the County Council passed Resolution No. 17-908 dated October 1, 2013 to increase the County's authority to issue BANs by \$435.7 million. Cumulative BANs authorized and unissued as of June 30, 2014, including amounts authorized and unissued from prior years, is \$1,013,913,000.

**5) Certificates of Participation**

In April 2010, the County issued Certificates of Participation (certificates) for Equipment Acquisition in the public transportation Program dated April 7, 2010, in the amount of \$23.0 million. In October 2007, the County issued certificates for its Equipment Acquisition in the fire and rescue Program dated October 24, 2007, in the amount of \$33.58 million. The certificates represent proportionate interest in a Conditional Purchase Agreement (CPA) between the County, as purchaser and U.S. Bank National Association, as the seller. The CPA requires the County, as purchaser, to make periodic purchase installments in amounts sufficient to pay the scheduled debt service on the certificates until the County pays the entire price necessary to acquire the equipment, which shall be equal to the amount necessary to pay the principal and interest on all outstanding certificates. The ability of the County, as purchaser, to pay the purchase installments due under the CPA depends upon sufficient funds being appropriated each year by the County Council for such purpose. The County Council is under no obligation to make any appropriation with respect to the CPA. The CPA is not a general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or charge against the general credit or taxing powers of the County.

The Certificates were issued at interest rates ranging from 2.4 to 5.0 percent and have maturity schedules as follows:

Fiscal Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2015	\$ 6,620,000	\$ 788,600	\$ 7,408,600
2016	6,885,000	500,000	7,385,000
2017	7,155,000	289,100	7,444,100
2018	3,645,000	145,800	3,790,800
Total	<u>\$ 24,305,000</u>	<u>\$ 1,723,500</u>	<u>\$ 26,028,500</u>

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**6) Master Lease/Equipment Notes**

The County has entered into a lease agreement in the amount of \$22.6 million to finance the acquisition and implementation of new software systems – the County’s 311 constituent resource management system, ERP financial management system, and the MCtime – timecard management system. The lease agreement represents proportionate interests in a funding agreement between the County and Chase Equipment Finance, Inc.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2014:

Fiscal Year Ending June 30	Debt Service Requirement
2015	\$ 5,659,961
2016	5,659,995
2017	3,844,416
2018	2,028,872
2019	<u>1,130,237</u>
Total minimum lease payments	18,323,481
Less: amount representing interest	<u>(1,102,662)</u>
Present value of minimum lease payments	<u>\$ 17,220,819</u>

The County has entered into purchase agreements to provide financing for the acquisition of capital asset equipment such as Ride On buses, fire trucks, and ambulances. The agreements have terms of two to five years with interest rates identified in the agreements. Arrangements provide that proceeds are to be held by a trustee and disbursed to vendors. If assets are acquired prior to the note agreement, the trustee reimburses the County.

The following is a schedule by fiscal year for the agreements as of June 30, 2014:

Fiscal Year Ending June 30	Equipment Notes Requirements		
	Principal	Interest	Total
2015	\$ 1,221,179	\$ 63,716	\$ 1,284,895
2016	776,776	34,005	810,781
2017	376,284	21,780	398,064
2018	312,805	15,220	328,025
2019	283,921	9,292	293,213
2020	<u>259,796</u>	<u>3,777</u>	<u>263,573</u>
Total	<u>\$ 3,230,761</u>	<u>\$ 147,790</u>	<u>\$ 3,378,551</u>

On July 7, 2011, the County issued a Master Lease Purchase Agreement to finance public safety system communication equipment. The following is a schedule by fiscal year for the agreement as of June 30, 2014:

Fiscal Year Ending June 30	Safety Equipment Notes Requirements		
	Principal	Interest	Total
2015	\$ 4,212,636	\$ 160,903	\$ 4,373,539
2016	4,283,421	90,118	4,373,539
2017	<u>2,168,626</u>	<u>18,144</u>	<u>2,186,770</u>
Total	<u>\$ 10,664,683</u>	<u>\$ 269,165</u>	<u>\$ 10,933,848</u>

On January 31, 2014, the County issued Master lease Purchase Agreement to finance Ride On buses. The following is a schedule by fiscal year for the agreement as of June 30, 2014:

Fiscal Year Ending June 30	Ride On Bus Requirements		
	Principal	Interest	Total
2015	\$ 1,572,529	\$ 225,519	\$ 1,798,048
2016	1,604,065	193,983	1,798,048
2017	1,636,234	161,814	1,798,048
2018	1,669,048	129,000	1,798,048
2019	1,702,520	95,528	1,798,048
2020-2021	<u>3,508,155</u>	<u>87,941</u>	<u>3,596,096</u>
Total	<u>\$ 11,692,551</u>	<u>\$893,785</u>	<u>\$12,586,336</u>

#### 7) WSSC Promissory Note

In April 2007, the County entered into a Purchase and Sale Contract with Washington Suburban Sanitary Commission (WSSC) to acquire property for \$10,000,000. On January 15, 2009, the County signed a promissory note evidencing its obligation to fulfill the terms of the Contract. The note has a term of 15 years; interest accrues at a rate of 4.43%, commencing six months after the execution of the promissory note. Under the provisions of the promissory note, the minimum annual payment by the County is \$400,000 and is due on July 15 each year. The County must make additional payments equal to the net of proceeds of parcels sold in a given year; payments should be allocated first to interest then to principal. If in a given year, net proceeds for the sale of parcels equal or exceed the debt service payment, the County will not be required to make a separate debt service payment. The minimum annual loan payment is less than the interest accrued during the fiscal period; the difference between the interest and the debt service paid is added to the total principal amount owed. Consequently, a negative balance is shown on the principal column of the amortization schedule.

The note will mature upon its 15<sup>th</sup> anniversary when all unpaid principal and accrued interest shall be due and payable by the County or upon the date of the “Payment Event” for the last parcel for which an additional annual payment is due to WSSC.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2014:

Fiscal Year Ending June 30	Promissory Note Requirements		
	Principal	Interest	Total
2015	\$ (30,066)	\$ 430,066	\$ 400,000
2016	(31,398)	431,398	400,000
2017	(32,789)	432,789	400,000
2018	(34,242)	434,242	400,000
2019	(35,759)	435,759	400,000
2020-2024	(204,006)	2,204,016	2,000,010
2025	<u>10,076,300</u>	<u>223,190</u>	<u>10,299,490</u>
Total	<u>\$ 9,708,040</u>	<u>\$ 4,591,460</u>	<u>\$ 14,299,500</u>

**8) Lease Revenue Bonds**

In June 2002, the County issued Lease Revenue Bonds dated June 1, 2002, in the amount of \$37.88 million for its Metrorail garage projects. These bonds were issued to finance the costs of the planning, design, construction, and placing into commercial operation, of garages at the Shady Grove and Grosvenor Metrorail Stations. The County has leased these metrorail garage projects to the Washington Metropolitan Area Transit Authority (WMATA).

The County issued \$4,745,000 in lease revenue bonds (Metrorail Garage Projects) on September 1, 2004. The bonds were issued due to certain cost increases incurred since the issuance of the Series 2002 Bonds. The County needed an additional \$2,100,000 to complete construction of the Shady Grove Metro Garage and an additional \$2,110,000 to complete construction of the Grosvenor Metro Garage. The Series 2004 bonds were delivered on September 28, 2004. The lease has a term of 20 years ending on June 1, 2024.

On October 13, 2011, the County issued Series 2011 Bonds to finance a portion of the costs, and construction of the parking structure and related facilities at the Glenmont Metrorail Station within the County; and refunded the County’s outstanding Lease Revenue Bonds Series 2002 and Series 2004 Lease Revenue Bonds.

The bonds are payable from and secured by a pledge of revenues from WMATA’s lease payments and certain reserve funds. The approximate amount of the pledge is \$38,714,613. WMATA’s obligation to make payments under the leases is payable solely from amounts held in a Surcharge Reserve Account which is funded by revenues from a surcharge on the parking facilities.

In the event that the County’s Reserve Subfund of \$3,125,515, included in Debt Service Fund cash with fiscal agents in the accompanying financial statements, is less than the required amount, the County Executive is obligated to include, in the next subsequent appropriation request to the County Council, a request for sufficient resources to reimburse the Reserve Subfund. The Lease Revenue Bonds are not a debt of the County within the meaning of any constitutional, compact, charter or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of the County is pledged to the payment of the bonds.

In FY14, pledged revenue of \$3,474,363 equals the principal and interest on the lease revenue bonds.

Lease revenue bonds outstanding as of June 30, 2014, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2014	Unamortized Premium (Discount)	Carrying Value June 30, 2014
Lease RevenueBonds	10/13/11	2011-31	2.6687%	<u>\$35,465,000</u>	<u>\$29,285,000</u>	<u>\$ 3,527,650</u>	<u>\$ 32,812,650</u>

Lease revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Lease Revenue Bond Requirements		
	Principal	Interest	Total
2015	\$ 2,060,000	\$ 1,421,613	\$ 3,481,613
2016	2,160,000	1,318,613	3,478,613
2017	2,280,000	1,210,613	3,490,613
2018	2,395,000	1,096,613	3,491,613
2019	2,520,000	976,863	3,496,863
2020-2024	14,455,000	2,856,062	17,311,062
2025-2029	2,345,000	484,637	2,829,637
2030-2031	<u>1,070,000</u>	<u>64,600</u>	<u>1,134,600</u>
Total	<u>\$ 29,285,000</u>	<u>\$ 9,429,614</u>	<u>\$ 38,714,614</u>

**9) Taxable Limited Obligation Certificates**

In April 2010, the County issued Taxable Limited Obligation Certificates, dated April 6, 2010, in the amount of \$30.4 million to finance the Montgomery Housing Initiative Program to promote a broad range of housing opportunities in the County. The certificates represent proportionate interests in a Funding Agreement between the County and U.S. Bank National Association; the Certificates, and the interest on them, are limited obligations of the County. The principal or redemption price of and interest on the Certificates shall be payable solely from the Contract Payments and other funds pledged for the payment thereof under the Trust Agreement. The Funding Agreement is not a general obligation of the County and shall never constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or charge against the general credit or taxing power of the County. The Certificates were issued at interest rates ranging from 4.0 to 5.9 percent and will mature on May 1, 2030.

In August 2011, the County issued Taxable Limited Obligation Certificates, in the amount of \$28.8 million; the County issued the certificates to finance and promote a broad range of housing opportunities in Montgomery County, Maryland and a community and recreational facility. The Certificates were issued at interest rates ranging from 3.0 to 4.8 percent and will mature on May 1, 2031.

In November 2013, the County issued Taxable Limited Obligation Certificates, in the amount of \$38 million; the County issued the certificates to finance the Montgomery Housing Initiative program established by the County to promote a broad range of housing opportunities in the County. The Certificates were issued at interest rates ranging from 0.3 to 4.8 percent and will mature on November 1, 2033.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2014:

Fiscal Year Ending June 30	Taxable Limited Obligation Requirements		
	Principal	Interest	Total
2015	\$ 3,700,000	\$ 3,790,554	\$ 7,490,554
2016	3,785,000	3,706,126	7,491,126
2017	3,875,000	3,614,700	7,489,700
2018	3,995,000	3,501,862	7,496,862
2019	4,110,000	3,382,454	7,492,454
2020-2024	23,025,000	14,440,583	37,465,583
2025-2029	28,650,000	8,818,574	37,468,574
2030-2034	<u>18,880,000</u>	<u>1,980,840</u>	<u>20,860,840</u>
Total	<u>\$ 90,020,000</u>	<u>\$ 43,235,693</u>	<u>\$ 133,255,693</u>

**10) HUD Loan**

During 2002, the County Council authorized the Department of Housing and Community Affairs (DHCA) to participate in the HUD Section 108 program for the purpose of acquiring twenty-one units at the Chelsea Tower which provides affordable housing for income qualified persons. On July 16, 2003, the County signed a loan agreement with HUD in the amount of \$870,000. The County subsequently received approval from the County Council to disburse and re-loan these funds to HOC. HOC will repay the County, through the Housing Initiative Special Revenue Fund, the principal of \$870,000 with interest thereon on a semi-annual basis at 4.59 percent over a twenty-year period, which is consistent with the HUD repayment terms. The principal amount payable at June 30, 2014, for this loan is \$440,000 and will mature on August 1, 2023.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2014:

Fiscal Year Ending June 30	HUD Loan Requirements		
	Principal	Interest	Total
2015	\$ 43,000	\$ 22,630	\$ 65,630
2016	43,000	20,480	63,480
2017	43,000	18,274	61,274
2018	43,000	16,021	59,021
2019	43,000	13,727	56,727
2020-2024	<u>225,000</u>	<u>32,809</u>	<u>257,809</u>
Total	<u>\$ 440,000</u>	<u>\$ 123,941</u>	<u>\$ 563,941</u>

**11) Energy Performance Lease**

In October 2013, the County entered into a lease agreement in the amount of \$4.2 million to finance energy efficiency projects within the County.

The Lease has an interest rate of 5.17 percent and will mature on July 1, 2033. The following is a schedule by fiscal year for the debt service requirement at June 30, 2014:

Fiscal Year Ending June 30	Energy Performance Lease		
	Principal	Interest	Total
2015	\$ 214,231	\$ 215,291	\$ 429,522
2016	121,781	202,647	324,428
2017	129,074	196,258	325,332
2018	136,639	189,487	326,126
2019	144,479	182,322	326,801
2020-2024	842,725	792,700	1,635,425
2025-2029	1,170,584	535,422	1,706,006
2030-2034	<u>1,404,737</u>	<u>202,480</u>	<u>1,607,217</u>
Total	<u>\$ 4,164,250</u>	<u>\$ 2,516,607</u>	<u>\$ 6,680,857</u>

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## 12) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

<b>Governmental Activities</b>	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within one year
General obligation bonds payable:					
General obligation bonds	\$ 2,149,825,000	\$ 319,915,000	\$ (199,240,000)	\$ 2,270,500,000	\$ 193,000,000
Variable rate demand obligations	100,000,000	-	-	100,000,000	-
Bond anticipation notes	500,000,000	295,000,000	(295,000,000)	500,000,000	500,000,000
Revenue bonds					
Liquor Control	39,791,610	32,383,753	(2,801,482)	69,373,881	2,718,558
Water Quality Protection	36,920,000	-	(1,310,000)	35,610,000	1,340,000
Lease revenue bonds payable	31,240,000	-	(1,955,000)	29,285,000	2,060,000
Add remaining original issue premium	157,239,841	37,189,716	(29,124,873)	165,304,684	-
Total general obligation bonds	<u>3,015,016,451</u>	<u>684,488,469</u>	<u>(529,431,355)</u>	<u>3,170,073,565</u>	<u>699,118,558</u>
Leases and Notes payable:					
Capital leases	20,130,000	8,497,750	(12,195,000)	16,432,750	2,614,840
Certificates of participation	30,675,000	-	(6,370,000)	24,305,000	6,620,000
Taxable limited obligation certificates	54,170,000	38,015,000	(2,165,000)	90,020,000	3,700,000
HUD loan	483,000	-	(43,000)	440,000	43,000
WSSC Promissory Note	9,679,249	28,791	-	9,708,040	-
Energy Performance lease	-	4,165,000	(750)	4,164,250	214,231
Equipment notes	39,582,814	11,692,552	(10,167,659)	41,107,707	11,922,070
Add remaining original issue premium	547,531	(4,763)	(104,733)	438,035	-
Total Leases and Notes Payable	<u>155,267,594</u>	<u>62,394,330</u>	<u>(31,046,142)</u>	<u>186,615,782</u>	<u>25,114,141</u>
Other non-debt related liabilities:					
Compensated absences	70,745,510	51,225,574	(48,740,996)	73,230,088	54,922,566
Other postemployment benefits	425,092,824	100,545,982	(103,783,070)	421,855,736	-
Claims payable - self-insurance	141,713,632	137,844,679	(139,352,347)	140,205,964	37,785,076
Total other non-debt related	<u>637,551,966</u>	<u>289,616,235</u>	<u>(291,876,413)</u>	<u>635,291,788</u>	<u>92,707,642</u>
<b>Total Governmental Activities Liabilities</b>	<u>\$ 3,807,836,011</u>	<u>\$ 1,036,499,034</u>	<u>\$ (852,353,910)</u>	<u>\$ 3,991,981,135</u>	<u>\$ 816,940,341</u>
<b>Business-Type Activities</b>					
Revenue Bonds:					
Liquor Control	\$ 32,423,390	\$ 14,261,247	\$ (1,923,518)	\$ 44,761,119	\$ 1,921,442
Parking revenue bonds	49,230,000	-	(2,100,000)	47,130,000	3,120,000
Add remaining original issue premium	4,834,285	603,564	(694,291)	4,743,558	-
Total revenue bonds	<u>86,487,675</u>	<u>14,864,811</u>	<u>(4,717,809)</u>	<u>96,634,677</u>	<u>5,041,442</u>
Leases and Notes payable:					
Equipment notes	1,976,348	-	(275,244)	1,701,104	281,298
Other non-debt related liabilities:					
Compensated absences	5,436,291	294,185	(95,107)	5,635,369	4,226,528
Other postemployment benefits	3,965,222	2,872,016	(2,872,016)	3,965,222	-
Landfill closure costs	17,329,214	-	(2,282,074)	15,047,140	879,842
Gude Landfill Remediation	-	28,500,000	-	28,500,000	-
Total other non-debt related	<u>26,730,727</u>	<u>31,666,201</u>	<u>(5,249,197)</u>	<u>53,147,731</u>	<u>5,106,370</u>
<b>Total Business-Type Activities Liabilities</b>	<u>\$ 115,194,750</u>	<u>\$ 46,531,012</u>	<u>\$ (10,242,250)</u>	<u>\$ 151,483,512</u>	<u>\$ 10,429,110</u>

### Funding Source for Other Non-debt Related Liabilities

Long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$2,226,957 (\$1,670,219 due within one year and \$556,738 due in more than one year) of internal service fund compensated absences were included in the above amounts. Compensated absences liabilities of governmental activities are generally liquidated by the governmental funds that incurred the associated personnel cost.

Other post-employment benefit liabilities are liquidated with General Fund resources.

Claims and judgments are liquidated with resources from the General Fund or the fund to which the claim relates.

Landfill related obligations are liquidated from the Solid Waste activities funds.

### **13) Conduit Debt Obligations**

Conduit debt obligations refer to certain limited-obligation revenue bonds or similar debt instruments issued by the County for the purpose of providing capital financing for a third party that is not part of the County's reporting entity (see Note I-A). From time to time, the County issued Industrial Revenue Bonds and Economic Development Revenue Bonds for the purposes of financing or refinancing costs of acquiring and/or renovating facilities for third party facility users. Facility users may be individuals, public or private corporations, or other entities. The bonds are sometimes secured by the facilities financed or by a financial institution and are payable from the revenues or monies to be received by the County under loan agreements with the facility users and from other monies made available to the County for such purpose. The bonds do not constitute a debt or charge against the general credit or taxing powers of the County, the State, or any political subdivision thereof. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2014, there were 25 issues of Industrial Revenue Bonds and Economic Development Revenue Bonds outstanding. Of these, 9 were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 2014, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$158,695,000. The principal amount payable at June 30, 2014, for bonds issued after July 1, 1996, totaled \$324,339,503.

### **14) Special Taxing Districts**

The County has three special taxing districts: Kingsview Village Center, West Germantown, and White Flint. Kingsview Village Center and West Germantown were created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The White Flint Taxing District was created in accordance with Chapter 68C of the Montgomery County Code, which was enacted in 2010. The creation of these districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County with high priority for new development or redevelopment.

Pursuant to Chapter 14 and 68C, special taxes or special assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective districts. Any bond issued under Chapter 14 and 68C is not an indebtedness of the County within the meaning of Section 312 of the Charter. Additionally, any bond issued must not pledge the full faith and credit of the County, and must state that the full faith and credit is not pledged to pay its principal, interest, or premium, if any. Any bonds issued are not considered liabilities of the County and are not reported in the County's financial statements. However, unlike the Kingsview Village Center and West Germantown development districts, the County may issue financing or provide funding for certain infrastructure projects within the White Flint Taxing District that are not derived under the authority of 68C.

In December 1999, the County issued \$2.4 million in special obligation bonds for the Kingsview Village Center Development District. Special taxes and assessments were levied beginning in FY01 to repay this debt. In April 2002, the County issued two series of special obligation bonds for the West Germantown Development District. The County issued \$11.6 million of Senior Series 2002A bonds and \$4.3 million of Junior Series 2002B bonds to finance the construction of infrastructure in the development district. Special taxes and assessments were levied beginning in FY03 to repay this debt.

### Component Units

At June 30, 2014, HOC's noncurrent liabilities are comprised of the following:

	Due within		Total
	one year	Long-Term	
Revenue bonds payable	\$ 23,598,199	\$ 556,011,354	\$ 579,609,553
Capital leases payable	180,291	19,953,420	20,133,711
Derivative instrument - hedging	-	9,631,526	9,631,526
Notes and other payable	18,538,492	135,682,641	154,221,133
Total	<u>\$ 42,316,982</u>	<u>\$ 721,278,941</u>	<u>\$ 763,595,923</u>

HOC revenue bonds, which are significant in relation to the total component unit long-term debt, are outstanding as follows:

<u>Purpose</u>	
Multi-Family Mortgage Purchase Program Fund	\$ 318,908,863
Single Family Mortgage Purchase Program Fund	<u>260,700,690</u>
Total	<u>\$ 579,609,553</u>

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 0.50 to 11.26 percent and 0.40 to 6.75 percent, respectively, as of June 30, 2014.

Pursuant to Section 15 of Article 44A of the Annotated Code of Maryland, the County may, by local law, provide its full faith and credit as guarantee of bonds issued by HOC in principal amount not exceeding \$50,000,000. Section 20-32 of the Montgomery County Code provides the method by which the County has implemented the guarantee.

The debt service requirements by fiscal year for the HOC debt guaranteed by the Primary Government are as follows:

Fiscal Year Ending	Guaranteed Revenue Bond Requirements			
	June 30	Principal	Interest	Total
2015	\$ 405,000	\$ 427,834	\$ 832,834	
2016	425,000	407,590	832,590	
2017	445,000	385,840	830,840	
2018	465,000	363,090	828,090	
2019	490,000	339,215	829,215	
2020-2024	2,845,000	1,291,635	4,136,635	
2025-2029	<u>3,640,000</u>	<u>477,478</u>	<u>4,117,478</u>	
Total	<u>\$ 8,715,000</u>	<u>\$ 3,692,682</u>	<u>\$ 12,407,682</u>	

The total debt service requirements for HOC revenue bonds, which include the portion guaranteed by the Primary Government (presented above), are as follows:

Fiscal Year Ending June 30	Total Revenue Bond Requirements		
	Principal	Interest	Total
2015	\$ 23,598,199	\$ 17,074,180	\$ 40,672,379
2016	21,985,300	16,594,715	38,580,015
2017	22,707,645	16,044,757	38,752,402
2018	23,250,266	15,405,342	38,655,608
2019	19,403,191	14,851,683	34,254,874
2020-2024	105,673,081	64,455,937	170,129,018
2025-2029	109,554,624	45,320,594	154,875,218
2030-2034	100,295,000	26,527,352	126,822,352
2035-2039	90,690,000	10,820,363	101,510,363
2040-2044	51,465,000	2,312,149	53,777,149
2045-2049	9,335,000	12,373	9,347,373
Unamortized Bond Discount	<u>1,652,247</u>	-	<u>1,652,247</u>
Total	<u>\$ 579,609,553</u>	<u>\$ 229,419,445</u>	<u>\$ 809,028,998</u>

Changes in the HOC revenue bonds during FY14 are as follows:

Purpose	Balance	Bonds	Bonds	Balance
	July 1, 2013	Issued*	Retired	June 30, 2014
Multi-Family Mortgage Purchase Program Fund	\$ 328,648,259	\$ 16,304	\$ 9,755,700	\$ 318,908,863
Single Family Mortgage Purchase Program Fund	281,393,712	-	20,693,022	260,700,690
Total	<u>\$ 610,041,971</u>	<u>\$ 16,304</u>	<u>\$ 30,448,722</u>	<u>\$ 579,609,553</u>

\* Includes accretions and bond discounts.

HOC has issued a number of individual bonds for financing multi-family developments for which HOC has no legal liability for repayment or administration (conduit debt). Accordingly, the bonds are not included in the accompanying financial statements. HOC participates in such issuances in order to increase the availability of affordable housing in the County. The bonds outstanding are summarized below:

Bonds outstanding, July 1, 2013	\$ 175,322,198
Issuances during the year	-
Redemptions during the year	<u>(6,402,549)</u>
Bonds outstanding, June 30, 2014	<u>\$ 168,919,649</u>

The County is not liable in any manner for the remaining debt of HOC or any debt of MCPS, MCC, or MCRA. BUPI has no long-term debt.

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## G) Segment Information

The County has issued revenue bonds to finance activities relating to the Bethesda Parking Lot districts (PLDs). The Bethesda PLD is accounted for within the Parking Lot Districts Fund. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the activity as of and for the year ended June 30, 2014, is presented below:

### Condensed Statement of Net Position

	Bethesda PLD
<b>ASSETS</b>	
Current assets	\$ 23,004,218
Other assets	7,830,624
Capital assets	<u>102,699,662</u>
Total Assets	<u>133,534,504</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow of resources	<u>151,134</u>
Total Deferred Outflows	<u>151,134</u>
<b>LIABILITIES</b>	
Current liabilities	5,157,970
Due to other funds	27,161
Long-term liabilities	<u>46,901,057</u>
Total Liabilities	<u>52,086,188</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	52,983,491
Restricted for debt service	7,830,624
Unrestricted	<u>20,785,335</u>
Total Net Position	<u>\$ 81,599,450</u>

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**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position**

	Bethesda PLD
<b>OPERATING REVENUES (EXPENSES):</b>	
Operating Revenues:	
Charges for services	\$ 12,448,043
Fines and penalties	4,064,809
Total Operating Revenues (pledged against bonds)	<u>16,512,852</u>
Depreciation	4,663,300
Other operating expenses	<u>8,129,681</u>
Operating Income (Loss)	<u>3,719,871</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Property taxes	2,553,832
Gain (loss) on disposal of capital assets	(7,087)
Investment income	9,227
Interest expense	(1,412,609)
Other revenue	58,126
Miscellaneous	(132,610)
Transfers in	67,225
Transfers out	<u>(8,088,560)</u>
Change in Net Position	(3,232,585)
Beginning Net Position	<u>84,832,035</u>
Ending Net Position	<u><u>\$ 81,599,450</u></u>

**Condensed Statement of Cash Flows**

	Bethesda PLD
Net Cash Provided (Used) By:	
Operating activities	\$ 40,280,140
Noncapital financing activities	(5,467,503)
Capital and related financing activities	(25,871,407)
Investing activities	<u>7,189</u>
Net Increase (Decrease)	8,948,419
Beginning Cash and Cash Equivalents	<u>16,716,695</u>
Ending Cash and Cash Equivalents	<u><u>\$ 25,665,114</u></u>

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## H) Fund Equity

### 1) Governmental Fund Balances

The governmental fund balances at June 30, 2014 are composed of the following:

Fund Balances:	General	Housing Initiative	Grants	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
<b>Nonspendable:</b>						
Inventory	\$ 5,873,503	\$ -	\$ -	\$ -	\$ -	\$ -
Prepays	286,050	-	-	-	-	-
<b>Restricted for:</b>						
Public safety						
Police	-	-	-	-	-	2,749,601
Fire and rescue	-	-	-	-	-	12,888,770
Restricted donation	-	-	-	-	-	4,073,985
Mass transit	-	-	-	-	-	18,578,705
Cable TV	-	-	-	-	-	5,643,318
Community development and housing						
Rehabilitation loan	-	-	-	-	-	4,568,368
Urban districts	-	-	-	-	-	1,445,076
Economic development	-	-	-	-	-	3,473,671
Housing initiative	-	239,597,573	-	-	-	-
Environment						
Agricultural transfer tax	-	-	-	-	-	1,024,711
Water quality protection	-	-	-	-	-	12,296,894
Other	14,500	-	-	-	-	-
Revenue stabilization	207,986,941	-	-	-	-	-
Debt service	-	-	-	8,489,329	-	-
<b>Committed to:</b>						
Culture and recreation	2,498,000	-	-	-	-	-
Community development and housing	1,250,000	-	-	-	-	-
Education						
Montgomery County Public Schools	1,825,355	-	-	-	-	-
Montgomery College	8,595,733	-	-	-	-	-
Capital projects	53,909,256	-	-	-	-	-
<b>Assigned to:</b>						
Encumbered for future obligations	12,884,485	-	-	-	-	-
Public safety						
Police	9,001,267	-	-	-	-	-
Other public safety	988,553	-	-	-	-	-
Public works and transportation	1,647,320	-	-	-	-	-
Health and human services	7,226,487	-	-	-	-	-
Culture and recreation	1,353,201	-	-	-	-	-
Community development and housing	80,412	1,777,868	-	-	-	-
Environment	112,011	-	-	-	-	-
<b>Unassigned:</b>						
Culture and recreation	-	-	-	-	-	(729,555)
General government	284,211,537	-	-	-	(44,314,351)	-
<b>Total fund balances</b>	<b>\$ 599,744,611</b>	<b>\$ 241,375,441</b>	<b>\$ -</b>	<b>\$ 8,489,329</b>	<b>\$ (44,314,351)</b>	<b>\$ 66,013,544</b>
<b>Summary of fund balances:</b>						
Nonspendable	\$ 6,159,553	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	208,001,441	239,597,573	-	8,489,329	-	66,743,099
Committed	68,078,344	-	-	-	-	-
Assigned	33,293,736	1,777,868	-	-	-	-
Unassigned	284,211,537	-	-	-	(44,314,351)	(729,555)
<b>Total fund balances</b>	<b>\$ 599,744,611</b>	<b>\$ 241,375,441</b>	<b>\$ -</b>	<b>\$ 8,489,329</b>	<b>\$ (44,314,351)</b>	<b>\$ 66,013,544</b>

**2) Encumbrances**

Encumbrance accounting is employed as part of the budgetary integration for all governmental funds. As of June 30, 2014, certain amounts which were available for specific purposes have been encumbered in the governmental funds. Encumbrances are included in the County’s governmental fund balances as follows:

<u>Governmental Fund</u>	<u>Amount</u>	<u>Fund Balance Classification</u>
General Fund	\$ 33,293,736	Assigned
Housing Initiative	330,328	Restricted
Nonmajor Governmental Funds	<u>17,202,459</u>	Restricted
Total Governmental Funds	<u>\$ 50,826,523</u>	

The fund balances of the following governmental funds do not include encumbrances:

<u>Governmental Fund</u>	<u>Encumbrances not included in Fund Balance</u>
Grants	\$ 8,999,573
Debt Service	1,086,967
Capital Projects	247,865,874
Fire Tax District	<u>10,755,584</u>
Total Governmental Funds	<u>\$ 268,707,998</u>

**3) Net Position Restricted by Enabling Legislation**

Net position restricted by enabling legislation represent legislative restrictions that a party external to the government can compel the government to honor. For the County, such amounts represent primarily accumulated net position attributed to revenue streams, such as taxes or fees, which are restricted for specified purposes in the County Code. This generally includes Capital Project Fund recordation and impact tax collections on hand for a component unit and municipal governments, ending fund balances of substantially all special revenue funds, and ending unrestricted net position of the Solid Waste Activities and Parking Lot Districts enterprise funds. Such amounts, which are included with restricted net position in the government-wide Statement of Net Position, are as follows at year-end:

Governmental activities	\$ 312,412,481
Business-type activities	<u>56,980,183</u>
Total	<u>\$ 369,392,664</u>

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## D) Significant Transactions with Discretely Presented Component Units

### 1) Operating and Capital Funding

Expenditures incurred for operating and capital funding of discretely presented component units amounted to the following for the year ended June 30, 2014:

	General Fund			Capital	
	Operating	Capital *	Total	Projects	Total
MCPS	\$ 1,449,727,855	\$ 14,082,644	\$ 1,463,810,499	\$ 176,262,722	\$ 1,640,073,221
MCC	100,929,527	4,847,268	105,776,795	24,451,268	130,228,063
HOC	6,078,954	-	6,078,954	-	6,078,954
Total	<u>\$ 1,556,736,336</u>	<u>\$ 18,929,912</u>	<u>\$ 1,575,666,248</u>	<u>\$ 200,713,990</u>	<u>\$ 1,776,380,238</u>

\* Represents current receipt and pay-go funding transferred from the General Fund for component units' use towards their capital projects.

For GAAP financial statement reporting purposes, General Fund expenditures incurred for funding of MCPS and MCC are classified as education expenditures; HOC funding is classified under community development and housing.

### 2) Other Transactions

BUPI charges for services revenue includes \$4,251,844 earned under contracts with the County. For capital leases with MCRA, see Note III-E3. For mortgages receivable due from HOC, see Note III-B2.

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## NOTE IV. OTHER INFORMATION

### A) Risk Management

The County, for itself and certain component units and other governments, maintains two self-insurance internal service funds. County management believes it is more economical to manage its risks internally and set aside assets for claim settlements in these internal service funds.

One fund is maintained for Liability and Property Coverage under which participants share the costs of workers' compensation, comprehensive general, automobile and professional liability (errors and omissions), property coverage including fire and theft, and other selected areas which require coverage. Commercial insurance is purchased for claims in excess of coverage provided by the self-insurance fund and for other risks not covered by the fund. In addition to all funds of the County, participants in this program include MCPS, HOC, MCC, MCRA, BUPI, M-NCPPC, the independent fire/rescue corporations, the Bethesda-Chevy Chase Rescue Squad, the Rockville Housing Enterprises, the Town of Somerset, the City of Gaithersburg, the Village of Drummond, and the Village of Friendship Heights. The liability for claims with respect to all participants transfers to the self-insurance fund, except for M-NCPPC which retains ultimate liability for its own claims.

The second fund is maintained for Employee Health Benefits under which participants share medical, prescription, dental, vision, and life insurance. While the majority of coverage is self-insured, certain fully insured plan options, including health maintenance organizations (HMO's), are offered to participants. WSTC, BUPI, Montgomery Community Television, the Strathmore Hall Foundation, Inc., Arts and Humanities Council of Montgomery County, Montgomery County Volunteer Fire & Rescue Association, and certain employees of the State of Maryland in addition to some of the participants in the Liability and Property Coverage Program, participate in this program.

Both internal service funds use the accrual basis of accounting. Payments to the Liability and Property Coverage Self-Insurance Fund by participants and recognition of the fund's liability for unpaid claims including those incurred but not reported are based on actuarial estimates. For the Employee Health Benefits Fund, charges to participants are based on actuarial estimates. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported which incorporate incremental claims adjustment expenses incurred only because of the claim, but do not include non-incremental claims adjustment expenses such as internal salary costs. Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. During the year, there were no significant reductions in commercial insurance coverage in the Liability and Property Coverage Self-Insurance Fund from the prior year. For the past three years, no insurance settlements exceeded commercial insurance coverage in either fund.

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Changes in the balances of Claims Payable for the self-insurance funds for FY14 and FY13 are as follows:

	Liability and Property Coverage	Employee Health Benefits	Total
Balance July 1, 2012	\$ 121,888,000	\$ 16,497,561	\$ 138,385,561
Claims and changes in estimates	39,603,266	96,980,423	136,583,689
Claim payments <sup>1</sup>	<u>(34,439,538)</u>	<u>(99,029,160)</u>	<u>(133,468,698)</u>
Balance June 30, 2013	127,051,728	14,448,824	141,500,552
Claims and changes in estimates	39,493,342	98,351,337	137,844,679
Claim payments <sup>1</sup>	<u>(38,584,144)</u>	<u>(100,591,105)</u>	<u>(139,175,249)</u>
Balance June 30, 2014 <sup>2,3</sup>	<u>\$ 127,960,926</u>	<u>\$ 12,209,056</u>	<u>\$ 140,169,982</u>

<sup>1</sup> Includes non-monetary settlements.

<sup>2</sup> Includes incurred but not reported (IBNR) claims of \$64,560,410 and \$12,245,038 for the Liability and Property Coverage and the Employee Health Benefits Self-Insurance Funds, respectively.

<sup>3</sup> Life Insurance is covered by a third-party provider, but the County is required to hold a reserve with the provider proportionate to claims incurred. The decrease in Life Insurance IBNR of \$35,982 is not reflected in the schedule. Claims payable including the effect of the decrease in Life IBNR is \$12,245,038.

## B) Significant Commitments and Contingencies

### 1) Landfill

The County, in its effort to provide for estimated landfill capping and postclosure maintenance costs, accrues such costs and recognizes those costs as expenses as the landfill is utilized. The October 9, 1991 U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Criteria," established closure requirements for all municipal solid waste landfills (MSWLFs) that receive waste after October 9, 1991. The County has been accruing closure expenses since FY91 in an attempt to match the costs of closure against the revenues associated with the use of the landfill. The Oaks Landfill closed on October 22, 1997, and the County began using out-of-County waste hauling during FY98. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons. The total closure and postclosure costs are estimated at \$62,583,712, which have been fully accrued through June 30, 2014. Of the total amount accrued, \$46,538,639 in actual costs have been paid out in prior years, and \$997,933 was paid in FY14, resulting in a net liability of \$15,047,140 at June 30, 2014. The current and non-current portions of the adjusted liability at year-end are estimated at \$879,842 and \$14,167,298 respectively. These costs are subject to change based on cost differences, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and postclosure costs as they are incurred in the future.

### 2) Pollution Remediation

In FY09, the County identified the Gude Landfill as requiring pollution remediation or additional post-closure costs due to ground water and surface contamination. The landfill was used for the disposal of County municipal solid waste from 1965 to 1982. It received approximately 4.8 million tons of municipal waste from 1965 until the site was closed in 1982. The estimated remediation liability recorded for FY14 is \$28.5 million. The amount is based on the expected cash flow technique, which measures the liability as the sum of the probability-weighted amounts. In this case there is a 50% probability (based on the engineers assessment) that the total estimated remediation cost is \$57 million. This liability is subject to change based on cost differences, changes in technology, or applications of laws and regulations. There are no expected recoveries to reduce the liability.

### 3) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, the County may be a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed \$2,545,090 plus any applicable interest. In accordance with generally accepted accounting principles, none of this amount has been reflected in the accompanying financial statements, as the County's liability on none of these claims are determined to be probable.

### 4) Grants, Entitlements, and Shared Revenues

The County participates in a number of Federal and State assisted grant, entitlement, and/or reimbursement programs, principal of which are the Community Development Block Grant, the Head Start Grant, Community Mental Health Grant, and the Medical Assistance Grant. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of most of these programs for, or including, the year-ended June 30, 2014, have not yet been completed. In accordance with the provisions of the Single Audit Act of 1984 and Circular A-133, issued by the U.S. Office of Management and Budget, the County participates in single audits of federally assisted programs. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe amounts ultimately disallowed, if any, would be material.

### 5) Other Commitments

County proprietary funds have entered into contract commitments that remain uncompleted as of year-end. The amounts of outstanding commitments at June 30, 2014, are as follows:

<u>Enterprise Funds:</u>	<u>Operating</u>	<u>Capital</u>	<u>Inventory</u>	<u>Total</u>
Major Funds:				
Liquor	\$ 689,330	\$ -	\$ 6,222,934	\$ 6,912,264
Solid Waste Activities:				
Disposal operations	5,628,450	-	-	5,628,450
Collection operations	54,208	-	-	54,208
Leafing operations	30,355	-	-	30,355
Parking Lot Districts:				
Silver Spring	167,766	1,732,021	-	1,899,787
Bethesda	6,115	480,701	-	486,816
Wheaton	27,572	57,547	-	85,119
Montgomery Hills	3,199	-	-	3,199
Subtotal	<u>6,606,995</u>	<u>2,270,269</u>	<u>6,222,934</u>	<u>15,100,198</u>
Nonmajor Funds:				
Permitting Services	830,223	-	-	830,223
Community Use of Public Facilities	34,740	-	-	34,740
Subtotal	<u>864,963</u>	<u>-</u>	<u>-</u>	<u>864,963</u>
Total Enterprise Funds	<u>7,471,958</u>	<u>2,270,269</u>	<u>6,222,934</u>	<u>15,965,161</u>
<u>Internal Service Funds:</u>				
Motor Pool	1,545,682	-	3,191,255	4,736,937
Central Duplicating	1,643,882	-	-	1,643,882
Liability & Property Coverage Self-Insurance	357,315	-	-	357,315
Employee Health Benefits Self-Insurance	1,520,844	-	-	1,520,844
Total Internal Service Funds	<u>5,067,723</u>	<u>-</u>	<u>3,191,255</u>	<u>8,258,978</u>
Total Proprietary Funds	<u>\$ 12,539,681</u>	<u>\$ 2,270,269</u>	<u>\$ 9,414,189</u>	<u>\$ 24,224,139</u>

As of June 30, 2014, the County has \$34,559,000 in outstanding offers of loans and/or grants that have been extended to various companies under its Economic Development Fund programs. To help fund such offers, the designated fund balance of the Economic Development Special Revenue Fund at the end of the year is typically reappropriated in the following year.

### **C) Subsequent Events**

On August 13, 2014, the County issued \$12,025,000 of Special Obligation Refunding Bonds (Senior Series 2014) to refund West Germantown Development District Series 2002A, 2004A and 2004B bonds.

On August 26, 2014, the County issued \$1.4 million of Special Obligation Refunding Bonds (Series 2014A) via direct bank placement to refund the 1999 Series Kingsview Village Center Development District bonds.

On November 6, 2014, the County issued General Obligation Bonds (Tax-Exempt Series A) in the amount of \$500,000,000 and General Obligation Refunding Bonds (Tax-Exempt Series B) in the amount of \$297,990,000.

### **D) Joint Ventures and Jointly Governed Organizations**

#### **Joint Ventures**

The Primary Government participates in five joint ventures and one jointly governed organization which are not included as part of the reporting entity. The Primary Government does not have a separable financial interest in any of the joint ventures. Therefore, no "Investment in Joint Ventures" is included in the accompanying financial statements. Audited financial statements are available from each of the six organizations. A general description of each entity follows:

#### **Maryland-National Capital Park and Planning Commission (M-NCPPC)**

M-NCPPC is a body corporate of the State of Maryland established by the Maryland General Assembly in 1927. M-NCPPC is a bi-county agency. The Board of Commissioners consists of ten members, five each from Montgomery and Prince George's Counties. The Montgomery County members are appointed by the County Council with the approval of the County Executive. The counties' oversight of M-NCPPC also includes budget approval over their respective shares of the operating and capital budgets. Each county is also required by law to guarantee the general obligation bonds of M-NCPPC issued for its jurisdiction.

At June 30, 2014, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$113,325,960, of which zero dollars were self-supporting. Of the total amount payable, \$12,094,850 represented debt due within one year. Generally, debt of M-NCPPC is payable from its resources; however, the participating counties must guarantee payment of interest and principal on the debt that is not self-supporting. Montgomery County's contingent liability for non self-supporting M-NCPPC debt at June 30, 2014 is \$46,045,813, which represents general obligation bonds outstanding for the Montgomery County jurisdiction at year-end.

#### **Washington Suburban Sanitary Commission (WSSC)**

WSSC is a bi-county instrumentality of the State of Maryland created to provide water supply and sewage disposal services for Montgomery and Prince George's Counties. The two participating counties share equal control over WSSC in the selection of the six-member governing body, budgeting authority, and financing responsibility.

At June 30, 2014, WSSC had outstanding notes payable and bonds payable in the amount of \$1,980,438,000, which were fully self-supporting. Of the total amount payable, \$286,624,000 represented debt due within one year. Pursuant to Section 4-101 of Article 29 of the Annotated Code of Maryland, the County must guarantee

payment of principal and interest on WSSC bonds, unless WSSC waives such guarantee requirement in accordance with Section 4-103 of Article 29. WSSC has waived such guarantee requirement with respect to all outstanding WSSC bonds. At June 30, 2014, all WSSC debt relating to the County is self-supporting.

#### **Washington Suburban Transit Commission (WSTC)**

The Washington Suburban Transit District (WSTD) encompasses Prince George's and Montgomery Counties, Maryland, and was chartered by the State of Maryland in 1965 to coordinate and participate in the formulation of the transit plan of the Washington Metropolitan Area Transit Authority. The WSTD is governed by the WSTC, which is composed of three representatives each from Prince George's and Montgomery Counties and one representative from the Maryland Department of Transportation. One commissioner from each county is appointed by the Governor of the State of Maryland, and the other two commissioners are appointed by the chief executive officer of the organizations they represent. The two participating counties have equal budgetary authority and financial responsibility for WSTC; however, both are required to act in consultation with the Maryland Department of Transportation. WSTC's liabilities are limited to funds payable from the participating counties and the State under outstanding grant agreements and State legislation. Montgomery County made an operating contribution totaling \$109,325 to WSTC during FY14.

#### **Washington Metropolitan Area Transit Authority (WMATA)**

WMATA was created in 1967 by interstate compact among the State of Maryland, the Commonwealth of Virginia, and the District of Columbia. WMATA's primary function is to plan, construct, finance, and operate transit facilities serving the Washington metropolitan area. The governing authority of WMATA is a sixteen-member Board of Directors. Maryland, Virginia, the District of Columbia, and the federal government each appoint four directors. Of Maryland's four directors, two are appointed by the Governor of the State of Maryland, and one each is appointed by the respective county from among its appointees to WSTC. Since WSTC is a joint venture of Montgomery and Prince George's Counties, Montgomery County participates in WMATA through WSTC.

Montgomery County is committed to participation in WMATA and its regional Metrorail, Metrobus, and Metro Access programs. Pursuant to Section 87-13 of the County Code, the County guarantees its obligations imposed on WSTD by contracts or agreements with WMATA. As a result of State legislation, the State of Maryland is required to fund 100 percent of the County's share of rail, bus, and paratransit expenses. In addition, the State is required to fund 100 percent of the annual debt service on revenue bonds issued by WMATA in connection with the construction of the Metro Rail System. The County's share of the cost of construction of the Metro Rail System has been totally assumed by the State. In addition, State legislation mandates that the State provide 100 percent of the County's share of WMATA capital equipment replacement costs.

Under State statutes, the State of Maryland is required to cover its related 100 percent of the combined operating deficit of WMATA and County Ride On operations (that began on or after June 30, 1989), assuming that 35 percent (effective in FY09) of gross operating costs are recovered by revenues.

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A summary reflecting WMATA’s expenditures incurred for the County's share of WMATA's activities for FY14, which are fully funded by the State and not reflected in the accompanying financial statements, is as follows:

Bus operating subsidy	\$ 57,861,054
Rail operating subsidy	41,903,635
Americans with Disabilities Act service	22,012,993
MetroMatters program	4,944,551
Capital Improvement Program	33,400,000
Project Development Program	506,000
Debt service on WMATA revenue bonds	2,085,506
Local bus program	<u>33,089,000</u>
Total	<u>\$ 195,802,739</u>

At June 30, 2014, WMATA had outstanding bonds payable of \$277,335,000, of which \$13,240,000 represented bonds payable due within one year. This debt is payable from the resources of WMATA.

**Northeast Maryland Waste Disposal Authority (NEMWDA)**

NEMWDA is a body politic and corporate, and a public instrumentality of the State of Maryland. NEMWDA was established to assist the political subdivisions in the Northeast Maryland Region, the private sector in waste management, and the development of waste disposal facilities adequate to accommodate the region’s requirements for disposal of solid waste. NEMWDA has the following eight member jurisdictions from the State of Maryland: Montgomery County, Anne Arundel County, Baltimore City, Baltimore County, Carroll County, Frederick County, Harford County, and Howard County. The Maryland Environmental Service is an ex-officio member.

NEMWDA issued bonds in 1993 to fund the construction of the Montgomery County Resource Recovery Project (Project). In April 2003, NEMWDA refinanced \$205,078,908 of the 1993 bonds. On February 28, 2013, NEMWDA issued \$77,685,000 in Series 2013 bonds to refund the Series 2003 bonds. On April 1, 2013, \$113,720,000 were redeemed pursuant to an advanced refunding. At June 30, 2014, NEMWDA had outstanding bonds payable in the amount of \$56,970,000 of which \$19,690,000 represented debt due within one year. These bonds are limited obligations of NEMWDA, payable solely from the Project revenues and other sources. Since the Project is owned and operated by NEMWDA, the bonds and related activities are included in the financial statements of NEMWDA.

This Project became operational in August 1995. NEMWDA has entered into a service contract with the County under which the County pays a waste disposal fee calculated in accordance with the agreement. The waste disposal fee is comprised of an amount equal to debt service, facility fees, alternative disposal costs, NEMWDA administrative costs, operating costs, and NEMWDA component revenue. Waste disposal fee expense incurred by the Solid Waste Activities Enterprise Fund during FY14 amounted to \$37,982,420.

**Jointly Governed Organization**

**Metropolitan Washington Council of Governments (COG)**

COG is a multi-governmental regional planning organization, in partnership with State and Federal government agencies, to create and implement solutions to regional issues. The County is a COG member along with other Washington metropolitan area governments. The governing body of COG is a Board of Directors. Each participating governmental unit is allotted a member or members on the Board in accordance with a specified population formula. Budgetary authority rests with the Board. Member dues finance approximately 13 percent of

population formula. Budgetary authority rests with the Board. Member dues finance approximately 13 percent of the total funding for COG, with State and Federal grants and private contributions providing the remainder. COG does not utilize debt financing. As a participating government in COG, the County paid FY14 membership dues and fees for services amounting to \$796,196.

## **E) Employee Benefits**

### **1) Deferred Compensation**

During FY05, the Montgomery County Council passed legislation enabling the County to establish and maintain one or more additional deferred compensation plans for employees covered by a collective bargaining agreement. All county non-represented employees, those County represented employees who elected to participate, and employees who were retired at the time of transfer, continue to participate in the Montgomery County Deferred Compensation Plan administered by the County (the County Plan). County represented employees who elected and all represented employees hired after March 1, 2005 participate in the newly created Montgomery County Union Employees Deferred Compensation Plan (the Union Plan) administered by the bargaining units. The purpose of these Plans is to extend to employees deferred compensation plans pursuant to Section 457 of the Internal Revenue Code of 1986, as amended.

During FY99, in accordance with Federal legislation, the assets of the County Plan were placed in trust for the sole benefit of participants and their beneficiaries. Trust responsibilities were assigned to the Board of Investment Trustees (Board). The County Plan therefore is accounted for and included in the accompanying financial statements as a pension and other employee benefit trust fund. The assets of the Union Plan are not included in the accompanying financial statements since the County has no fiduciary or other responsibility for the Union Plan except as required by federal law, including any regulation, ruling, or other guidance issued under law.

Under Section 33-11 of the Code, all employees hired after July 1, 2008 are automatically enrolled in the Plan with a 1% contribution unless they elect out within 60 days from the date of hire. All eligible participants are automatically enrolled in the Plan as of the date of hire. If they do not opt out of the Plan within 60 days from the date of hire, they begin making a contribution equivalent to 1% of their salary.

Under both Plans, contributions are sent to contracted third party administrator investment vendors for different types of investments as selected by participants. A separate account, which reflects the monies deferred, the investment of the monies, and related investment earnings, is maintained for each participant. Withdrawals are made upon retirement, termination of employment, death, and/or in unforeseeable emergencies. Administrative expenses relating to the County Plan, which are not significant to the County Plan, have been paid by the General Fund.

### **2) Annual, Sick Leave, and Other Compensated Absences**

Employees of the County earn annual, compensatory, and sick leave in varying amounts. Employees who are part of the County Management Leadership Service and participate in the Retirement Savings Plan earn only Paid Time Off (PTO) leave. In the event of termination, employees are reimbursed for accumulated annual, PTO (where applicable), and compensatory leave (up to a limit if applicable). Under the Employees' Retirement System of Montgomery County, covered employees are given credited service toward retirement benefits for accumulated sick leave at retirement. Earned but unused annual, PTO, and compensatory leave is accounted for in the proprietary funds as a liability. The liability for unused annual, PTO, and compensatory leave payable from governmental fund types is reflected only at the government-wide level because it will be paid from future periods' resources. Liabilities for compensated absences have not been recorded in governmental funds since the portion expected to be liquidated with expendable available financial resources has been determined to be immaterial.

Earned but unused sick leave is not recorded as a liability because upon termination, sick leave is not paid. Sick leave is paid only in the event of employee illness, at which time the payments will be made from current resources.

### **3) Group Insurance Benefits**

The County provides comprehensive group insurance programs to its employees. These benefits include, but are not limited to, medical, dental, and vision benefits, long-term disability, term life, and accidental death and dismemberment insurance. The cost of each insurance program is shared between the employer and the employees. During FY14, the County and its employees contributed \$93,404,902 and \$35,418,024, respectively. Employees of MCRA, HOC, and BUPI participate in the comprehensive insurance program of the County. Employer contributions totaled \$716,696, \$3,764,121, and \$188,714 for these component units, respectively, for FY14.

## **F) Pension Plan Obligations**

### **1) Defined Benefit Pension Plan**

#### **Plan Description**

The Employees' Retirement System of Montgomery County (System) is a cost-sharing multiple-employer defined benefit pension plan sponsored by the County. Other agencies and political subdivisions have the right to elect participation. Montgomery County Employee Retirement Plans has the exclusive authority to manage the assets of the System. The Board consists of thirteen trustees and functions as part of the County. A publicly available annual report that includes financial statements and required supplementary information for the System, the Defined Contribution Plan (see Note IV-F2), and the Deferred Compensation Plan (see Note IV-E1), can be accessed on the County's website at <http://www.montgomerycountymd.gov/mcerp>, or can be obtained by writing the Montgomery County Employee Retirement Plans, 101 Monroe Street, Rockville, Maryland 20850.

This Plan is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and Guaranteed Retirement Income Plan (GRIP) participants. Substantially all employees hired prior to October 1, 1994, of the County, MCRA, HOC, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., WSTC, Montgomery County Employees Federal Credit Union, certain employees of the State Department of Assessments and Taxation, and the District Court of Maryland are provided retirement benefits under the System. The System, established under Section 33 of Montgomery County Code, 2001, as amended, is a contributory plan with employees contributing a percentage of their base annual salary, depending on their group classification which determines retirement eligibility.

Benefit provisions are established under the Montgomery County Code beginning with Section 33-35. All benefits vest at five years of service. There are different retirement groups and retirement membership classes within the System. Members enrolled before July 1, 1978, belong to either the optional non-integrated group or the optional integrated group. Members enrolled on or after July 1, 1978, belong to the mandatory integrated group. Within the groups are different retirement membership classes. The retirement class assigned depends upon the job classification of the member (i.e., non public safety, police, fire, sheriffs and correctional staff). Normal and early retirement eligibility, the formula for determining the amount of benefit, and the cost of living adjustment varies depending upon the retirement group and retirement membership class. Normal retirement is a percentage of earnings multiplied by years of credited service. Earnings for optional non-integrated group members and optional integrated group members is defined as the high 12 months and for mandatory integrated group members, the high 36 months. The percentage of earnings, the maximum years of credited service and the cost of living adjustment varies depending upon the retirement membership class and group.

Members who retire early receive normal retirement benefits reduced by a minimum of 2 percent to a maximum of 60 percent depending on the number of years early retirement precedes normal retirement. Disability benefits are contingent upon service-connected or nonservice-connected occurrences and total or partial permanent disablement. Death benefits are contingent upon service-connected or nonservice-connected occurrences. Effective July 1, 1989, when members terminate employment before their retirement date and after completion of five years of credited service, they may elect to leave their member contributions in the System and receive a pension upon reaching their normal retirement date, based on the amount of their normal retirement pension that has accrued to the date of termination. Vested benefits and eligibility requirements are described under Section 33-45 of the Montgomery County Code of 2001, as amended. A member who terminates employment prior to five years of credited service is refunded their accumulated contributions with interest.

Deferred Retirement Option (DROP) Plans, established in FY00, allow any employee who is a member of a specified membership class or bargaining unit, and who meets certain eligibility requirements, to elect to “retire” but continue to work for a specified time period, during which pension payments are deferred. When the member’s participation in the DROP Plan ends, the member must stop working for the County, draw a pension benefit based on the member’s credited service and earnings as of the date that the member began to participate in the DROP Plan, and receive the value of the DROP Plan payoff.

For members of the GRIP, employee contributions vest immediately and employer contributions are vested after three years of service or upon death, disability, or reaching retirement age. Members are fully vested upon reaching normal retirement (age 62) regardless of years of service. At separation, a participant’s benefit is determined based upon the account balance which includes contributions and earnings.

### **Funding Policy**

Required employee contribution rates varying from 4 to 11.25 percent of regular earnings are fixed and specified under Section 33-39 (a) of the Montgomery County Code of 2001, as amended. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System, using the actuarial basis as specified in Section 33-40 of the Montgomery County Code of 2001, as amended. Under the current procedures, an actuarial valuation is performed to determine the employer contribution rate for the System. The contribution rate developed is a percentage of active member payroll. The dollar amount of each year’s employer contribution is determined by applying the contribution rate to the actual payroll for each year. Funding of the System during the period is the sum of the normal costs and amortization of the unfunded accrued liability over a forty-year period.

The GRIP, as defined in Section 33-35 of the Code, requires non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Public safety employees are required to contribute 3 percent of regular earnings up to the Social Security wage base and 6 percent above the Social Security wage base. Section 33-40 of the Code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively.

### **Annual Pension Cost and Net Pension Obligation**

The annual required contributions (ARC) for FY14 were based on an actuarial valuation as of June 30, 2012, the latest valuation available on the date the County Council was required to approve the appropriation resolution. The ARC, or annual pension cost (APC), were the same as contributions actually made.

The APC and the net pension obligation (NPO) of the County and the participating agencies and political subdivisions for FY14 were as follows:

Fiscal Year	APC	Percentage of	
		APC Contributed	NPO
2012	\$ 107,855,595	100 %	\$ -
2013	127,887,620	100	-
2014	144,709,675	100	-

**Allocated Insurance Contract**

On August 1, 1986, the County entered into an agreement with Aetna Life Insurance Company (Aetna) wherein Aetna accepted future responsibility for monthly payments to all members retired prior to January 1, 1986, in exchange for a lump sum payment. The County is liable for cost of living increases effective January 1, 1986, and later. The transactions related to this agreement have not been recognized in the System’s financial statements.

**2) Defined Contribution Plan**

**Plan Description**

The Employees’ Retirement Savings Plan (Plan) is a cost-sharing multiple-employer defined contribution plan established by the County under Section 33-114 of the County Code. Other agencies or political subdivisions have the right to elect participation. All non-public safety and certain public safety employees not represented by a collective bargaining agreement and hired on or after October 1, 1994, are covered under this Plan, unless they elect to participate in the GRIP. In addition to the County, other participant agencies include MCRA, HOC, the independent fire/rescue corporations, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., WSTC, and Montgomery County Employees Federal Credit Union. Employees covered under the defined benefit plan may make an irrevocable decision to move into this Plan, provided they are unrepresented employees, or represented by a collective bargaining agreement that allows for participation in this Plan.

Under Section 33-116 of the Code, the Plan requires non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Public safety employees are required to contribute 3 percent of regular earnings up to the Social Security wage base and 6 percent above the Social Security wage base. Section 33-117 of the Code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. Employee contributions are always vested under this Plan and employer contributions are vested after 3 years of service or upon death, disability, or retirement age of the employee. Employer contributions are fully vested upon reaching normal retirement age (62) regardless of years of service. At separation, a participant’s benefit is determined based upon the account balance which includes contributions and investment gains or losses. The Board of Investment Trustees monitors the Plan and offers investment options to the participating employees. Required employer and employee contributions to this Plan for FY14 were \$17,117,342 and \$8,694,887, respectively.

The Montgomery County Council passed legislation in FY09 enabling the County to establish and maintain a Guaranteed Retirement Income Plan (GRIP), a cash balance plan that is part of the Employees’ Retirement System, for employees. During FY10, eligible County employees who were members of the Retirement Savings Plan (Plan) were granted the option to elect to participate in the GRIP and to transfer their Plan member account balance to the GRIP and cease being a member of the Plan.

### 3) Other

The County contributed \$1,192,180 during FY14 for pension costs for a limited number of employees/retirees who elected to remain in the State plan. This amount includes the current service costs plus an amount sufficient to amortize the prior service cost over a forty-year period ending June 30, 2020.

### 4) Length of Service Award Program (LOSAP)

Under Section 21-21 of the Montgomery County Code, the County has established a Length of Service Award Program (LOSAP) for the County's Department of Fire and Rescue Service volunteers who meet certain age and service criteria. Benefit expenditures amounting to \$1,276,522 in FY14 also include disability and survivor annuities and lump-sum death benefits, and are reported in the Fire Tax District Special Revenue Fund on a "pay-as-you-go" basis. There were 528 recipients comprising former volunteers and their beneficiaries at the end of FY14. Based on the latest available valuation, the unfunded actuarial accrued liability for the LOSAP plan is \$20,740,159.

### G) Other Postemployment Benefits (OPEB)

#### Plan Description

During FY08, the Montgomery County Council enacted legislation (Bill No. 28-07) to establish a new trust effective July 1, 2007 to fund certain County retiree benefit plans. Effective July 1, 2011, the Montgomery County Council enacted legislation (Bill No. 17-11) to change the name to Consolidated Retiree Health Benefits Trust (CRHBT) due to the addition of County-funded agency retiree benefits plans. The County-funded agencies are MCPS and MCC, both component units of the reporting entity. During FY14, the County contributed \$83,700,000 and \$2,372,000 to the CRHBT on behalf of MCPS and MCC for the health benefits of their retirees, respectively. During FY14, MCC closed its OPEB Trust bank account and transferred its investments amounting to \$33,183,155 to the CRHBT. The CRHBT is a cost-sharing multiple-employer defined benefit healthcare plan sponsored by the County. Other agencies and political subdivisions have the right to elect participation. The Board of Trustees (Board) has the exclusive authority to manage the assets of the CRHBT. The Board consists of nineteen trustees and functions as part of the County. Separate financial statements are not issued for the CRHBT.

Substantially all retirees of the County, MCRA, HOC, the independent fire/rescue corporations, WSTC, the Strathmore Hall Foundation, Inc., the Village of Friendship Heights, Montgomery County Employees Federal Credit Union and certain retirees of the State Department of Assessments and Taxation, are provided postemployment benefits such as medical, life, dental, vision, and prescription coverage under the Montgomery County Group Insurance Plan (Plan). Retirees may also elect coverage for their eligible dependents. A member of the Employees' Retirement System of Montgomery County, who retires under a normal, early, disability or discontinued service retirement, is eligible for group insurance benefits under the Plan. However, the member is not eligible for group insurance benefits if the member leaves County service prior to retirement eligibility with a deferred vested benefit payable upon member's retirement date. A member of the Employees' Retirement Savings Plan or the GRIP is eligible for group insurance upon separation from service based upon the member's age and credited service at the time of separation. Postemployment benefit provisions and eligibility requirements for retirees are described under the Montgomery County Group Insurance Summary Plan Description.

Plan membership at June 30, 2012, the most recent actuarial valuation as of July 1, 2013, consisted of the following:

Retirees and beneficiaries receiving benefits	7,224
Active plan members	<u>9,511</u>
Total	<u>16,735</u>

Condensed FY14 financial statements for the Consolidated Retiree Health Benefits Trust are as follows:

<b>Condensed Statement of Fiduciary Net Position</b>		<b>Condensed Statement of Changes in Fiduciary Net Position</b>	
<b>ASSETS</b>		<b>ADDITIONS</b>	
Cash and investments	\$ 458,076,823	Contributions	\$ 242,480,300
Other assets	<u>6,218,701</u>	Net investment income (loss)	<u>45,586,552</u>
Total Assets	<u>464,295,524</u>	Total Additions, net	<u>288,066,852</u>
<b>LIABILITIES</b>		<b>DEDUCTIONS</b>	
Claims payable	4,110,701	Benefits	62,601,633
Other liabilities	<u>448,220</u>	Administrative	<u>3,846,093</u>
Total Liabilities	<u>4,558,921</u>	Total Deductions	<u>66,447,726</u>
<b>NET POSITION</b>		Change in Net Position	221,619,126
Held in trust for other postemployment benefits	<u>\$ 459,736,603</u>	Beginning Net Position	<u>238,117,477</u>
		Ending Net Position	<u>\$ 459,736,603</u>

### Contributions

The County Council has the authority to establish and amend contribution requirements of the plan members and the County. The Plan is a contributory plan in which the County and the retired members and beneficiaries contribute, based on an actuarial valuation, certain amounts toward the current cost of healthcare benefits. During FY14, plan members and beneficiaries receiving benefits contributed \$18,942,059 (approximately 29 percent of current contributions). The County and other contributing entities contributed \$105,302,785 including \$45,874,020 (approximately 71 percent of current contributions) for current premiums, claims and administrative expenses, and \$59,428,765 toward prefunding future benefits.

### Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation, the actuarial accrued liability (AAL) was \$1,093,214,000 and there was \$153,327,000 of actuarial plan assets; therefore, the unfunded AAL (UAAL) was \$939,887,000. The annual covered payroll of active employees covered by the Plan was \$636,774,000 and the ratio of the UAAL to covered payroll was 147.6 percent.

The actuarial valuation of the Plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts regarding the funded status of the Plan and the annual required contributions (ARC) of the County and other participating agencies are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress for this Plan presented in the required supplementary information (RSI-4) shows multi-year information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

During FY08, the County Council adopted Resolution No. 16-555, expressing its intent to phase in to full funding of the difference between pay-as-you-go contributions and the ARC over eight years. The prefunding contributions reflected in the accompanying financial statements represent the seventh year of that eight year phase in.

**Annual OPEB Cost and Net OPEB Obligation**

The ARC, or annual OPEB cost (AOC), for FY14 was based on an actuarial valuation as of June 30, 2013, the latest valuation available on the date the County Council was required to approve the FY14 budget.

The AOC and the net OPEB obligation of the County as of June 30, 2014 were as follows:

Annual required contribution (ARC)	\$ 96,089,000
Interest on net OPEB obligation	32,179,000
Adjustment to annual required contribution	<u>(24,850,000)</u>
Annual OPEB cost	103,418,000
Contributions made	<u>(106,655,086)</u>
Increase (Decrease) in net OPEB obligation	(3,237,086)
Net OPEB obligation - beginning of year	<u>429,058,044</u>
Net OPEB obligation - end of year	<u><u>\$ 425,820,958</u></u>

The County’s annual required contribution and the net OPEB obligation of the plan for the current and prior two years were as follows:

Fiscal Year Ended <u>June 30</u>	Annual OPEB <u>Cost (AOC)</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
2012	\$ 161,060,000	42.1 %	\$ 380,693,810
2013	138,891,000	65.2	429,058,044
2014	103,418,000	103.1	425,820,958

**Actuarial Methods and Assumptions**

The calculations of projected benefits are based on the terms of the Plan in effect at the time of valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liability and the actuarial value of assets.

Actuarial assumptions used in the actuarial valuation were:

Valuation date	June 30, 2013
Actuarial method	Projected unit credit
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open period)
Investment rate of return	7.50%
Salary scale	3.00%
Inflation rate	3.00%
Mortality	RP 2000 projected 30 years, separate tables for males and females
Health care cost trend rates:	(initial, ultimate)
Medical (excluding Indemnity plan) pre-65	8.06%, 5.90%
Medical (excluding Indemnity plan) post-65	(3.20)%, 5.0%
Medical (Indemnity plan)	9.25%, 5.60%
Medical (Indemnity plan) post-65	(1.71)%, 5.49%
Dental	5.50%, 4.50%

**REQUIRED SUPPLEMENTARY INFORMATION**



MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-1

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes:				
Property	\$ 1,091,892,294	\$ 1,091,892,294	\$ 1,106,717,730	\$ 14,825,436
Property - penalty and interest	-	-	2,017,941	2,017,941
Total Property Tax	1,091,892,294	1,091,892,294	1,108,735,671	16,843,377
County Income Tax	1,299,191,344	1,299,191,344	1,376,763,653	77,572,309
Other Local Taxes:				
Real property transfer	85,730,000	85,730,000	90,496,157	4,766,157
Recordation	56,597,874	56,597,874	53,962,477	(2,635,397)
Fuel energy	210,727,982	210,727,982	210,678,660	(49,322)
Hotel-motel	17,752,800	17,752,800	17,675,982	(76,818)
Telephone	45,126,000	45,126,000	53,160,865	8,034,865
Other	3,043,200	3,043,200	3,329,249	286,049
Total Other Local Taxes	418,977,856	418,977,856	429,303,390	10,325,534
Total Taxes	2,810,061,494	2,810,061,494	2,914,802,714	104,741,220
Licenses and Permits:				
Business	4,482,290	4,482,290	4,631,320	149,030
Non business	5,799,380	5,799,380	5,954,013	154,633
Total Licenses and Permits	10,281,670	10,281,670	10,585,333	303,663
Intergovernmental Revenue:				
State Aid and Reimbursements:				
DHR State reimbursement	43,700	43,700	46,067	2,367
Highway user revenue	3,438,906	3,438,906	3,339,194	(99,712)
Police protection	13,711,890	13,711,890	13,773,624	61,734
Health and human services programs	4,927,951	4,927,951	5,592,476	664,525
Public libraries	5,338,976	5,338,976	4,636,918	(702,058)
911 Emergency	5,420,000	5,420,000	8,616,645	3,196,645
Other	1,837,164	2,324,485	685,904	(1,638,581)
Total State Aid and Reimbursements	34,718,587	35,205,908	36,690,828	1,484,920
Federal Reimbursements:				
Federal financial participation	9,360,703	9,360,703	16,218,191	6,857,488
Other	5,401,696	5,401,696	9,219,406	3,817,710
Total Federal Reimbursements	14,762,399	14,762,399	25,437,597	10,675,198
Other Intergovernmental	1,631,060	1,631,060	3,257,654	1,626,594
Total Intergovernmental Revenue	51,112,046	51,599,367	65,386,079	13,786,712
Charges for Services:				
General government	980,414	980,414	930,950	(49,464)
Public safety	5,556,170	5,556,170	5,734,489	178,319
Health and human services	1,447,928	1,447,928	1,379,170	(68,758)
Culture and recreation	600	600	36,206	35,606
Environment	320,000	320,000	309,520	(10,480)
Public works and transportation	268,000	268,000	521,081	253,081
Total Charges for Services	8,573,112	8,573,112	8,911,416	338,304
Fines and forfeitures	21,625,731	21,625,731	23,993,497	2,367,766
Investment Income:				
Pooled investment income	5,610	5,610	(8,293)	(13,903)
Other interest income	33,690	33,690	13,865	(19,825)
Total Investment Income	39,300	39,300	5,572	(33,728)

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Miscellaneous Revenue:				
Property rentals	5,114,970	5,114,970	4,405,848	(709,122)
Sundry	2,990,440	3,662,720	3,728,020	65,300
Total Miscellaneous Revenue	8,105,410	8,777,690	8,133,868	(643,822)
Total Revenues	2,909,798,763	2,910,958,364	3,031,818,479	120,860,115
Expenditures:				
Departments or Offices:				
County Council:				
Personnel	8,934,880	9,042,230	9,042,223	7
Operating	906,645	902,459	725,774	176,685
Totals	9,841,525	9,944,689	9,767,997	176,692
Board of Appeals:				
Personnel	535,575	530,364	492,067	38,297
Operating	56,983	67,573	67,563	10
Totals	592,558	597,937	559,630	38,307
Legislative Oversight:				
Personnel	1,303,856	1,330,681	1,278,693	51,988
Operating	50,746	50,746	19,767	30,979
Totals	1,354,602	1,381,427	1,298,460	82,967
Merit System Protection Board:				
Personnel	159,229	159,229	141,820	17,409
Operating	15,508	19,258	18,162	1,096
Totals	174,737	178,487	159,982	18,505
Zoning and Administrative Hearings:				
Personnel	535,489	535,489	484,394	51,095
Operating	76,290	79,123	62,324	16,799
Totals	611,779	614,612	546,718	67,894
Inspector General:				
Personnel	662,005	666,860	657,770	9,090
Operating	168,095	348,095	312,253	35,842
Totals	830,100	1,014,955	970,023	44,932
Circuit Court:				
Personnel	8,448,416	8,448,416	8,036,553	411,863
Operating	2,551,579	3,042,888	2,903,581	139,307
Totals	10,999,995	11,491,304	10,940,134	551,170
State's Attorney:				
Personnel	13,037,824	13,196,604	13,196,593	11
Operating	753,012	887,024	887,018	6
Totals	13,790,836	14,083,628	14,083,611	17
County Executive:				
Personnel	4,165,710	4,188,159	4,179,500	8,659
Operating	603,997	856,882	783,714	73,168
Totals	4,769,707	5,045,041	4,963,214	81,827
Community Engagement Cluster:				
Personnel	2,591,377	2,907,828	2,907,821	7
Operating	711,205	747,159	494,653	252,506
Totals	3,302,582	3,654,987	3,402,474	252,513

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Ethics Commission:				
Personnel	310,574	285,750	261,961	23,789
Operating	26,433	103,754	101,279	2,475
Totals	337,007	389,504	363,240	26,264
Intergovernmental Relations:				
Personnel	778,469	778,469	655,935	122,534
Operating	86,443	86,443	80,263	6,180
Totals	864,912	864,912	736,198	128,714
Public Information:				
Personnel	3,715,352	3,759,273	3,759,262	11
Operating	944,709	1,244,781	1,244,774	7
Totals	4,660,061	5,004,054	5,004,036	18
Board of Elections:				
Personnel	3,126,049	3,174,575	3,174,570	5
Operating	2,900,364	3,345,577	3,160,039	185,538
Totals	6,026,413	6,520,152	6,334,609	185,543
County Attorney:				
Personnel	4,719,677	5,195,294	5,195,286	8
Operating	632,116	1,231,029	1,231,028	1
Totals	5,351,793	6,426,323	6,426,314	9
Management and Budget:				
Personnel	3,762,657	3,621,044	3,467,747	153,297
Operating	107,810	288,147	288,143	4
Totals	3,870,467	3,909,191	3,755,890	153,301
Finance:				
Personnel	10,450,782	9,745,722	9,444,346	301,376
Operating	1,848,483	2,874,538	2,874,532	6
Totals	12,299,265	12,620,260	12,318,878	301,382
Human Resources:				
Personnel	4,778,651	5,414,016	5,414,007	9
Operating	2,877,789	2,682,667	2,618,495	64,172
Totals	7,656,440	8,096,683	8,032,502	64,181
Technology Services:				
Personnel	14,757,780	15,090,908	15,090,899	9
Operating	13,996,724	16,656,461	16,656,456	5
Totals	28,754,504	31,747,369	31,747,355	14
General Services:				
Personnel	13,785,691	15,780,191	15,780,187	4
Operating	12,861,860	23,896,111	23,894,731	1,380
Totals	26,647,551	39,676,302	39,674,918	1,384
Consumer Protection:				
Personnel	2,007,509	2,055,271	2,055,262	9
Operating	141,207	127,087	81,692	45,395
Totals	2,148,716	2,182,358	2,136,954	45,404
Corrections and Rehabilitation:				
Personnel	59,634,572	60,974,597	60,974,589	8
Operating	6,963,529	8,308,652	8,308,643	9
Totals	66,598,101	69,283,249	69,283,232	17

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Human Relations Commission:				
Personnel	870,445	902,575	902,566	9
Operating	72,228	65,237	64,759	478
Totals	942,673	967,812	967,325	487
Police:				
Personnel	214,984,602	215,632,544	215,632,542	2
Operating	45,445,048	49,327,152	49,327,143	9
Totals	260,429,650	264,959,696	264,959,685	11
Sheriff:				
Personnel	19,262,982	20,118,503	20,118,492	11
Operating	2,670,908	2,650,316	2,650,307	9
Totals	21,933,890	22,768,819	22,768,799	20
Homeland Security:				
Personnel	1,058,160	1,067,251	814,229	253,022
Operating	259,152	362,682	353,048	9,634
Totals	1,317,312	1,429,933	1,167,277	262,656
Transportation:				
Personnel	19,205,101	24,204,913	23,713,034	491,879
Operating	22,927,839	48,994,149	48,994,144	5
Totals	42,132,940	73,199,062	72,707,178	491,884
Health and Human Services:				
Personnel	107,613,145	104,663,188	104,375,730	287,458
Operating	85,612,072	94,929,880	94,929,592	288
Totals	193,225,217	199,593,068	199,305,322	287,746
Libraries:				
Personnel	28,389,275	28,462,063	27,348,568	1,113,495
Operating	6,380,309	7,531,725	7,531,239	486
Totals	34,769,584	35,993,788	34,879,807	1,113,981
Housing and Community Affairs:				
Personnel	3,981,669	3,997,564	3,996,863	701
Operating	815,509	890,146	702,910	187,236
Totals	4,797,178	4,887,710	4,699,773	187,937
Economic Development:				
Personnel	3,901,264	3,686,749	3,686,741	8
Operating	4,868,251	6,170,637	6,170,633	4
Totals	8,769,515	9,857,386	9,857,374	12
Environmental Protection:				
Personnel	1,389,960	1,305,788	1,294,548	11,240
Operating	178,871	300,604	250,199	50,405
Totals	1,568,831	1,606,392	1,544,747	61,645
Total Departments	781,370,441	849,991,090	845,363,656	4,627,434
Nondepartmental:				
Arts Council - operating	3,792,700	3,792,704	3,792,700	4
Boards, Committees and Commissions	22,950	22,950	21,435	1,515
Charter Review Commission	1,150	1,150	910	240
Community grants	7,198,997	7,462,171	6,982,862	479,309
Compensation adjustment - personnel	1,356,001	509,030	112,448	396,582
Compensation adjustment - operating	629,455	690,015	689,999	16
Conference Center - personnel	106,566	106,566	106,474	92
Conference Center - operating	499,690	499,690	49,920	449,770

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Conferences & Visitors Bureau	1,242,696	1,382,799	1,382,799	-
Consolidated Retiree Health Benefits Trust (MC)	2,372,000	2,372,000	2,372,000	-
Consolidated Retiree Health Benefits Trust (MCPS)	83,700,000	83,700,000	83,700,000	-
Contrib. To Self Ins Fund - Risk Mg	20,564,342	20,564,342	19,906,744	657,598
County Associations	72,710	72,710	72,710	-
County Leases - personnel	100,000	125,620	125,615	5
County Leases - operating	23,446,404	24,065,351	24,065,347	4
Desktop computer modernization - operating	5,315,030	6,166,595	6,135,465	31,130
Grants To Muni Lieu Of Shared Tax	28,020	28,020	28,012	8
Group Insurance Retirees	32,462,450	32,462,450	32,461,693	757
Historical Activities	77,250	77,250	77,250	-
Homeowners' Association Roads	49,250	49,250	49,250	-
Housing Opportunities Commission	6,093,310	-	-	-
Independent Audit	420,820	424,354	330,076	94,278
Interagency tech, policy and coord comm - operating	5,850	5,850	3,319	2,531
Legislative Branch Communications Outreach	400,000	671,727	625,112	46,615
Metro Washington Council Of Govts	796,668	796,668	796,196	472
Mont Coalition Adult English Literacy	927,058	927,058	927,058	-
Motor Pool Fund	2,184,191	-	-	-
Municipal Tax Duplication	8,149,310	8,149,310	8,036,352	112,958
Prisoner Medical Services	50,000	50,000	-	50,000
Public Technologies Inc	20,000	20,000	20,000	-
Rebate Takoma Park For Police	916,295	1,019,405	1,019,393	12
Retiree Health Benefits Trust	48,902,589	48,902,589	48,902,589	-
Rockville Parking District	382,250	382,250	379,904	2,346
Snow Removal	5,884,990	-	-	-
State Positions Supplement	44,662	57,742	57,733	9
State Property Tax Services	3,333,398	3,333,398	3,153,760	179,638
State Retirement Contribution	1,192,180	1,192,180	1,192,180	-
Takoma Park - Lib Transition	108,810	108,810	66,980	41,830
Utilities	25,696,647	25,707,555	24,528,057	1,179,498
Working Families Income Supplement	17,657,600	17,657,600	16,885,860	771,740
Total - Nondepartmental	306,204,289	293,557,159	289,058,202	4,498,957
Total Expenditures	1,087,574,730	1,143,548,249	1,134,421,858	9,126,391
Excess of Revenues over (under) Expenditures	1,822,224,033	1,767,410,115	1,897,396,621	129,986,506
Other Financing Sources (Uses):				
Transfers In:				
Special Revenue Funds:				
Fire Tax District	120,750	120,750	120,750	-
Recreation	5,335,610	4,635,610	3,572,400	(1,063,210)
Mass Transit	9,959,300	9,959,300	9,959,300	-
Noise Abatement Funds	-	-	46	46
Water Quality Protection	1,196,509	1,196,509	1,196,509	-
Urban Districts	477,370	477,370	477,370	-
Housing Activities	264,505	264,505	264,505	-
Grants	638,690	638,690	-	(638,690)
Cable TV	10,962,039	10,962,039	10,962,039	-
Total Special Revenue Funds	28,954,773	28,254,773	26,552,919	(1,701,854)

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Enterprise Funds:				
Liquor	20,891,294	20,891,294	20,891,294	-
Parking Lot Districts	733,693	733,693	733,693	-
Solid Waste Activities	2,426,022	2,426,022	2,426,022	-
Community Use of Public Facilities	429,435	429,435	429,435	-
Permitting Services	3,773,074	3,773,074	3,773,074	-
Total Enterprise Funds	28,253,518	28,253,518	28,253,518	-
Internal Service Funds:				
Self insurance employee health benefits	8,682,636	8,682,636	8,682,636	-
Total Internal Service Funds	8,682,636	8,682,636	8,682,636	-
Total Transfers In	65,890,927	65,190,927	63,489,073	(1,701,854)
Transfers In - Component Units:				
Montgomery College	247,610	247,610	-	(247,610)
Total Transfers In - Component Units	247,610	247,610	-	(247,610)
Total Transfers In - MCG	66,138,537	65,438,537	63,489,073	(1,949,464)
Transfers (Out):				
Special Revenue Funds:				
Recreation	(1,009,700)	(1,009,700)	(1,009,700)	-
Fire Tax District	(250,000)	(250,000)	(250,000)	-
Urban Districts	(1,461,090)	(1,461,090)	(1,461,090)	-
Mass Transit	(982,310)	(531,310)	(531,310)	-
Housing Activities	(17,816,357)	(18,465,682)	(18,465,682)	-
Economic Development	(3,301,858)	(4,840,706)	(4,840,706)	-
Total Special Revenue Funds	(24,821,315)	(26,558,488)	(26,558,488)	-
Internal Service Funds:				
Motor Pool	-	(2,184,191)	(1,143,657)	1,040,534
Total Internal Service Funds	-	(2,184,191)	(1,143,657)	1,040,534
Enterprise Funds:				
Community Use of Public Facilities	(159,300)	(159,300)	(159,300)	-
Parking Lot Districts	(32,379)	(32,379)	(32,379)	-
Solid Waste Activities	(1,262,760)	(1,262,760)	(1,262,760)	-
Permitting Services	(1,153,770)	(1,153,770)	(1,153,770)	-
Total Enterprise Funds	(2,608,209)	(2,608,209)	(2,608,209)	-
Debt Service Fund	(267,510,270)	(267,525,932)	(256,222,429)	11,303,503
Capital Projects Fund	-	(76,477,471)	(42,493,960)	33,983,511
Total Transfers (Out)	(294,939,794)	(375,354,291)	(329,026,743)	46,327,548

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-1 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Transfers (Out) - Component Units:				
Montgomery County Public Schools - operating	(1,449,727,855)	(1,449,727,855)	(1,449,727,855)	-
Montgomery County Public Schools - capital	-	(26,866,625)	(14,082,644)	12,783,981
Total Montgomery County Public Schools	(1,449,727,855)	(1,476,594,480)	(1,463,810,499)	12,783,981
Montgomery College - operating	(100,929,527)	(100,929,527)	(100,929,527)	-
Montgomery College - capital	-	(21,015,461)	(4,847,268)	16,168,193
Total Montgomery College	(100,929,527)	(121,944,988)	(105,776,795)	16,168,193
Housing Opportunity Commission - operating	-	(6,093,310)	(6,078,954)	14,356
Housing Opportunity Commission - capital	-	(5,142,659)	-	5,142,659
Total Housing Opportunity Commission	-	(11,235,969)	(6,078,954)	5,157,015
M-NCPPC - operating	(879,484)	(949,484)	(949,484)	-
Total Transfers (Out) - Component Units and JV	(1,551,536,866)	(1,610,724,921)	(1,576,615,732)	34,109,189
Total Transfers (Out) - MCG	(1,846,476,660)	(1,986,079,212)	(1,905,642,475)	80,436,737
Total Other Financing Sources (Uses)	(1,780,338,123)	(1,920,640,675)	(1,842,153,402)	78,487,273
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	41,885,910	(153,230,560)	55,243,219	208,473,779
Fund Balance - Beginning of Year	209,923,812	38,564,773	294,521,063	255,956,290
Fund Balance - End of Year	\$ 251,809,722	\$ (114,665,787)	\$ 349,764,282	\$ 464,430,069

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues,  
Expenditures & Changes in Fund Balances:**

General Fund:	Expenditures and			
	Revenues	Encumbrances	Financing Sources (Uses)	Effect on Fund Balance
As reported - budgetary basis	\$ 3,031,818,479	\$ 1,134,421,858	\$ (1,842,153,402)	\$ 55,243,219
Non budgeted Item - Bad debt expense	-	45,533	-	(45,533)
Adjusted - budgetary basis	3,031,818,479	1,134,467,391	(1,842,153,402)	55,197,686
Reconciling items:				
Elimination of encumbrances outstanding	-	(33,293,736)	-	33,293,736
Revenue Stabilization investment income	108,641	-	-	108,641
Conference center activity	16,251,436	15,385,614	-	865,822
Interfund activities budgeted as transfers:				
Recreation costs reimbursed via a transfer	-	-	1,763,210	1,763,210
Recreation facility maintenance costs	3,400,560	-	(3,400,560)	-
Public agency permits	-	1,153,770	1,153,770	-
Solid Waste tipping fees	-	1,262,760	1,262,760	-
Community Use of Public Facilities for elections	-	134,300	134,300	-
Component Units and Joint Venture - transfer out	-	1,576,615,732	1,576,615,732	-
As reported - GAAP basis	\$ 3,051,579,116	\$ 2,695,725,831	\$ (264,624,190)	\$ 91,229,095

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
HOUSING INITIATIVE SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-2

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - transfer	\$ 9,069,793	\$ 9,069,793	\$ 8,721,575	\$ (348,218)
Investment Income:				
Pooled investment income	1,000,000	1,000,000	10,172	(989,828)
Other interest income	-	-	2,038,324	2,038,324
Total Investment Income	1,000,000	1,000,000	2,048,496	1,048,496
Miscellaneous:				
Property rentals, MPDU and other contributions	392,736	392,736	1,481,223	1,088,487
Total Miscellaneous	392,736	392,736	1,481,223	1,088,487
Total Revenues	10,462,529	10,462,529	12,251,294	1,788,765
Expenditures: Community development and housing				
Personnel	1,605,462	1,659,956	1,659,952	4
Operating	27,269,332	30,831,174	17,813,557	13,017,617
Total Expenditures	28,874,794	32,491,130	19,473,509	13,017,621
Excess of Revenues over (under) Expenditures	(18,412,265)	(22,028,601)	(7,222,215)	14,806,386
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	17,816,357	18,465,682	18,465,682	-
From Capital Projects Fund	7,509,394	7,509,394	7,509,394	-
To General Fund	(264,505)	(264,505)	(264,505)	-
To Debt Service Fund	(7,510,400)	(7,510,400)	(5,031,093)	2,479,307
To Capital Projects	-	-	(3,932,423)	(3,932,423)
Mortgage repayment	2,500,000	2,500,000	2,775,777	275,777
Sale of property	1,250,000	1,250,000	1,552,618	302,618
Total Other Financing Sources (Uses)	21,300,846	21,950,171	21,075,450	(874,721)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	2,888,581	(78,430)	13,853,235	13,931,665
Fund Balance - Beginning of Year	34,925,138	34,925,138	34,925,138	-
Fund Balance - End of Year	\$ 37,813,719	\$ 34,846,708	\$ 48,778,373	\$ 13,931,665

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures & Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses:	\$ 13,853,235
Reconciling items:	
Elimination of encumbrances outstanding	330,328
Decrease in mortgages receivable	(3,518,218)
GAAP - Net Change in Fund Balance	\$ 10,665,345

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY NON-GAAP BASIS)  
GRANTS - SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-3

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental:				
Federal grants	\$ 61,193,712	\$ 59,256,298	\$ 49,531,226	\$ (9,725,072)
State grants	45,670,437	137,038,807	58,327,354	(78,711,453)
Other non-state and non-federal reimbursements	140,000	2,474,820	529,732	(1,945,088)
Total Intergovernmental	107,004,149	198,769,925	108,388,312	(90,381,613)
Investment income:				
Other principal and interest income	1,000,000	335,335	731,636	396,301
Total Investment Income	1,000,000	335,335	731,636	396,301
Miscellaneous	150,535	(101,165)	1,452,530	1,553,695
<b>Total Revenues</b>	<b>108,154,684</b>	<b>199,004,095</b>	<b>110,572,478</b>	<b>(88,431,617)</b>
Expenditures:				
General Government:				
Circuit Court:				
Personnel costs	1,965,328	1,980,540	1,980,540	-
Operating	177,053	591,446	261,487	329,959
Totals	2,142,381	2,571,986	2,242,027	329,959
Office of State's Attorney:				
Personnel costs	116,998	590,411	148,481	441,930
Operating	-	4,087	4,087	-
Totals	116,998	594,498	152,568	441,930
Office of the County Executive:				
Personnel costs	122,136	500,614	118,143	382,471
Operating	4,484	238,247	21,415	216,832
Totals	126,620	738,861	139,558	599,303
Intergovernmental Relations:				
Operating	30,670	92,016	30,664	61,352
Totals	30,670	92,016	30,664	61,352
Community Engagement Cluster:				
Personnel costs	60,190	163,527	91,521	72,006
Operating	-	22,208	13,193	9,015
Totals	60,190	185,735	104,714	81,021
General Services:				
Operating	-	873,950	171,579	702,371
Totals	-	873,950	171,579	702,371
Department of Technology Services:				
Operating	-	1,593,973	654,968	939,005
Totals	-	1,593,973	654,968	939,005
Total General Government	2,476,859	6,651,019	3,496,078	3,154,941
Public Safety:				
Department of Corrections and Rehabilitation:				
Personnel costs	-	15,955	-	15,955
Operating	-	85,406	6,233	79,173
Totals	-	101,361	6,233	95,128

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY NON-GAAP BASIS)  
GRANTS - SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
RSI-3 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Department of Fire and Rescue Services:				
Personnel costs	1,621,723	2,246,825	2,246,825	-
Operating	-	6,069,301	4,051,836	2,017,465
Totals	1,621,723	8,316,126	6,298,661	2,017,465
Department of Police:				
Personnel costs	165,000	1,876,234	799,372	1,076,862
Operating	-	3,834,848	2,224,220	1,610,628
Totals	165,000	5,711,082	3,023,592	2,687,490
Office of the County Sheriff:				
Personnel costs	870,802	1,795,514	931,284	864,230
Operating	164,480	825,841	280,615	545,226
Totals	1,035,282	2,621,355	1,211,899	1,409,456
Office of Emergency Management & Homeland Security:				
Personnel costs	421,707	3,137,810	621,262	2,516,548
Operating	-	8,423,760	4,195,409	4,228,351
Totals	421,707	11,561,570	4,816,671	6,744,899
Total Public Safety	3,243,712	28,311,494	15,357,056	12,954,438
Transportation:				
Department of Transportation:				
Personnel costs	1,732,477	8,259,245	1,472,067	6,787,178
Operating	2,973,020	5,807,319	4,033,247	1,774,072
Total Transportation	4,705,497	14,066,564	5,505,314	8,561,250
Department of Economic Development:				
Personnel costs	-	1,558,573	-	1,558,573
Operating	2,842,854	4,355,931	3,090,399	1,265,532
Total Economic Development	2,842,854	5,914,504	3,090,399	2,824,105
Health and Human Services:				
Department of Health and Human Services:				
Personnel costs	42,568,067	57,289,048	43,285,502	14,003,546
Operating	25,611,194	55,693,898	34,734,072	20,959,826
Total Health and Human Services	68,179,261	112,982,946	78,019,574	34,963,372
Culture and Recreation:				
Department of Libraries:				
Personnel costs	40,290	12,321	12,321	-
Operating	12,000	25,594	5,887	19,707
Totals	52,290	37,915	18,208	19,707
Department of Recreation:				
Personnel costs	85,503	116,676	103,120	13,556
Operating	-	55,903	-	55,903
Totals	85,503	172,579	103,120	69,459
Total Culture and Recreation	137,793	210,494	121,328	89,166
Housing:				
Department of Housing and Community Affairs:				
Personnel costs	1,792,345	2,341,679	1,850,659	491,020
Operating	4,212,477	15,403,884	3,918,822	11,485,062
Total Housing	6,004,822	17,745,563	5,769,481	11,976,082

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY NON-GAAP BASIS)  
GRANTS - SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**RSI-3 (Concluded)**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Environment:				
Department of Environmental Protection:				
Personnel costs	-	6,338	-	6,338
Operating	-	182,401	83,243	99,158
Total Environmental Protection	-	188,739	83,243	105,496
Department of Liquor Control:				
Personnel costs	-	23,769	4,244	19,525
Operating	-	13,426	2,995	10,431
Total Liquor Control	-	37,195	7,239	29,956
Nondepartmental:				
NDA Historical Activities - Operating	563,886	-	-	-
Future Grants - Operating	20,000,000	12,525,387	-	12,525,387
Total Nondepartmental	20,563,886	12,525,387	-	12,525,387
<b>Total Expenditures</b>	<b>108,154,684</b>	<b>198,633,905</b>	<b>111,449,712</b>	<b>87,184,193</b>
Excess of Revenues over (under)				
Expenditures	-	370,190	(877,234)	(1,247,424)
Other Financing Sources (Uses):				
Transfers In:				
Mass Transit Special Revenue Fund	-	250,000	700,534	450,534
Fire Tax District Special Revenue Fund	-	18,500	176,700	158,200
Total Transfers In	-	268,500	877,234	608,734
Transfers Out - General Fund	-	(638,690)	-	638,690
Total Transfers Out	-	(638,690)	-	638,690
Total Other Financing Sources (Uses)	-	(370,190)	877,234	1,247,424
Excess of Revenues and Other Financing				
Sources over (under) Expenditures				
and Other Financing Uses	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

Grants Fund prior year carryover includes: a) re-appropriation of encumbered appropriations, and b) revenues under grants that require more than one fiscal year to complete the grant program.

**Reconciliation of Budgetary Schedule to GAAP Basis**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Revenues	Expenditures & Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
As reported - budgetary basis	\$ 110,572,478	\$ 111,449,712	\$ 877,234	\$ -
Reconciling items:				
Loan expenditures	(2,029,394)	(2,029,394)	-	-
Indirect costs	(1,016,171)	(1,016,171)	-	-
Pass-through expenditures	4,649,960	4,649,960	-	-
As reported - GAAP basis	\$ 112,176,873	\$ 113,054,107	\$ 877,234	\$ -

## REQUIRED SUPPLEMENTARY INFORMATION

### CONSOLIDATED RETIREE HEALTH BENEFITS TRUST

The following required supplementary information is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons among employers.

#### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$ 47,962,000	\$ 1,859,450,000	\$ 1,811,488,000	2.6 %	\$ 694,040,000	261.0 %
6/30/2012	92,610,000	1,403,693,000	1,311,083,000	6.6	618,227,000	212.1
6/30/2013	153,327,000	1,093,214,000	939,887,000	14.0	636,774,000	147.6

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the assets as a percentage of the actuarial accrued liability provides one indication of the system's funding status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

#### SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITIES CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation
		Employers	Other Contributing Entities	
2009	\$ 111,677,000	51.0 %	1.2 %	\$ 113,534,939
2010	107,397,000	37.5	2.1	180,712,589
2011	147,582,000	28.7	1.1	287,497,491
2012	147,327,000	44.4	1.6	380,693,810
2013	123,152,000	71.8	1.7	429,058,044
2014	103,418,000	103.1	1.5	425,820,958

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Budgetary Information

#### Overview

Annual appropriated operating budgets are adopted for the General Fund, Debt Service Fund, substantially all Special Revenue Funds (except for the Agricultural Transfer Tax Fund), Enterprise Funds, the Liability and Property Coverage Self-Insurance Internal Service Fund, and the Employee Health Benefits Self-Insurance Internal Service Fund. The Capital Projects Fund budget is appropriated at the project level on a biennial basis. All unencumbered appropriations lapse at year-end except for those related to Federal and State grants and the Capital Projects Fund.

Encumbrance accounting is employed for budgetary purposes in the governmental and proprietary funds. Encumbrances (purchase orders and contracts awarded for which goods and services have not been received at year-end), and other commitments for the expenditure of funds are recorded in order to preserve that portion of the appropriation. In the governmental funds for GAAP purposes, outstanding encumbrances are reported as restricted, committed, or assigned category of fund balance because they do not constitute expenditures or liabilities. In the proprietary funds, encumbrances are eliminated for GAAP financial statement presentation since neither goods nor services have been provided. For GAAP purposes, all encumbrances are charged to expenditures/expenses in the period in which goods or services are received.

#### Approval

Pursuant to the Montgomery County Charter, the Capital Improvements Program (CIP) is presented to the County Council by January 15 in even numbered years. An Amended CIP is presented to the County Council by January 15 in odd numbered years. The annual capital budget, with the CIP or Amended CIP, is presented to the County Council by January 15 of every year and the operating budget is presented to the County Council by March 15 of every year. The County Council holds public hearings and, pursuant to the County Charter, an annual appropriation resolution must be passed by the County Council by June 1. This resolution becomes effective for the one-year period beginning the following July 1. For the operating budget, the annual resolution provides the spending authority at the department level in two major categories (personnel costs and operating) with the unencumbered appropriation authority expiring the following June 30. Encumbered appropriations are reappropriated and carried forward to the subsequent fiscal year. With the exception of the Grants Special Revenue Fund (see Note III-H1), such encumbrances are reported as a restricted or committed component of the current fiscal year's fund balance. The annual budget must be consistent with the six-year program for public services and fiscal policy. Multi-year planning provides a framework to make informed decisions about the levels of public services and project the impact of what may happen as a result of current decisions and policies. For the capital projects budget, the annual resolution provides spending authority at the project level. The unencumbered appropriation of the CIP budget is reappropriated in the following year's budget unless specifically closed out by County Council action.

The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. During the operating year the County Council may adopt a supplemental appropriation if recommended by the County Executive and after holding a public hearing. Supplemental appropriations enacted during the first half of the fiscal year require: five Councilmember votes if they are to avail the County of, or put into effect the provision of Federal, State, or local legislation or regulation; or six Councilmember votes for any other purpose. During the operating year the County Council may also adopt, with six Councilmember votes, special appropriations to meet an unforeseen disaster or other emergency or to act without delay in the public

interest. Special appropriations require only public notice by news release. During FY14, the County Council increased the operating budget through supplemental and special appropriations by \$46.2 million. In addition, supplemental appropriations increased the CIP budget by \$25.8 million.

### **Presentation**

The basis used to prepare the legally adopted budget is different from GAAP in a number of ways, including the following:

- Encumbrances outstanding are charged to budgetary appropriations and considered expenditures of the current period; any cancellations of such encumbrances in a subsequent year are classified with miscellaneous revenue for budgetary purposes.
- Certain activity, such as unrealized gains (losses), is not budgeted due to its nature.
- Certain interfund revenues/expenditures are classified as transfers for budget purposes.
- Fund budgets do not include depreciation and bad debts, however they do include debt service payments and capital outlay.
- Year-end incurred but not reported (IBNR) adjustments in the self-insurance internal service funds are not budgeted for, as they are incorporated into the budget preparation process of the following fiscal year.
- Mortgages and loans made and related repayments are generally accounted for as expenditures/other financial uses and revenues/other financing sources, respectively.
- Retirement of commercial paper bond anticipation notes through the issuance of general obligation bonds is not budgeted.
- Proceeds under certain capital lease financing are not budgeted.
- Certain activity is not budgeted by the County, since it is included in the budget of a component unit that is legally adopted by the County Council, such as certain pass-through expenditures, and bond proceeds and related transfers to MCPS and MCC.

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## **SUPPLEMENTARY DATA**



## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

#### **Special Taxing Districts:**

##### **Recreation**

Accounts for the fiscal activity relating to providing recreational services throughout the County, except for certain cities and towns that provide their own recreational services.

##### **Fire Tax District**

Accounts for the fiscal activities related to providing fire and rescue services throughout the County. To a great extent, tax revenues are distributed to independent fire and rescue corporations that provide these services.

##### **Mass Transit Facilities**

Accounts for the fiscal activities of planning, developing, and financing transit facilities within the County-wide Mass Transit District.

##### **Urban Districts**

Bethesda; Silver Spring; Wheaton: Accounts for the fiscal activity related to the maintenance and enhancement of the business districts of these communities.

##### **Noise Abatement Districts**

Bradley and Cabin John: Accounts for the fiscal activity related to the accumulation of resources to pay debt service on bonds issued to finance the construction of noise abatement barriers along Interstate 495 (the "beltway").

#### **Rehabilitation Loan**

Accounts for loans to homeowners of eligible income to finance rehabilitation required to make their homes conform to applicable Montgomery County Code requirements.

#### **Economic Development**

Accounts for the economic development programs of the County, comprised of loans and grants, which are designed to assist private employers who are located or plan to locate or substantially expand operations in the County.

#### **Cable TV**

Accounts for the franchise fee and gross receipts revenues and the administration of cable television activities in the County.

#### **Other:**

##### **Agricultural Transfer Tax**

Accounts for agricultural transfer tax revenues to be used for an approved agricultural land preservation program.

##### **Drug Enforcement Forfeitures**

Accounts for the fiscal activity of cash and other property forfeited to the County during drug enforcement operations. These resources are used for law enforcement and public education programs.

##### **Water Quality Protection**

Accounts for the fiscal activity relating to maintenance of certain storm water management facilities.

**Restricted Donations**

Accounts for donations and contributions received by the County that are restricted for use in specific County programs.

**MAJOR GOVERNMENTAL FUNDS**

This section also includes budget-to-actual schedules for the following major governmental funds:

**DEBT SERVICE**

**CAPITAL PROJECTS**

MONTGOMERY COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014  
**Exhibit B-1**

	Special Taxing Districts	Rehabilitation Loan	Economic Development	Cable TV	Other	Total Nonmajor Governmental Total
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ 36,698,090	\$ 1,331,087	\$ 2,949,011	\$ 1,501,071	\$ 22,198,202	\$ 64,677,461
Cash	7,550	-	-	-	25,000	32,550
Receivables (net of allowances for uncollectibles):						
Property taxes	3,951,817	-	-	-	-	3,951,817
Accounts	2,948,885	-	-	5,857,308	35,196	8,841,389
Notes receivable	-	-	559,534	-	-	559,534
Parking violations	264,566	-	-	-	-	264,566
Mortgages receivable	-	3,237,281	-	-	-	3,237,281
Due from other funds	2,408,292	-	-	-	-	2,408,292
Due from other component units	317,750	-	-	-	-	317,750
Due from other governments	7,019,930	-	-	-	-	7,019,930
	<u>\$ 53,616,880</u>	<u>\$ 4,568,368</u>	<u>\$ 3,508,545</u>	<u>\$ 7,358,379</u>	<u>\$ 22,258,398</u>	<u>\$ 91,310,570</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 2,729,713	\$ -	\$ 29,501	\$ 443,094	\$ 1,349,124	\$ 4,551,432
Retainage payable	-	-	-	-	63,447	63,447
Accrued liabilities	10,529,374	-	4,571	1,067,252	523,417	12,124,614
Deposits	-	-	-	163,914	-	163,914
Due to other funds	3,927,153	-	802	40,801	56,965	4,025,721
Due to other governments	153	-	-	-	120,254	120,407
Unearned revenue	139,031	-	-	-	-	139,031
	<u>17,325,424</u>	<u>-</u>	<u>34,874</u>	<u>1,715,061</u>	<u>2,113,207</u>	<u>21,188,566</u>
Deferred Inflows of Resources:						
Unavailable property taxes	3,830,579	-	-	-	-	3,830,579
Unavailable revenues	277,881	-	-	-	-	277,881
	<u>4,108,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,108,460</u>
Fund Balances:						
Restricted	32,912,551	4,568,368	3,473,671	5,643,318	20,145,191	66,743,099
Unassigned	(729,555)	-	-	-	-	(729,555)
	<u>32,182,996</u>	<u>4,568,368</u>	<u>3,473,671</u>	<u>5,643,318</u>	<u>20,145,191</u>	<u>66,013,544</u>
Total Fund Balances						
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 53,616,880</u>	<u>\$ 4,568,368</u>	<u>\$ 3,508,545</u>	<u>\$ 7,358,379</u>	<u>\$ 22,258,398</u>	<u>\$ 91,310,570</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-2**

	Special Taxing Districts	Rehabilitation Loan	Economic Development	Cable TV	Other	Total Nonmajor Governmental Total
<b>REVENUES</b>						
Taxes	\$ 312,668,232	\$ -	\$ -	\$ -	\$ 2,792,065	\$ 315,460,297
Licenses and permits	1,029,086	-	-	-	-	1,029,086
Intergovernmental	35,016,470	-	-	-	7,572	35,024,042
Charges for services	59,092,371	-	-	27,042,895	23,629,219	109,764,485
Fines and forfeitures	559,533	-	-	-	165,877	725,410
Investment income	36,399	64,752	30,439	1,574	16,069	149,233
Miscellaneous	387,536	75,152	161,106	-	734,700	1,358,494
Total Revenues	<u>408,789,627</u>	<u>139,904</u>	<u>191,545</u>	<u>27,044,469</u>	<u>27,345,502</u>	<u>463,511,047</u>
<b>EXPENDITURES</b>						
General government	7,802,214	-	7,179,603	621,637	753,448	16,356,902
Public safety	214,684,562	-	-	-	800,150	215,484,712
Public works and transportation	115,198,621	-	-	-	-	115,198,621
Culture and recreation	32,478,923	-	-	12,764,328	-	45,243,251
Environment	-	-	-	-	17,402,899	17,402,899
Total Expenditures	<u>370,164,320</u>	<u>-</u>	<u>7,179,603</u>	<u>13,385,965</u>	<u>18,956,497</u>	<u>409,686,385</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>38,625,307</u>	<u>139,904</u>	<u>(6,988,058)</u>	<u>13,658,504</u>	<u>8,389,005</u>	<u>53,824,662</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	16,432,158	-	4,840,706	-	-	21,272,864
Transfers (out)	<u>(48,664,080)</u>	<u>-</u>	<u>-</u>	<u>(12,577,202)</u>	<u>(7,359,385)</u>	<u>(68,600,667)</u>
Total Other Financing Sources (Uses)	<u>(32,231,922)</u>	<u>-</u>	<u>4,840,706</u>	<u>(12,577,202)</u>	<u>(7,359,385)</u>	<u>(47,327,803)</u>
Net Change in Fund Balances	6,393,385	139,904	(2,147,352)	1,081,302	1,029,620	6,496,859
Fund Balances - Beginning of Year	<u>25,789,611</u>	<u>4,428,464</u>	<u>5,621,023</u>	<u>4,562,016</u>	<u>19,115,571</u>	<u>59,516,685</u>
Fund Balances - End of Year	<u>\$ 32,182,996</u>	<u>\$ 4,568,368</u>	<u>\$ 3,473,671</u>	<u>\$ 5,643,318</u>	<u>\$ 20,145,191</u>	<u>\$ 66,013,544</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS  
 JUNE 30, 2014  
**Exhibit B-3**

	Recreation	Fire Tax District	Mass Transit Facilities	Urban Districts	Noise Abatement Districts	Total
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ 938,798	\$ 21,620,363	\$ 12,565,852	\$ 1,573,077	\$ -	\$ 36,698,090
Cash	5,550	-	2,000	-	-	7,550
Receivables (net of allowances for uncollectibles):						
Property taxes	338,519	2,499,573	1,027,091	86,635	-	3,951,817
Accounts	57,737	1,935,829	874,646	80,673	-	2,948,885
Mortgages receivable	-	-	-	-	-	-
Parking violations	-	-	264,566	-	-	264,566
Due from other funds	310,000	223,715	1,874,577	-	-	2,408,292
Due from other governments	-	-	7,019,930	-	-	7,019,930
Due from component units	-	-	317,750	-	-	317,750
Total Assets	<u>\$ 1,650,604</u>	<u>\$ 26,279,480</u>	<u>\$ 23,946,412</u>	<u>\$ 1,740,385</u>	<u>\$ -</u>	<u>\$ 53,616,880</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 531,549	\$ 1,500,453	\$ 659,354	\$ 38,358	\$ -	\$ 2,729,713
Accrued liabilities	1,393,376	6,183,926	2,826,677	125,395	-	10,529,374
Due to other funds	115,475	3,008,708	756,173	46,797	-	3,927,153
Due to other governments	-	153	-	-	-	153
Unearned revenue	11,542	-	127,489	-	-	139,031
Total Liabilities	<u>2,051,942</u>	<u>10,693,240</u>	<u>4,369,693</u>	<u>210,550</u>	<u>-</u>	<u>17,325,424</u>
Deferred Inflows of Resources:						
Unavailable property taxes	328,217	2,419,589	998,014	84,759	-	3,830,579
Unavailable revenues	-	277,881	-	-	-	277,881
Total Deferred Inflows of Resources	<u>328,217</u>	<u>2,697,470</u>	<u>998,014</u>	<u>84,759</u>	<u>-</u>	<u>4,108,460</u>
Fund Balances:						
Restricted	-	12,888,770	18,578,705	1,445,076	-	32,912,551
Unassigned	(729,555)	-	-	-	-	(729,555)
Total Fund Balances	<u>(729,555)</u>	<u>12,888,770</u>	<u>18,578,705</u>	<u>1,445,076</u>	<u>-</u>	<u>32,182,996</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,650,604</u>	<u>\$ 26,279,480</u>	<u>\$ 23,946,412</u>	<u>\$ 1,740,385</u>	<u>\$ -</u>	<u>\$ 53,616,880</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-4**

	Recreation	Fire Tax District	Mass Transit Facilities	Urban Districts	Noise Abatement Districts	Total
<b>REVENUES</b>						
Taxes	\$ 29,427,342	\$ 210,945,363	\$ 70,991,729	\$ 1,303,798	\$ -	\$ 312,668,232
Licenses and permits	-	483,209	545,877	-	-	1,029,086
Intergovernmental	-	1,299,252	33,717,218	-	-	35,016,470
Charges for services	10,216,663	23,562,736	25,010,831	302,141	-	59,092,371
Fines and forfeitures	-	-	559,533	-	-	559,533
Investment income	5,951	25,424	4,191	833	-	36,399
Miscellaneous	135,852	41,402	162,580	47,702	-	387,536
Total Revenues	<u>39,785,808</u>	<u>236,357,386</u>	<u>130,991,959</u>	<u>1,654,474</u>	<u>-</u>	<u>408,789,627</u>
<b>EXPENDITURES</b>						
General government	-	-	-	7,802,214	-	7,802,214
Public safety	-	214,684,562	-	-	-	214,684,562
Public works and transportation	-	-	115,198,621	-	-	115,198,621
Culture and recreation	32,478,923	-	-	-	-	32,478,923
Environment	-	-	-	-	-	-
Total Expenditures	<u>32,478,923</u>	<u>214,684,562</u>	<u>115,198,621</u>	<u>7,802,214</u>	<u>-</u>	<u>370,164,320</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,306,885</u>	<u>21,672,824</u>	<u>15,793,338</u>	<u>(6,147,740)</u>	<u>-</u>	<u>38,625,307</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,009,700	250,000	8,082,048	7,090,410	-	16,432,158
Transfers (out)	(12,367,981)	(12,118,578)	(23,678,671)	(498,804)	(46)	(48,664,080)
Total Other Financing Sources (Uses)	<u>(11,358,281)</u>	<u>(11,868,578)</u>	<u>(15,596,623)</u>	<u>6,591,606</u>	<u>(46)</u>	<u>(32,231,922)</u>
Net Change in Fund Balances	(4,051,396)	9,804,246	196,715	443,866	(46)	6,393,385
Fund Balances - Beginning of Year	3,321,841	3,084,524	18,381,990	1,001,210	46	25,789,611
Fund Balances - End of Year	<u>\$ (729,555)</u>	<u>\$ 12,888,770</u>	<u>\$ 18,578,705</u>	<u>\$ 1,445,076</u>	<u>\$ -</u>	<u>\$ 32,182,996</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - OTHER  
 JUNE 30, 2014  
**Exhibit B-5**

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 1,140,129	\$ 2,736,995	\$ 14,259,451	\$ 4,061,627	\$ 22,198,202
Cash	-	25,000	-	-	25,000
Receivables (net of allowances for uncollectibles)					
Accounts	-	-	1,036	34,160	35,196
Total Assets	<u>\$ 1,140,129</u>	<u>\$ 2,761,995</u>	<u>\$ 14,260,487</u>	<u>\$ 4,095,787</u>	<u>\$ 22,258,398</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 8,915	\$ 1,324,753	\$ 15,456	\$ 1,349,124
Retainage payable	-	-	63,447	-	63,447
Accrued liabilities	-	3,479	517,786	2,152	523,417
Due to other funds	-	-	56,965	-	56,965
Due to other governments	115,418	-	642	4,194	120,254
Total Liabilities	<u>115,418</u>	<u>12,394</u>	<u>1,963,593</u>	<u>21,802</u>	<u>2,113,207</u>
Fund Balances:					
Restricted	<u>1,024,711</u>	<u>2,749,601</u>	<u>12,296,894</u>	<u>4,073,985</u>	<u>20,145,191</u>
Total Fund Balances	<u>1,024,711</u>	<u>2,749,601</u>	<u>12,296,894</u>	<u>4,073,985</u>	<u>20,145,191</u>
Total Liabilities and Fund Balances	<u>\$ 1,140,129</u>	<u>\$ 2,761,995</u>	<u>\$ 14,260,487</u>	<u>\$ 4,095,787</u>	<u>\$ 22,258,398</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS - OTHER  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-6**

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
<b>REVENUES</b>					
Taxes	\$ 385,070	\$ -	\$ 2,406,995	\$ -	\$ 2,792,065
Intergovernmental	-	-	-	7,572	7,572
Charges for services	-	-	23,629,219	-	23,629,219
Fines and forfeitures	-	165,877	-	-	165,877
Investment income	1,325	1,856	11,430	1,458	16,069
Miscellaneous	-	-	-	734,700	734,700
Total Revenues	<u>386,395</u>	<u>167,733</u>	<u>26,047,644</u>	<u>743,730</u>	<u>27,345,502</u>
<b>EXPENDITURES</b>					
General government	-	-	-	753,448	753,448
Public safety	-	800,150	-	-	800,150
Environment	154,028	-	17,248,871	-	17,402,899
Total Expenditures	<u>154,028</u>	<u>800,150</u>	<u>17,248,871</u>	<u>753,448</u>	<u>18,956,497</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>232,367</u>	<u>(632,417)</u>	<u>8,798,773</u>	<u>(9,718)</u>	<u>8,389,005</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers (out)	<u>(1,431,683)</u>	<u>-</u>	<u>(5,927,702)</u>	<u>-</u>	<u>(7,359,385)</u>
Total Other Financing Sources (Uses)	<u>(1,431,683)</u>	<u>-</u>	<u>(5,927,702)</u>	<u>-</u>	<u>(7,359,385)</u>
Net Change in Fund Balances	<u>(1,199,316)</u>	<u>(632,417)</u>	<u>2,871,071</u>	<u>(9,718)</u>	<u>1,029,620</u>
Fund Balances - Beginning of Year	<u>2,224,027</u>	<u>3,382,018</u>	<u>9,425,823</u>	<u>4,083,703</u>	<u>19,115,571</u>
Fund Balances - End of Year	<u>\$ 1,024,711</u>	<u>\$ 2,749,601</u>	<u>\$ 12,296,894</u>	<u>\$ 4,073,985</u>	<u>\$ 20,145,191</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-7**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$ 5,778,730	\$ 5,778,730	\$ 5,808,511	\$ 29,781
Investment Income:				
Pooled investment income	70,000	70,000	95,589	25,589
Other investment income	-	-	3,910	3,910
Total Investment Income	70,000	70,000	99,499	29,499
Miscellaneous	-	-	342,282	342,282
Total Revenues	5,848,730	5,848,730	6,250,292	401,562
Expenditures:				
Operating:				
Principal and Interest for General Obligation Bonds:				
General county	43,669,580	43,669,580	42,875,231	794,349
Roads and Storm Drainage	60,881,770	60,881,770	59,990,819	890,951
Parks and Recreation	9,215,400	9,215,400	9,119,493	95,907
Public Schools	124,466,930	124,466,930	122,363,519	2,103,411
Community College	15,783,460	15,783,460	15,391,009	392,451
Public Housing	8,430	8,430	13,562	(5,132)
Recreation	8,918,420	8,918,420	8,893,735	24,685
Fire and Rescue	7,084,290	7,084,290	7,078,100	6,190
Mass Transit	8,199,410	8,199,410	8,637,569	(438,159)
Issuing costs	1,180,600	2,162,745	4,860,827	(2,698,082)
Bond anticipation note interest	4,255,000	4,255,000	428,377	3,826,623
Principal and interest on long-term equipment notes	-	915,593	915,580	13
Principal and interest on Revenue Bonds	-	5,549,540	8,565,303	(3,015,763)
Long-term leases:				
General Fund	13,897,830	13,915,112	12,062,471	1,852,641
Recreation	1,834,050	1,834,050	1,834,050	-
Montgomery Housing Initiative	7,510,400	7,510,400	5,017,533	2,492,867
Mass Transit	5,815,700	5,815,700	3,802,000	2,013,700
Fire and Rescue	3,945,600	3,945,600	3,780,600	165,000
Water Quality Protection	3,017,000	3,017,000	-	3,017,000
Total Expenditures	319,683,870	327,148,430	315,629,778	11,518,652
Excess of Revenues over (under) Expenditures	(313,835,140)	(321,299,700)	(309,379,486)	11,920,214
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	267,510,270	267,525,932	256,222,429	(11,303,503)
From Capital Projects Fund	-	-	2,341,570	2,341,570
From Special Revenue Funds:				
Recreation	10,752,470	10,752,470	10,432,931	(319,539)
Mass Transit	14,015,110	14,015,110	11,977,611	(2,037,499)
Fire Tax District	11,029,890	11,929,821	11,562,077	(367,744)
Montgomery Housing Initiative	7,510,400	7,510,400	5,031,093	(2,479,307)
Water Quality Protection	3,017,000	3,017,000	3,015,767	(1,233)
From Liquor enterprise	-	5,549,540	5,549,536	(4)
Total Other Financing Sources (Uses)	313,835,140	320,300,273	306,133,014	(14,167,259)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	(999,427)	(3,246,472)	(2,247,045)
Fund Balance - Beginning of Year	(6,491,061)	(6,491,061)	(6,491,061)	-
Fund Balance - End of Year	\$ (6,491,061)	\$ (7,490,488)	\$ (9,737,533)	\$ (2,247,045)

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-7 (Concluded)**

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
As reported - budgetary basis	\$ 6,250,292	\$ 315,629,778	\$ 306,133,014	\$ (3,246,472)
Reconciling items:				
Payment to refunding bond escrow agent	-	-	(29,837,255)	(29,837,255)
Elimination of encumbrances outstanding	-	(1,086,967)	-	1,086,967
Bond anticipation note activity	-	-	(295,000,000)	(295,000,000)
Premium on original issue debt	-	-	4,263,188	4,263,188
Premium on revenue bonds	-	-	537,871	537,871
Premium on general obligation refunding bonds	-	-	5,023,826	5,023,826
Lease revenue bond activity not required to be budgeted	3,474,053	3,474,363	-	(310)
General obligation refunding bonds	-	-	25,059,716	25,059,716
Issuing costs for:				
General obligation bonds	-	637,200	295,000,000	294,362,800
General obligation refunding bonds	-	98,412	-	(98,412)
As reported - GAAP basis	<u>\$ 9,724,345</u>	<u>\$ 318,752,786</u>	<u>\$ 311,180,360</u>	<u>\$ 2,151,919</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-8**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 34,104,000	\$ 34,604,000	\$ 101,430,567	\$ 66,826,567
Intergovernmental	3,931,000	8,678,974	21,841,896	13,162,922
Charges for services	-	-	238,747	238,747
Investment income:				
Pooled	(347,000)	(347,000)	103,776	450,776
Miscellaneous	10,997,000	10,997,000	2,269,284	(8,727,716)
Total Revenues	48,685,000	53,932,974	125,884,270	71,951,296
Expenditures - Capital Projects	414,624,000	728,344,018	689,116,573	39,227,445
Excess of Revenues over (under) Expenditures	(365,939,000)	(674,411,044)	(563,232,303)	111,178,741
Other Financing Sources (Uses):				
Transfers In	23,823,000	29,149,000	52,358,665	23,209,665
Transfers Out:				
To Debt Service Fund	-	-	(2,341,570)	(2,341,570)
To Montgomery Housing Initiative	-	-	(7,509,394)	(7,509,394)
Proceeds from bond anticipation notes	-	-	295,000,000	295,000,000
General Obligation Bonds issued	12,657,000	(37,439,603)	-	37,439,603
Premium on General Obligation Bonds	-	-	26,532,157	26,532,157
Proceeds from Revenue Bonds	33,850,000	33,850,000	32,383,753	(1,466,247)
Premium (Discount) on Revenue Bonds	-	-	832,673	832,673
Proceeds from Taxable Limited Obligations	10,000,000	10,000,000	38,015,000	28,015,000
Premium (Discount) on Taxable Limited Obligations	-	-	(4,763)	(4,763)
Proceeds from Certificates of Participation	271,239,000	271,239,000	-	(271,239,000)
Proceeds from Lease Financing	14,370,000	14,370,000	15,857,552	1,487,552
Total Other Financing Sources (Uses)	365,939,000	321,168,397	451,124,073	129,955,676
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	(353,242,647)	(112,108,230)	241,134,417
Fund Balance - Beginning of Year	(445,417,112)	(445,417,112)	(445,417,112)	-
Fund Balance - End of Year	\$ (445,417,112)	\$ (798,659,759)	\$ (557,525,342)	\$ 241,134,417

**Reconciliation of budgetary schedule to GAAP basis Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
As reported - Budgetary basis	\$ 125,884,270	\$ 689,116,573	\$ 451,124,073	\$ (112,108,230)
Reconciling Items:				
Elimination of encumbrances outstanding	-	(247,865,874)	-	247,865,874
Expenditures of bond proceeds for component units	-	176,048,184	-	(176,048,184)
As reported - GAAP basis	\$ 125,884,270	\$ 617,298,883	\$ 451,124,073	\$ (40,290,540)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
RECREATION SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-9**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Taxes - property	\$ 29,016,049	\$ 29,016,049	\$ 29,427,342	\$ 411,293
Charges for services - activity fees	11,685,910	11,685,910	10,216,663	(1,469,247)
Investment income	-	-	5,951	5,951
Miscellaneous	(105,360)	(105,360)	135,852	241,212
Total Revenues	<u>40,596,599</u>	<u>40,596,599</u>	<u>39,785,808</u>	<u>(810,791)</u>
<b>Expenditures:</b>				
Personnel costs	18,032,604	18,601,171	18,601,163	8
Operating	9,975,851	10,568,790	10,568,787	3
Total Expenditures	<u>28,008,455</u>	<u>29,169,961</u>	<u>29,169,950</u>	<u>11</u>
Excess of Revenues over (under) Expenditures	<u>12,588,144</u>	<u>11,426,638</u>	<u>10,615,858</u>	<u>(810,780)</u>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers In (Out):</b>				
From General Fund	1,009,700	1,009,700	1,009,700	-
To General Fund	(5,335,610)	(4,635,610)	(1,935,050)	2,700,560
To Debt Service Fund	(10,752,470)	(10,752,470)	(10,432,931)	319,539
Total Other Financing Sources (Uses)	<u>(15,078,380)</u>	<u>(14,378,380)</u>	<u>(11,358,281)</u>	<u>3,020,099</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(2,490,236)</u>	<u>(2,951,742)</u>	<u>(742,423)</u>	<u>2,209,319</u>
Fund Balance - Beginning of Year	<u>1,986,125</u>	<u>1,986,125</u>	<u>1,986,125</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ (504,111)</u>	<u>\$ (965,617)</u>	<u>\$ 1,243,702</u>	<u>\$ 2,209,319</u>

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (742,423)
<b>Reconciling items:</b>	
Interfund activity - Maintenance cost reimbursement budgeted as a transfer to General Fund	(3,400,560)
Elimination of encumbrances outstanding	<u>91,587</u>
GAAP - Net Change in Fund Balance	<u>\$ (4,051,396)</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FIRE TAX DISTRICT SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-10**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Taxes - property	\$ 208,544,928	\$ 208,544,928	\$ 210,945,363	\$ 2,400,435
Licenses and permits	600,000	600,000	483,209	(116,791)
Intergovernmental	1,306,000	2,609,553	1,299,252	(1,310,301)
Charges for services	18,439,696	18,439,696	23,562,736	5,123,040
Investment income	-	-	25,424	25,424
Miscellaneous	10,000	10,000	41,402	31,402
Total Revenues	<u>228,900,624</u>	<u>230,204,177</u>	<u>236,357,386</u>	<u>6,153,209</u>
<b>Expenditures:</b>				
Fire and Rescue Service				
Personnel costs	172,319,410	176,962,770	176,962,769	1
Operating	44,699,283	48,477,380	48,477,377	3
Total Expenditures	<u>217,018,693</u>	<u>225,440,150</u>	<u>225,440,146</u>	<u>4</u>
Excess of Revenues over (under) Expenditures	<u>11,881,931</u>	<u>4,764,027</u>	<u>10,917,240</u>	<u>6,153,213</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In (Out):				
From General Fund	250,000	250,000	250,000	-
To General Fund	(120,750)	(120,750)	(120,750)	-
To Debt Service Fund	(11,029,890)	(11,929,821)	(11,562,077)	367,744
To Grants Fund	-	18,500	(176,700)	(195,200)
To Capital Projects Fund	-	763,000	(259,051)	(1,022,051)
Total Other Financing Sources (Uses)	<u>(10,900,640)</u>	<u>(11,019,071)</u>	<u>(11,868,578)</u>	<u>(849,507)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>981,291</u>	<u>(6,255,044)</u>	<u>(951,338)</u>	<u>5,303,706</u>
Fund Balance - Beginning of Year	<u>1,286,967</u>	<u>1,286,967</u>	<u>1,286,967</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,268,258</u>	<u>\$ (4,968,077)</u>	<u>\$ 335,629</u>	<u>\$ 5,303,706</u>

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	Total
	\$ (951,338)
Reconciling items:	
Elimination of encumbrances outstanding	<u>10,755,584</u>
GAAP - Net Change in Fund Balance	<u>\$ 9,804,246</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MASS TRANSIT FACILITIES SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-11**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 70,071,096	\$ 70,071,096	\$ 70,991,729	\$ 920,634
Licenses and permits	531,000	531,000	545,877	14,877
Intergovernmental	34,474,828	34,474,828	33,717,218	(757,611)
Charges for services:				
Fare receipts	22,947,072	22,947,072	24,214,327	1,267,255
Parking fees	1,615,645	1,615,645	1,356,037	(259,608)
Total Charges for Services	24,562,717	24,562,717	25,570,364	1,007,647
Investment income	-	-	4,191	4,191
Miscellaneous	-	-	162,580	162,580
Total Revenues	129,639,641	129,639,641	130,991,959	1,352,318
Expenditures:				
Division of Transit Services				
Personnel costs	63,529,896	62,820,127	62,820,121	6
Operating	53,026,511	54,324,001	54,323,991	10
Total Division of Transit Services	116,556,407	117,144,128	117,144,112	16
Washington Suburban Transit Commission				
Operating	109,325	109,325	109,325	-
Total Expenditures	116,665,732	117,253,453	117,253,437	16
Excess of Revenues over (under) Expenditures	12,973,909	12,386,188	13,738,522	1,352,334
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	982,310	531,310	531,310	-
From Enterprise Funds	8,096,350	8,096,350	7,550,738	(545,612)
To General Fund	(9,959,300)	(9,959,300)	(9,959,300)	-
To Debt Service Fund	(14,015,110)	(14,015,110)	(11,977,611)	2,037,499
To Grants Fund	-	-	(700,534)	(700,534)
To Parking Lot Districts	(67,225)	(67,225)	(67,225)	-
To Capital Projects Fund	-	(2,994,000)	(974,001)	2,019,999
Total Other Financing Sources (Uses)	(14,962,975)	(18,407,975)	(15,596,623)	2,811,352
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(1,989,066)	(6,021,787)	(1,858,101)	4,163,686
Fund Balance - Beginning of Year	16,120,417	16,120,417	16,120,417	-
Fund Balance - End of Year	\$ 14,131,351	\$ 10,098,630	\$ 14,262,316	\$ 4,163,686

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (1,858,101)
Reconciling items:	
Non-budgeted item - Bad debt expense	135,880
Elimination of encumbrances outstanding	1,918,936
GAAP - Net Change in Fund Balance	\$ 196,715

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
URBAN DISTRICT SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-12**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>BETHESDA URBAN DISTRICT</b>				
Revenues:				
Taxes - property	\$ 450,080	\$ 450,080	\$ 471,953	\$ 21,873
Charges for Services - maintenance fees	150,000	150,000	156,393	6,393
Investment income	-	-	195	195
Miscellaneous	-	-	35,003	35,003
Total Revenues	<u>600,080</u>	<u>600,080</u>	<u>663,544</u>	<u>63,464</u>
Expenditures:				
Personnel costs	127,108	129,708	129,701	7
Operating	<u>3,386,288</u>	<u>3,397,812</u>	<u>3,397,805</u>	<u>7</u>
Total Expenditures	<u>3,513,396</u>	<u>3,527,520</u>	<u>3,527,506</u>	<u>14</u>
Excess of Revenues over (under) Expenditures	<u>(2,913,316)</u>	<u>(2,927,440)</u>	<u>(2,863,962)</u>	<u>63,478</u>
Other Financing Sources (Uses):				
Transfers in (Out):				
From Enterprise Funds	2,932,000	2,932,000	2,932,000	-
To General Fund	<u>(19,940)</u>	<u>(19,940)</u>	<u>(19,940)</u>	<u>-</u>
Total Other Financing Sources (Use)	<u>2,912,060</u>	<u>2,912,060</u>	<u>2,912,060</u>	<u>-</u>
Excess of Revenues and other Financing Sources over (under)				
Expenditures and Other Financing Uses	(1,256)	(15,380)	48,098	63,478
Fund Balance - Beginning of Year	<u>328,454</u>	<u>328,454</u>	<u>328,454</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 327,198</u>	<u>\$ 313,074</u>	<u>\$ 376,552</u>	<u>\$ 63,478</u>
<b>SILVER SPRING URBAN DISTRICT</b>				
Revenues:				
Taxes - property	\$ 631,314	\$ 631,314	\$ 666,703	\$ 35,389
Charges for Services - maintenance fees	134,000	134,000	145,748	11,748
Investment income	-	-	477	477
Miscellaneous	-	-	12,699	12,699
Total Revenues	<u>765,314</u>	<u>765,314</u>	<u>825,627</u>	<u>60,313</u>
Expenditures:				
Personnel costs	1,824,876	1,902,756	1,902,754	2
Operating	<u>1,055,167</u>	<u>1,301,366</u>	<u>1,301,360</u>	<u>6</u>
Total Expenditures	<u>2,880,043</u>	<u>3,204,122</u>	<u>3,204,114</u>	<u>8</u>
Excess of Revenues over (under) Expenditures	<u>(2,114,729)</u>	<u>(2,438,808)</u>	<u>(2,378,487)</u>	<u>60,321</u>
Other Financing Sources (Uses):				
Transfers in (Out):				
From Enterprise Funds	2,405,000	2,405,000	2,405,000	-
To General Fund	<u>(286,320)</u>	<u>(286,320)</u>	<u>(307,754)</u>	<u>(21,434)</u>
Total Other Financing Sources (Use)	<u>2,118,680</u>	<u>2,118,680</u>	<u>2,097,246</u>	<u>(21,434)</u>
Excess of Revenues and other Financing Sources over (under)				
Expenditures and Other Financing Uses	3,951	(320,128)	(281,241)	38,887
Fund Balance - Beginning of Year	<u>(702,802)</u>	<u>(702,802)</u>	<u>(702,802)</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ (698,851)</u>	<u>\$ (1,022,930)</u>	<u>\$ (984,043)</u>	<u>\$ 38,887</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
URBAN DISTRICT SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-12 (Concluded)**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>WHEATON URBAN DISTRICT</b>				
Revenues:				
Taxes - property	\$ 148,519	\$ 450,080	\$ 165,142	\$ (284,938)
Investment income	-	-	161	161
Total Revenues	<u>148,519</u>	<u>450,080</u>	<u>165,303</u>	<u>(284,777)</u>
Expenditures:				
Personnel costs	1,217,000	1,217,000	943,984	273,016
Operating	583,402	599,084	525,477	73,607
Total Expenditures	<u>1,800,402</u>	<u>1,816,084</u>	<u>1,469,461</u>	<u>346,623</u>
Excess of Revenues over (under) Expenditures	<u>(1,651,883)</u>	<u>(1,366,004)</u>	<u>(1,304,158)</u>	<u>61,846</u>
Other Financing Sources (Uses):				
Transfers in (Out):				
From General Fund	1,038,090	1,038,090	1,461,090	423,000
From Enterprise Fund	292,320	292,320	292,320	-
To General Fund	<u>(128,930)</u>	<u>(128,930)</u>	<u>171,110</u>	<u>300,040</u>
Total Other Financing Sources (Use)	<u>1,201,480</u>	<u>1,201,480</u>	<u>1,924,520</u>	<u>723,040</u>
Excess of Revenues and other Financing Sources over (under) Expenditures and Other Financing Uses	<u>(450,403)</u>	<u>(164,524)</u>	<u>278,142</u>	<u>784,886</u>
Fund Balance - Beginning of Year	<u>(229,646)</u>	<u>(229,646)</u>	<u>(229,646)</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ (680,049)</u>	<u>\$ (394,170)</u>	<u>\$ 48,496</u>	<u>\$ 784,886</u>

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Bethesda	Silver Spring	Wheaton	Total
	Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 48,098	\$ (281,241)	\$ 278,142
Reconciling item:				
Elimination of encumbrances outstanding	<u>2,114</u>	<u>366,389</u>	<u>30,364</u>	<u>398,867</u>
GAAP - Net Change in Fund Balance	<u>\$ 50,212</u>	<u>\$ 85,148</u>	<u>\$ 308,506</u>	<u>\$ 443,866</u>

MONTGOMERY COUNTY, MARYLAND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 NOISE ABATEMENT DISTRICTS SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-13**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>BRADLEY NOISE ABATEMENT DISTRICT</b>				
Other Financing Sources:				
Transfers In (Out):				
To General Fund	\$ -	\$ -	\$ (6)	\$ (6)
Total Other Financing Sources (Uses)	-	-	(6)	(6)
Excess of Revenues and Other Financing Sources over (under) Expenditures			(6)	(6)
Fund Balance - Beginning of Year	-	-	6	6
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

**CABIN JOHN NOISE ABATEMENT DISTRICT**

Other Financing Sources:				
Transfers In (Out):				
To General Fund	\$ -	\$ -	\$ (40)	\$ (40)
Total Other Financing Sources (Uses)	-	-	(40)	(40)
Excess of Revenues and Other Financing Sources over (under) Expenditures	-	-	(40)	(40)
Fund Balance - Beginning of Year	-	-	40	40
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Bradley	Cabin John	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (6)	\$ (40)	\$ (46)
GAAP - Net Change in Fund Balance			\$ (46)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
REHABILITATION LOAN SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-14**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Investment income				
Pooled investment income	\$ -	\$ -	\$ 713	\$ 713
Other interest income	-	-	64,039	64,039
Miscellaneous	-	-	75,152	75,152
Total Revenues	-	-	139,904	139,904
Expenditures:				
Excess of Revenues over (under) Expenditures	-	-	139,904	139,904
Other Financing Sources (Uses):				
Mortgage loans	(1,067,849)	(1,067,849)	-	1,067,849
Total Other Financing Sources (Uses)	(1,067,849)	(1,067,849)	-	1,067,849
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(1,067,849)	(1,067,849)	139,904	1,207,753
Fund Balance - Beginning of Year	1,067,849	1,067,849	1,067,849	-
Fund Balance - End of Year	\$ -	\$ -	\$ 1,207,753	\$ 1,207,753

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 139,904
GAAP - Net Change in Fund Balance	\$ 139,904

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ECONOMIC DEVELOPMENT FUND SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-15**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Investment income				
Pooled investment income	\$ -	\$ -	\$ 1,334	\$ 1,334
Other interest income	-	-	29,105	29,105
Total Investment Income	-	-	30,439	30,439
Miscellaneous	-	-	105,249	105,249
Total Revenues	-	-	135,688	135,688
<b>Expenditures:</b>				
Personnel costs	122,237	122,357	122,354	3
Operating	7,716,270	9,254,998	6,742,653	2,512,345
Total Expenditures	7,838,507	9,377,355	6,865,007	2,512,348
Excess of Revenues over (under) Expenditures	(7,838,507)	(9,377,355)	(6,729,319)	2,648,036
<b>Other Financing Sources (Uses):</b>				
Transfers In (Out):				
From General Fund	3,301,858	4,840,706	4,840,706	-
Loan repayments	94,970	94,970	55,858	(39,112)
Loan disbursements	(210,067)	(210,067)	(210,067)	-
Total Other Financing Sources (Uses)	3,186,761	4,725,609	4,686,497	(39,112)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(4,651,746)	(4,651,746)	(2,042,822)	2,608,924
Fund Balance - Beginning of Year	4,651,746	4,651,746	4,651,746	-
Fund Balance - End of Year	\$ -	\$ -	\$ 2,608,924	\$ 2,608,924

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	Total
	\$ (2,042,822)
Reconciling items:	
Bad debt expenditure	(104,530)
GAAP - Net Change in Fund Balance	<u>\$ (2,147,352)</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CABLE TV SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-16**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Charges for services	\$ 27,572,950	\$ 27,572,950	\$ 27,042,895	\$ (530,055)
Investment income	10,000	10,000	1,574	(8,426)
Total Revenues	<u>27,582,950</u>	<u>27,582,950</u>	<u>27,044,469</u>	<u>(538,481)</u>
<b>Expenditures:</b>				
Personnel costs	3,434,370	3,448,635	3,330,122	118,513
Operating	10,188,535	11,778,270	11,188,572	589,698
Total Expenditures	<u>13,622,905</u>	<u>15,226,905</u>	<u>14,518,694</u>	<u>708,211</u>
Excess of Revenues over (under) Expenditures	<u>13,960,045</u>	<u>12,356,045</u>	<u>12,525,775</u>	<u>169,730</u>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers In (Out):</b>				
To General Fund	(8,138,979)	(8,138,979)	(10,962,039)	(2,823,060)
To Capital Projects Fund	-	(3,915,000)	(1,603,608)	2,311,392
To Motor Pool Fund	-	-	(11,555)	(11,555)
Total Other Financing Sources (Uses)	<u>(8,138,979)</u>	<u>(12,053,979)</u>	<u>(12,577,202)</u>	<u>(523,223)</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	5,821,066	302,066	(51,429)	(353,495)
Fund Balance - Beginning of Year	<u>728,887</u>	<u>728,887</u>	<u>728,887</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 6,549,953</u>	<u>\$ 1,030,953</u>	<u>\$ 677,458</u>	<u>\$ (353,495)</u>

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (51,429)
Reconciling item:	
Elimination of encumbrances outstanding	<u>1,132,731</u>
GAAP - Net Change in Fund Balance	<u>\$ 1,081,302</u>

MONTGOMERY COUNTY, MARYLAND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 DRUG ENFORCEMENT FORFEITURES SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-17**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 165,877	\$ 165,877
Investment income	-	-	1,856	1,856
Total Revenues	-	-	167,733	167,733
Expenditures:				
Operating	-	3,382,018	1,251,923	2,130,095
Total Expenditures	-	3,382,018	1,251,923	2,130,095
Excess of Revenues over (under) Expenditures	-	(3,382,018)	(1,084,190)	2,297,828
Fund Balance - Beginning of Year	2,509,174	2,509,174	2,509,174	-
Fund Balance - End of Year	\$ 2,509,174	\$ (872,844)	\$ 1,424,984	\$ 2,297,828

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (1,084,190)
Reconciling items:	
Elimination of encumbrances outstanding	451,773
GAAP - Net Change in Fund Balance	\$ (632,417)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
WATER QUALITY PROTECTION SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-18**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 1,832,000	\$ 1,832,000	\$ 2,406,995	\$ 574,995
Charges for services	22,882,420	22,882,420	23,629,219	746,799
Investment income	-	-	11,430	11,430
Total Revenues	<u>24,714,420</u>	<u>24,714,420</u>	<u>26,047,644</u>	<u>1,333,224</u>
Expenditures:				
Personnel costs	7,196,554	7,217,641	7,207,082	10,559
Operating	<u>11,795,773</u>	<u>13,137,185</u>	<u>12,436,741</u>	<u>700,444</u>
Total Expenditures	<u>18,992,327</u>	<u>20,354,826</u>	<u>19,643,823</u>	<u>711,003</u>
Excess of Revenues over (under) Expenditures	<u>5,722,093</u>	<u>4,359,594</u>	<u>6,403,821</u>	<u>2,044,227</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
To General Fund	(1,196,509)	(1,196,509)	(1,196,509)	-
To Capital Projects Fund	-	(1,650,000)	(1,663,939)	(13,939)
To Debt Service Fund	(3,017,000)	(3,017,000)	(3,015,768)	1,232
To Motor Pool Fund	-	-	(51,486)	(51,486)
Total Other Financing Sources (Uses)	<u>(4,213,509)</u>	<u>(5,863,509)</u>	<u>(5,927,702)</u>	<u>(64,193)</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>1,508,584</u>	<u>(1,503,915)</u>	<u>476,119</u>	<u>1,980,034</u>
Fund Balance - Beginning of Year	<u>3,042,462</u>	<u>3,042,462</u>	<u>3,042,462</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,551,046</u>	<u>\$ 1,538,547</u>	<u>\$ 3,518,581</u>	<u>\$ 1,980,034</u>

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 476,119
Reconciling items:	
Elimination of encumbrances outstanding	<u>2,394,952</u>
GAAP - Net Change in Fund Balance	<u>\$ 2,871,071</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
RESTRICTED DONATIONS SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit B-19**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 7,572	\$ 7,572
Investment income	-	-	1,458	1,458
Miscellaneous - contributions	-	-	734,700	734,700
Total Revenues	-	-	743,730	743,730
Expenditures:				
Operating	3,948,534	3,948,534	811,477	3,137,057
Total Expenditures	3,948,534	3,948,534	811,477	3,137,057
Excess of Revenues over (under) Expenditures	(3,948,534)	(3,948,534)	(67,747)	3,880,787
Fund Balance - Beginning of Year	3,948,534	3,948,534	3,948,534	-
Fund Balance - End of Year	\$ -	\$ -	\$ 3,880,787	\$ 3,880,787

**Reconciliation of budgetary schedule to GAAP basis Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (67,747)
Reconciling items:	
Elimination of encumbrances outstanding	58,029
GAAP - Net Change in Fund Balance	\$ (9,718)



## **NONMAJOR ENTERPRISE FUNDS**

Enterprise funds are used to account for operations where:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity;
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

### **Permitting Services**

Accounts for most of the fiscal activity of permitting programs within the County, such as building permits, construction code enforcement, flood plain management, land use compliance, plan review, sediment control, storm water management, well and septic regulatory services, fire code review, and public access construction.

### **Community Use of Public Facilities**

Accounts for the fiscal activity related to renting public facilities to community organizations.

## **MAJOR ENTERPRISE FUNDS**

This section also includes budget-to-actual schedules for the following major enterprise funds:

### **Liquor**

### **Solid Waste Activities**

### **Parking Lot Districts**



MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2014  
**Exhibit C-1**

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Equity in pooled cash and investments	\$ 46,743,459	\$ 9,909,934	\$ 56,653,393
Receivables (net of allowance for uncollectibles):			
Accounts	68,999	25,626	94,625
Total Current Assets	<u>46,812,458</u>	<u>9,935,560</u>	<u>56,748,018</u>
Noncurrent Assets:			
Capital Assets:			
Furniture, fixtures, equipment, and machinery	2,215,545	49,423	2,264,968
Automobiles and trucks	342,136	-	342,136
Subtotal	2,557,681	49,423	2,607,104
Less: Accumulated depreciation	1,901,231	48,450	1,949,681
Total Capital Assets (net of accumulated depreciation)	<u>656,450</u>	<u>973</u>	<u>657,423</u>
Total Noncurrent Assets	<u>656,450</u>	<u>973</u>	<u>657,423</u>
Total Assets	<u>47,468,908</u>	<u>9,936,533</u>	<u>57,405,441</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	115,726	54,207	169,933
Deposits	9,505,819	-	9,505,819
Accrued liabilities	2,312,294	228,737	2,541,031
Due to other funds	310,230	23,340	333,570
Due to component units	-	795,734	795,734
Due to other governments	-	385,566	385,566
Equipment notes payable	18,342	-	18,342
Unearned revenue	75,808	2,821,594	2,897,402
Total Current Liabilities	<u>12,338,219</u>	<u>4,309,178</u>	<u>16,647,397</u>
Noncurrent Liabilities:			
Equipment note payable	56,310	-	56,310
Compensated absences	475,305	47,994	523,299
Other postemployment benefits	1,260,848	159,078	1,419,926
Total Noncurrent Liabilities	<u>1,792,463</u>	<u>207,072</u>	<u>1,999,535</u>
Total Liabilities	<u>14,130,682</u>	<u>4,516,250</u>	<u>18,646,932</u>
<b>NET POSITION</b>			
Net investment in capital assets	656,450	973	657,423
Unrestricted	32,681,776	5,419,310	38,101,086
Total Net Position	<u>\$ 33,338,226</u>	<u>\$ 5,420,283</u>	<u>\$ 38,758,509</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit C-2**

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,246,309	\$ 10,994,979	\$ 13,241,288
Licenses and permits	42,045,813	-	42,045,813
Fines and penalties	93,658	-	93,658
Total Operating Revenues	<u>44,385,780</u>	<u>10,994,979</u>	<u>55,380,759</u>
<b>OPERATING EXPENSES</b>			
Personnel costs	22,036,882	2,390,611	24,427,493
Other post employment contributions	1,652,410	231,170	1,883,580
Postage	11,087	418	11,505
Insurance	137,720	-	137,720
Supplies and materials	443,005	229,438	672,443
Contractual services	1,318,546	4,036,824	5,355,370
Communications	208,439	46,072	254,511
Transportation	703,397	5,783	709,180
Public utility services	-	1,721,770	1,721,770
Rentals	2,321,680	290,959	2,612,639
Maintenance	436,649	19,930	456,579
Depreciation	115,861	3,529	119,390
Other	265,688	37,914	303,602
Total Operating Expenses	<u>29,651,364</u>	<u>9,014,418</u>	<u>38,665,782</u>
Operating Income (Loss)	<u>14,734,416</u>	<u>1,980,561</u>	<u>16,714,977</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	24,815	5,157	29,972
Interest expense	(1,019)	-	(1,019)
Other revenue	7,537	(8,104)	(567)
Total Nonoperating Revenues (Expenses)	<u>31,333</u>	<u>(2,947)</u>	<u>28,386</u>
Income (Loss) Before Transfers	<u>14,765,749</u>	<u>1,977,614</u>	<u>16,743,363</u>
Transfers In (Out):			
Transfers in	-	25,000	25,000
Transfers out	(3,773,074)	(429,435)	(4,202,509)
Total Transfers In (Out)	<u>(3,773,074)</u>	<u>(404,435)</u>	<u>(4,177,509)</u>
Change in Net Position	10,992,675	1,573,179	12,565,854
Total Net Position - Beginning of Year	<u>22,345,551</u>	<u>3,847,104</u>	<u>26,192,655</u>
Total Net Position - End of Year	<u>\$ 33,338,226</u>	<u>\$ 5,420,283</u>	<u>\$ 38,758,509</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit C-3**

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 43,120,897	\$ 10,999,035	\$ 54,119,932
Payments to suppliers	(7,620,521)	(6,031,116)	(13,651,637)
Payments to employees	(22,738,678)	(2,371,416)	(25,110,094)
Internal activity - operating payments from other funds	1,153,770	-	1,153,770
Other operating receipts	6,324,838	-	6,324,838
Other operating payments	(6,324,856)	-	(6,324,856)
Other revenue	7,537	(8,104)	(567)
Net cash provided (Used) by Operating Activities	<u>13,922,987</u>	<u>2,588,399</u>	<u>16,511,386</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies receipts and transfers from other funds	-	25,000	25,000
Operating subsidies payments and transfers to other funds	<u>(3,343,760)</u>	<u>(429,435)</u>	<u>(3,773,195)</u>
Net cash provided (Used) by Noncapital Financing Activities	<u>(3,343,760)</u>	<u>(404,435)</u>	<u>(3,748,195)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	(18,132)	-	(18,132)
Interest paid on capital debt	<u>(1,019)</u>	<u>-</u>	<u>(1,019)</u>
Net cash provided (Used) by Capital and Related Financing Activities	<u>(19,151)</u>	<u>-</u>	<u>(19,151)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income from pooled investments	<u>-</u>	<u>5,157</u>	<u>5,157</u>
Net cash provided (Used) by Investing Activities	<u>-</u>	<u>5,157</u>	<u>5,157</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,560,076	2,189,121	12,749,197
Balances - Beginning of Year	<u>36,183,383</u>	<u>7,720,813</u>	<u>43,904,196</u>
Balances - End of Year	<u>\$ 46,743,459</u>	<u>\$ 9,909,934</u>	<u>\$ 56,653,393</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 14,734,416	\$ 1,980,561	\$ 16,714,977
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	115,861	3,529	119,390
Other revenues	7,537	(8,104)	(567)
Change in assets and liabilities:			
Receivables, net	(43,881)	4,053	(39,828)
Accounts payable and other liabilities	(189,132)	608,492	419,360
Accrued expenses	<u>(701,814)</u>	<u>(132)</u>	<u>(701,946)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 13,922,987</u>	<u>\$ 2,588,399</u>	<u>\$ 16,511,386</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS))  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Exhibit C-4**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>LIQUOR</b>				
Personnel costs	\$ 25,294,511	\$ 27,108,381	\$ 27,108,377	\$ 4
Operating	<u>30,030,045</u>	<u>24,299,563</u>	<u>20,254,290</u>	<u>4,045,273</u>
Total	<u>\$ 55,324,556</u>	<u>\$ 51,407,944</u>	47,362,667	<u>\$ 4,045,277</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			2,247,106	
Cost of goods sold			190,878,813	
Interest expense			2,193,563	
Deductions:				
Cash interest payments			(2,364,529)	
Encumbrances outstanding at year-end			<u>(689,330)</u>	
GAAP Expenses			<u>\$ 239,628,290</u>	
<b>PERMITTING SERVICES</b>				
Personnel costs	\$ 21,642,820	\$ 22,036,889	\$ 22,036,882	\$ 7
Operating	<u>7,999,251</u>	<u>8,295,995</u>	<u>8,295,995</u>	<u>-</u>
Total	<u>\$ 29,642,071</u>	<u>\$ 30,332,884</u>	30,332,877	<u>\$ 7</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation and amortization			115,861	
Non-budgeted expense			52,000	
Deductions:				
Equipment note principal reduction			(18,132)	
Cash interest payments			(1,019)	
Encumbrances outstanding at year-end			<u>(830,223)</u>	
GAAP Expenses			<u>\$ 29,651,364</u>	
<b>COMMUNITY USE OF PUBLIC FACILITIES</b>				
Personnel costs	\$ 2,544,811	\$ 2,561,053	\$ 2,390,611	\$ 170,442
Operating	<u>7,351,460</u>	<u>7,361,636</u>	<u>6,655,018</u>	<u>706,618</u>
Total	<u>\$ 9,896,271</u>	<u>\$ 9,922,689</u>	9,045,629	<u>\$ 877,060</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			3,529	
Deductions:				
Encumbrances outstanding at year-end			<u>(34,740)</u>	
GAAP Expenses			<u>\$ 9,014,418</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit C-4 (Continued)**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>SOLID WASTE DISPOSAL</b>				
Personnel costs	\$ 9,166,151	\$ 9,033,075	\$ 9,033,072	\$ 3
Operating	86,016,446	86,862,208	86,862,208	-
Total	<u>\$ 95,182,597</u>	<u>\$ 95,895,283</u>	95,895,280	<u>\$ 3</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			1,447,892	
Accrued Gude Landfill remediation costs			28,500,000	
Bad debt expense			670	
Deductions:				
Capital outlay expenditures			(468,588)	
Encumbrances outstanding at year-end			(5,628,450)	
Accrued landfill closing cost			(1,284,141)	
Adjustment of landfill closure costs			(997,933)	
GAAP Expenses			<u>\$ 117,464,730</u>	
<b>SOLID WASTE COLLECTION</b>				
Personnel costs	\$ 1,200,024	\$ 1,203,671	\$ 1,167,050	\$ 36,621
Operating	4,979,950	5,034,158	4,762,797	271,361
Total	<u>\$ 6,179,974</u>	<u>\$ 6,237,829</u>	5,929,847	<u>\$ 307,982</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			6,048	
Deductions:				
Encumbrances outstanding at year-end			(54,208)	
GAAP Expenses			<u>\$ 5,881,687</u>	
<b>SOLID WASTE LEAFING</b>				
Personnel costs	\$ 2,872,593	\$ 2,585,343	\$ 2,581,120	\$ 4,223
Operating	2,282,710	2,866,130	2,866,127	3
Total	<u>\$ 5,155,303</u>	<u>\$ 5,451,473</u>	5,447,247	<u>\$ 4,226</u>
Reconciliation to GAAP expenses:				
Additions:				
Interfund activities budgeted as transfers - charges for services from disposal			885,196	
Deductions:				
Encumbrances outstanding at year-end			(30,355)	
GAAP Expenses			<u>\$ 6,302,088</u>	
<b>Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:</b>				
GAAP Expenses:				
Solid Waste Disposal			\$ 117,464,730	
Solid Waste Collection			5,881,687	
Solid Waste Leafing			6,302,088	
Total Solid Waste Activities			<u>\$ 129,648,505</u>	*

(Continued)

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit C-4 (Continued)**

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>SILVER SPRING PARKING</b>				
Personnel costs	\$ 2,087,956	\$ 2,098,255	\$ 2,068,125	\$ 30,130
Operating	9,009,878	9,072,756	6,868,361	2,204,395
Total	<u>\$ 11,097,834</u>	<u>\$ 11,171,011</u>	8,936,486	<u>\$ 2,234,525</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			5,330,311	
CIP - other operating costs			204,081	
Deductions:				
Encumbrances outstanding at year-end			(167,766)	
GAAP Expenses			<u>\$ 14,303,112</u>	
<b>BETHESDA PARKING</b>				
Personnel costs	\$ 1,912,097	\$ 2,014,738	\$ 2,014,732	\$ 6
Operating	11,387,084	11,043,731	10,016,294	1,027,437
Total	<u>\$ 13,299,181</u>	<u>\$ 13,058,469</u>	12,031,026	<u>\$ 1,027,443</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			4,663,300	
Interest expense			1,412,609	
CIP - other operating costs			115,706	
Bad debt expense			132,610	
Deductions:				
Encumbrances outstanding at year-end			(6,115)	
Principal paid on bonds			(2,100,000)	
Cash interest payments			(1,910,939)	
GAAP Expenses			<u>\$ 14,338,197</u>	
<b>WHEATON PARKING</b>				
Personnel costs	\$ 334,712	\$ 345,014	\$ 345,011	\$ 3
Operating	987,769	995,158	750,511	244,647
Total	<u>\$ 1,322,481</u>	<u>\$ 1,340,172</u>	1,095,522	<u>\$ 244,650</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			347,043	
CIP - other operating costs			17,110	
Deductions:				
Encumbrances outstanding at year-end			(27,572)	
GAAP Expenses			<u>\$ 1,432,103</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND  
 SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit C-4 (Concluded)**

	<b>Budget</b>		<b>Actual</b>	<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>MONTGOMERY HILLS PARKING</b>				
Personnel costs	\$ 44,667	\$ 45,853	\$ 45,844	\$ 9
Operating	<u>92,232</u>	<u>93,624</u>	<u>71,051</u>	<u>22,573</u>
Total	<u>\$ 136,899</u>	<u>\$ 139,477</u>	116,895	<u>\$ 22,582</u>
Reconciliation to GAAP expenses:				
Deductions:				
Depreciation			25	
Encumbrances outstanding at year-end			<u>(3,199)</u>	
GAAP Expenses			<u>\$ 113,721</u>	
<b>Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:</b>				
GAAP Expenses:				
Silver Spring Parking			\$ 14,303,112	
Bethesda Parking			14,338,197	
Wheaton Parking			1,432,103	
Montgomery Hills Parking			<u>113,721</u>	
Total Parking Lot Districts			<u>\$ 30,187,133</u>	*

\* Includes operating and nonoperating expenses



## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

### **Motor Pool**

Accounts for the fiscal activity related to the automotive and other motorized equipment needs of the using departments of the County.

### **Liability and Property Coverage Self-Insurance**

Accounts for the fiscal activity related to liability, property, and workers' compensation insurance needs of the participating governmental agencies.

### **Employee Health Benefits Self-Insurance**

Accounts for the fiscal activity related to health, life, vision, dental, and long-term disability insurance needs of active employees of the participating governmental agencies.

### **Central Duplicating**

Accounts for the fiscal activity related to printing and postage services provided to the using agencies.



MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2014  
**Exhibit D-1**

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Equity in pooled cash and investments	\$ 5,647,259	\$ 125,980,216	\$ 44,039,904	\$ 228	\$ 175,667,607
Cash	300	-	-	-	300
Receivables (net of allowances for uncollectibles):					
Accounts	511,224	161,025	248,176	-	920,425
Due from other funds	-	-	5,751,392	-	5,751,392
Due from component units	34,456	-	497,332	5,865	537,653
Due from other governments	30,587	203,785	49,617	23,026	307,015
Inventory of supplies	4,872,727	-	-	-	4,872,727
Prepays	15,258	765	-	197,552	213,575
Total Current Assets	<u>11,111,811</u>	<u>126,345,791</u>	<u>50,586,421</u>	<u>226,671</u>	<u>188,270,694</u>
Noncurrent Assets:					
Capital Assets:					
Land, improved and unimproved	22,506	-	-	-	22,506
Improvements other than buildings	268,565	-	-	-	268,565
Furniture, fixtures, equipment, and machinery	3,013,567	-	-	1,760,872	4,774,439
Automobiles and trucks	85,269,784	-	-	-	85,269,784
Subtotal	<u>88,574,422</u>	<u>-</u>	<u>-</u>	<u>1,760,872</u>	<u>90,335,294</u>
Less: Accumulated depreciation	57,225,565	-	-	1,585,216	58,810,781
Total Capital Assets (net of accumulated depreciation)	<u>31,348,857</u>	<u>-</u>	<u>-</u>	<u>175,656</u>	<u>31,524,513</u>
Total Assets	<u>42,460,668</u>	<u>126,345,791</u>	<u>50,586,421</u>	<u>402,327</u>	<u>219,795,207</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	3,195,586	1,069,912	5,223,596	207,491	9,696,585
Claims payable	-	29,973,038	7,812,038	-	37,785,076
Accrued liabilities	2,705,962	637,204	324,526	214,385	3,882,077
Due to other funds	208,684	48,841	4,119,286	370,264	4,747,075
Equipment notes payable	181,972	-	-	-	181,972
Unearned revenue	-	-	36,049	-	36,049
Total Current Liabilities	<u>6,292,204</u>	<u>31,728,995</u>	<u>17,515,495</u>	<u>792,140</u>	<u>56,328,834</u>
Noncurrent Liabilities:					
Claims payable	-	97,987,888	4,433,000	-	102,420,888
Compensated absences	369,613	87,917	58,718	43,532	559,780
Other postemployment benefits	983,943	43,753	-	113,518	1,141,214
Total Noncurrent Liabilities	<u>1,353,556</u>	<u>98,119,558</u>	<u>4,491,718</u>	<u>157,050</u>	<u>104,121,882</u>
Total Liabilities	<u>7,645,760</u>	<u>129,848,553</u>	<u>22,007,213</u>	<u>949,190</u>	<u>160,450,716</u>
<b>NET POSITION</b>					
Net investment in capital assets	31,166,885	-	-	175,656	31,342,541
Unrestricted	3,648,023	(3,502,762)	28,579,208	(722,519)	28,001,950
Total Net Position (Deficit)	<u>\$ 34,814,908</u>	<u>\$ (3,502,762)</u>	<u>\$ 28,579,208</u>	<u>\$ (546,863)</u>	<u>\$ 59,344,491</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit D-2**

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 77,491,138	\$ 65,263,250	\$ 128,030,886	\$ 7,498,855	\$ 278,284,129
Claim recoveries	1,060,585	580,460	-	-	1,641,045
Total Operating Revenues	<u>78,551,723</u>	<u>65,843,710</u>	<u>128,030,886</u>	<u>7,498,855</u>	<u>279,925,174</u>
<b>OPERATING EXPENSES</b>					
Personnel costs	18,539,409	3,729,395	1,366,706	2,261,051	25,896,561
Other post employment contributions	1,720,890	85,620	-	265,410	2,071,920
Postage	2,955	129	31,711	1,177,613	1,212,408
Self-insurance incurred and estimated claims	-	39,493,342	118,719,119	-	158,212,461
Insurance	2,939,400	4,156,172	-	-	7,095,572
Supplies and materials	30,200,160	11,291	716,851	742,238	31,670,540
Contractual services	494,545	6,156,273	5,453,987	458,055	12,562,860
Communications	106,149	6,491	58,527	437,159	608,326
Transportation	243,935	17,220	4,354	54,382	319,891
Public utility services	1,243,258	-	-	-	1,243,258
Rentals	19,430	-	458	1,785,828	1,805,716
Maintenance	14,294,862	2,023	4,372	127,407	14,428,664
Depreciation	6,120,248	-	-	54,369	6,174,617
Other	697,631	12,152	67,267	29	777,079
Total Operating Expenses	<u>76,622,872</u>	<u>53,670,108</u>	<u>126,423,352</u>	<u>7,363,541</u>	<u>264,079,873</u>
Operating Income (Loss)	<u>1,928,851</u>	<u>12,173,602</u>	<u>1,607,534</u>	<u>135,314</u>	<u>15,845,301</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain on disposal of capital assets	430,912	-	-	-	430,912
Investment income	15,815	88,614	21,981	-	126,410
Interest expense	(7,983)	-	-	-	(7,983)
Other revenue	-	-	5,085,385	-	5,085,385
Insurance recoveries	-	656,087	-	30,675	686,762
Total Nonoperating Revenues (Expenses)	<u>438,744</u>	<u>744,701</u>	<u>5,107,366</u>	<u>30,675</u>	<u>6,321,486</u>
Income (Loss) Before Transfers	<u>2,367,595</u>	<u>12,918,303</u>	<u>6,714,900</u>	<u>165,989</u>	<u>22,166,787</u>
Transfers In (Out):					
Transfers in	1,228,133	-	-	-	1,228,133
Transfers out	-	-	(8,682,636)	-	(8,682,636)
Total Transfers In (Out)	<u>1,228,133</u>	<u>-</u>	<u>(8,682,636)</u>	<u>-</u>	<u>(7,454,503)</u>
Change in Net Position	3,595,728	12,918,303	(1,967,736)	165,989	14,712,284
Total Net Position - Beginning of Year	<u>31,219,180</u>	<u>(16,421,065)</u>	<u>30,546,944</u>	<u>(712,852)</u>	<u>44,632,207</u>
Total Net Position - End of Year	<u>\$ 34,814,908</u>	<u>\$ (3,502,762)</u>	<u>\$ 28,579,208</u>	<u>\$ (546,863)</u>	<u>\$ 59,344,491</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit D-3**

	<b>Motor Pool</b>	<b>Liability and Property Coverage Self Insurance</b>	<b>Employee Health Benefits Self Insurance</b>	<b>Central Duplicating</b>	<b>Total Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 78,602,866	\$ 65,267,591	\$ 128,357,867	\$ 7,500,652	\$ 279,728,976
Payments to suppliers	(50,874,442)	(10,966,296)	(26,724,266)	(5,245,284)	(93,810,288)
Payments to employees	(17,392,930)	(3,473,592)	(1,422,193)	(2,285,992)	(24,574,707)
Claims paid	-	(38,584,144)	(99,315,283)	-	(137,899,427)
Other operating receipts	-	580,460	5,085,385	30,675	5,696,520
Net Cash Provided (Used) by Operating Activities	<u>10,335,494</u>	<u>12,824,019</u>	<u>5,981,510</u>	<u>51</u>	<u>29,141,074</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating subsidies, transfers and payments to other funds	-	656,087	(8,682,636)	-	(8,026,549)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>656,087</u>	<u>(8,682,636)</u>	<u>-</u>	<u>(8,026,549)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale of capital assets	593,401	-	-	-	593,401
Purchases of capital assets	(17,136,215)	-	-	-	(17,136,215)
Interest paid on capital debt	(7,983)	-	-	-	(7,983)
Internal activity-payment from other funds	1,228,133	-	-	-	1,228,133
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(15,322,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,322,664)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income from pooled investments	15,815	88,614	21,981	-	126,410
Net Cash Provided (Used) by Investing Activities	<u>15,815</u>	<u>88,614</u>	<u>21,981</u>	<u>-</u>	<u>126,410</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,971,355)	13,568,720	(2,679,145)	51	5,918,271
Balances - Beginning of Year	10,618,914	112,411,496	46,719,049	177	169,749,636
Balances - End of Year	<u>\$ 5,647,559</u>	<u>\$ 125,980,216</u>	<u>\$ 44,039,904</u>	<u>\$ 228</u>	<u>\$ 175,667,907</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 1,928,851	\$ 12,173,602	\$ 1,607,534	\$ 135,314	\$ 15,845,301
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,120,248	-	-	54,369	6,174,617
Other revenue	-	-	5,085,385	30,675	5,116,060
Other operating expenses	-	-	691,302	-	691,302
<b>Changes in assets and liabilities:</b>					
Receivables, net	630,905	4,341	326,981	1,798	964,025
Inventories, prepaids and other assets	(215,300)	23,878	-	(29,924)	(221,346)
Accounts payable and other liabilities	737,362	371,620	(1,155,247)	(210,569)	(256,834)
Accrued expenses	1,133,428	250,578	(574,445)	18,388	827,949
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,335,494</u>	<u>\$ 12,824,019</u>	<u>\$ 5,981,510</u>	<u>\$ 51</u>	<u>\$ 29,141,074</u>

MONTGOMERY COUNTY, MARYLAND  
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit D-4**

	<b>Budget</b>		<b>Actual</b>	<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>LIABILITY AND PROPERTY COVERAGE SELF-INSURANCE</b>				
Personnel costs	\$ 3,931,679	\$ 3,729,399	\$ 3,729,395	\$ 4
Operating	52,911,511	49,388,834	49,388,830	4
Total	<u>\$ 56,843,190</u>	<u>\$ 53,118,233</u>	53,118,225	<u>\$ 8</u>
Reconciliation to GAAP expenses:				
Additions:				
Portion of incurred but not reported claims not required to be budgeted			909,198	
Deductions:				
Encumbrances outstanding at year-end			<u>(357,315)</u>	
GAAP Expenses			<u>\$ 53,670,108</u>	
<b>EMPLOYEE HEALTH BENEFITS SELF-INSURANCE</b>				
Personnel costs	\$ 2,014,034	\$ 1,828,134	\$ 1,366,706	\$ 461,428
Operating	196,676,566	192,278,379	128,303,054	63,975,325
Total	<u>\$ 198,690,600</u>	<u>\$ 194,106,513</u>	129,669,760	<u>\$ 64,436,753</u>
Reconciliation to GAAP expenses:				
Additions:				
Portion of incurred but not reported claims not required to be budgeted			(2,416,866)	
Non-budgeted prior year CIP write-off			691,302	
Deductions:				
Encumbrances outstanding at year-end			<u>(1,520,844)</u>	
GAAP Expenses			<u>\$ 126,423,352</u>	

## **FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

### **Pension and Other Employee Benefit Trust**

Account for the accumulation of resources for, and payment of, retirement annuities and/or other benefits and administrative costs.

- Employees' Retirement System
- Employees' Retirement Savings Plan
- Deferred Compensation Plan
- Retiree Health Benefits

### **Private Purpose Trust**

Account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Private Contributions
- Tricentennial

### **Agency**

Account for resources held by the County in a purely custodial capacity.

- Recreation Activities
- Property Tax
- Miscellaneous



MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
 JUNE 30, 2014  
**Exhibit E-1**

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Retiree Health Benefits	Total
<b>ASSETS</b>					
Current Assets:					
Equity in pooled cash and investments	\$ 971,114	\$ 586,404	\$ -	\$ 350,245	\$ 1,907,763
Investments:					
Government and agency obligations	359,793,807	-	-	-	359,793,807
Asset-backed securities	3,345,101	-	-	-	3,345,101
Municipal/Provincial bonds	58,203,905	-	-	-	58,203,905
Corporate bonds	632,632,391	-	-	-	632,632,391
Commercial mortgage-backed securities	419,500	-	-	-	419,500
Common and preferred stock	1,391,796,570	-	-	-	1,391,796,570
Mutual and commingled funds	453,648,456	290,735,529	343,639,371	457,726,578	1,545,749,934
Short-term investments	99,565,286	-	-	-	99,565,286
Cash collateral received under securities lending agreements	233,431,419	-	-	-	233,431,419
Real assets	391,199,845	-	-	-	391,199,845
Private equity	257,774,913	-	-	-	257,774,913
Total Investments	3,881,811,193	290,735,529	343,639,371	457,726,578	4,973,912,671
Receivables (net of allowances for uncollectibles):					
Receivables and accrued interest	3,875,781	-	-	-	3,875,781
Accounts	150,524	97,316	-	34,400	282,240
Due from other funds	7,437,398	1,026,444	642,341	4,110,701	13,216,884
Due from component units	116,506	88,205	-	2,073,600	2,278,311
Due from other governments	13,236	3,670	-	-	16,906
Total Current Assets	3,894,375,752	292,537,568	344,281,712	464,295,524	4,995,490,556
Noncurrent Assets:					
Capital assets:					
Miscellaneous	900,043	-	-	-	900,043
Less: Accumulated depreciation	-	-	-	-	-
Total Capital Assets (net of accumulated depreciation)	900,043	-	-	-	900,043
Total Assets	3,895,275,795	292,537,568	344,281,712	464,295,524	4,996,390,599
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	234,332,492	1,389	-	30,199	234,364,080
Accrued liabilities	6,328,592	24,005	-	410,804	6,763,401
Claims payable	-	-	-	4,110,701	4,110,701
Due to other funds	1,625,013	717	-	1,711	1,627,441
Unearned revenue	77,121	-	-	-	77,121
Total Current Liabilities	242,363,218	26,111	-	4,553,415	246,942,744
Noncurrent Liabilities:					
Compensated absences	45,480	4,552	-	5,506	55,538
Total Liabilities	242,408,698	30,663	-	4,558,921	246,998,282
<b>NET POSITION</b>					
Held in trust for pension and other postemployment benefits	\$ 3,652,867,097	\$ 292,506,905	\$ 344,281,712	\$ 459,736,603	\$ 4,749,392,317

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit E-2**

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Retiree Health Benefits	Total
<b>ADDITIONS</b>					
Contributions:					
Employers	\$ 144,709,675	\$ 17,117,342	\$ -	\$ 222,185,940	\$ 384,012,957
Members	26,462,839	8,694,887	17,011,184	18,942,059	71,110,969
Federal government - Medicare Part D	-	-	-	1,352,301	1,352,301
Total Contributions	<u>171,172,514</u>	<u>25,812,229</u>	<u>17,011,184</u>	<u>242,480,300</u>	<u>456,476,227</u>
Investment income (loss)	554,677,466	42,040,389	48,863,366	46,691,529	692,272,750
Less: Investment expenses	<u>20,279,733</u>	<u>4,800</u>	<u>-</u>	<u>1,104,977</u>	<u>21,389,510</u>
Net Investment Income (Loss)	<u>534,397,733</u>	<u>42,035,589</u>	<u>48,863,366</u>	<u>45,586,552</u>	<u>670,883,240</u>
Other income - forfeitures	<u>-</u>	<u>396,592</u>	<u>-</u>	<u>-</u>	<u>396,592</u>
Total Additions, net	<u>705,570,247</u>	<u>68,244,410</u>	<u>65,874,550</u>	<u>288,066,852</u>	<u>1,127,756,059</u>
<b>DEDUCTIONS</b>					
Benefits:					
Annuities:					
Retirees	172,472,289	-	-	-	172,472,289
Survivors	8,585,891	-	-	-	8,585,891
Disability	48,606,540	-	-	-	48,606,540
Claims	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,601,633</u>	<u>62,601,633</u>
Total Benefits	<u>229,664,720</u>	<u>-</u>	<u>-</u>	<u>62,601,633</u>	<u>292,266,353</u>
Member refunds	4,329,834	11,681,985	25,505,605	-	41,517,424
Administrative expenses	<u>2,953,807</u>	<u>197,453</u>	<u>-</u>	<u>3,846,093</u>	<u>6,997,353</u>
Total Deductions	<u>236,948,361</u>	<u>11,879,438</u>	<u>25,505,605</u>	<u>66,447,726</u>	<u>340,781,130</u>
Net Increase (Decrease)	468,621,886	56,364,972	40,368,945	221,619,126	786,974,929
Net Position - Beginning of Year	<u>3,184,245,211</u>	<u>236,141,933</u>	<u>303,912,767</u>	<u>238,117,477</u>	<u>3,962,417,388</u>
Net Position - End of Year	<u>\$ 3,652,867,097</u>	<u>\$ 292,506,905</u>	<u>\$ 344,281,712</u>	<u>\$ 459,736,603</u>	<u>\$ 4,749,392,317</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2014  
**Exhibit E-3**

	Private Contributions	Tri- Centennial	Total
<b>ASSETS</b>			
Current Assets:			
Equity in pooled cash and investments	\$ 173,220	\$ 7,318	\$ 180,538
Total Assets	<u>173,220</u>	<u>7,318</u>	<u>180,538</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	44,585	-	44,585
Total Liabilities	<u>44,585</u>	<u>-</u>	<u>44,585</u>
<b>NET POSITION</b>			
Held in trust	<u>\$ 128,635</u>	<u>\$ 7,318</u>	<u>\$ 135,953</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit E-4**

	Private Contributions	Tri- Centennial	Total
<b>ADDITIONS</b>			
Other interest income	\$ -	\$ 56	\$ 56
Total Additions, net	<u>-</u>	<u>56</u>	<u>56</u>
<b>DEDUCTIONS</b>			
Program expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease)	-	56	56
Net Position - Beginning of Year	<u>128,635</u>	<u>7,262</u>	<u>135,897</u>
Net Position - End of Year	<u>\$ 128,635</u>	<u>\$ 7,318</u>	<u>\$ 135,953</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit E-5**

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>RECREATION ACTIVITIES FUND</u></b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 3,073,880	\$ 26,581,569	\$ 26,289,983	\$ 3,365,466
Accounts receivable	25,016	352,629	12,508	365,137
Total Assets	<u>\$ 3,098,896</u>	<u>\$ 26,934,198</u>	<u>\$ 26,302,491</u>	<u>\$ 3,730,603</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 165,815	\$ 3,855,499	\$ 3,961,257	\$ 60,057
Due to other funds	-	310,000	-	310,000
Other liabilities	2,933,081	3,689,530	3,262,065	3,360,546
Total Liabilities	<u>\$ 3,098,896</u>	<u>\$ 7,855,029</u>	<u>\$ 7,223,322</u>	<u>\$ 3,730,603</u>
<b><u>PROPERTY TAX FUND</u></b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 16,298,531	\$ 2,013,400,376	\$ 2,010,328,069	\$ 19,370,838
Property taxes receivable	5,942,676	383,855,261	384,483,755	5,314,182
Accounts receivable	256,868	3,739	260,607	-
Due from other governments	214,231	-	214,231	-
Total Assets	<u>\$ 22,712,306</u>	<u>\$ 2,397,259,376</u>	<u>\$ 2,395,286,662</u>	<u>\$ 24,685,020</u>
<b>LIABILITIES</b>				
Deposits	\$ 463,011	\$ -	\$ -	\$ 463,011
Uncollected property taxes due to governments	5,618,190	383,851,521	384,480,015	4,989,696
Due to other governments	-	413,210,182	412,901,031	309,151
Undistributed taxes and refunds	3,893,792	2,011,435,743	2,012,412,608	2,916,927
Tax sale surplus and redemptions payable	2,616,527	6,731,761	6,972,922	2,375,366
Other liabilities	10,120,786	430,472,493	426,962,410	13,630,869
Total Liabilities	<u>\$ 22,712,306</u>	<u>\$ 3,245,701,700</u>	<u>\$ 3,243,728,986</u>	<u>\$ 24,685,020</u>
<b><u>MISCELLANEOUS AGENCY FUND</u></b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 5,409,290	\$ 5,565,014	\$ 4,719,873	\$ 6,254,431
Cash	281,863	20,533	14,135	288,261
Property taxes receivable	281	1,249,328	1,249,129	480
Accounts receivable	84,199	463,079	479,447	67,831
Total Assets	<u>\$ 5,775,633</u>	<u>\$ 7,297,954</u>	<u>\$ 6,462,584</u>	<u>\$ 6,611,003</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ -	\$ 6,152	\$ -	\$ 6,152
Due to component units	-	71,015	64,691	6,324
Due to other governments	954,722	2,260,596	1,897,505	1,317,813
Other liabilities	4,402,331	14,717,794	17,178,835	1,941,290
Deposits	418,580	3,347,655	426,811	3,339,424
Total Liabilities	<u>\$ 5,775,633</u>	<u>\$ 20,403,212</u>	<u>\$ 19,567,842</u>	<u>\$ 6,611,003</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit E-5 (Concluded)**

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 24,781,701	\$ 2,045,546,959	\$ 2,041,337,925	\$ 28,990,735
Cash	281,863	20,533	14,135	288,261
Property taxes receivable	5,942,957	385,104,589	385,732,884	5,314,662
Accounts receivable	366,083	819,447	752,562	432,968
Due from other governments	214,231	-	214,231	-
Total Assets	<u>\$ 31,586,835</u>	<u>\$ 2,431,491,528</u>	<u>\$ 2,428,051,737</u>	<u>\$ 35,026,626</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 165,815	\$ 3,855,499	\$ 3,961,257	\$ 60,057
Accrued liabilities	-	6,152	-	6,152
Deposits	881,591	3,347,655	426,811	3,802,435
Due to other funds	-	310,000	-	310,000
Due to component units	-	71,015	64,691	6,324
Due to other governments	954,722	415,470,778	414,798,536	1,626,964
Uncollected property taxes due to governments	5,618,190	383,851,521	384,480,015	4,989,696
Undistributed taxes and refunds	3,893,792	2,011,435,743	2,012,412,608	2,916,927
Tax sale surplus and redemptions payable	2,616,527	6,731,761	6,972,922	2,375,366
Other liabilities	17,456,198	448,879,817	447,403,310	18,932,705
Total Liabilities	<u>\$ 31,586,835</u>	<u>\$ 3,273,959,941</u>	<u>\$ 3,270,520,150</u>	<u>\$ 35,026,626</u>

## **NONMAJOR COMPONENT UNITS**



MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR COMPONENT UNITS  
 JUNE 30, 2014  
**Exhibit F-1**

	BUPI	MCRA	MCC	Total
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ -	\$ -	\$ 35,558,350	\$ 35,558,350
Cash with fiscal agents	-	-	8,239,480	8,239,480
Cash	1,097,707	5,648,189	157,005	6,902,901
Investments - cash equivalents	-	-	29,631,733	29,631,733
Investments	-	-	18,634,656	18,634,656
Receivables (net of allowance for uncollectibles):				
Capital leases	-	17,654,651	-	17,654,651
Accounts	60,782	494,551	13,175,831	13,731,164
Notes	-	55,984,966	-	55,984,966
Other	-	-	829,701	829,701
Due from primary government	826	-	7,008,870	7,009,696
Due from other governments	7,234	364,677	3,422,094	3,794,005
Inventory of supplies	-	428,448	1,558,183	1,986,631
Prepays	17,855	47,376	2,364,149	2,429,380
Other assets	5,075	-	54,933,033	54,938,108
Restricted Asset:				
Equity in pooled cash and investments	-	-	20,449,932	20,449,932
Cash	-	1,265,188	-	1,265,188
Investment	-	1,473,556	5,006,949	6,480,505
Capital Assets:				
Nondepreciable assets	-	31,204,302	184,045,962	215,250,264
Depreciable assets, net	167,271	12,839,287	307,184,782	320,191,340
Total Assets	<u>1,356,750</u>	<u>127,405,191</u>	<u>692,200,710</u>	<u>820,962,651</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives	-	1,665,958	-	1,665,958
Total Assets and Deferred Outflow of Resources	<u>1,356,750</u>	<u>129,071,149</u>	<u>692,200,710</u>	<u>822,628,609</u>
<b>LIABILITIES</b>				
Accounts payable	124,414	779,467	16,545,156	17,449,037
Interest payable	-	477,871	-	477,871
Accrued liabilities	227,124	736,313	-	963,437
Deposits	-	341,874	-	341,874
Due to primary government	18,306	155,077	9,586,556	9,759,939
Unearned revenue	258,971	604,953	6,411,769	7,275,693
Noncurrent Liabilities:				
Due within one year	-	5,958,205	5,153,263	11,111,468
Due in more than one year	-	88,051,408	122,696,281	210,747,689
Total Liabilities	<u>628,815</u>	<u>97,105,168</u>	<u>160,393,025</u>	<u>258,127,008</u>
<b>NET POSITION</b>				
Net investment in capital assets	167,271	24,013,428	432,397,378	456,578,077
Restricted for:				
Capital projects	-	147,111	-	147,111
Debt service	-	1,473,556	-	1,473,556
Other purposes	-	1,118,077	31,254,016	32,372,093
Unrestricted (deficit)	560,664	5,213,809	68,156,291	73,930,764
Total Net Position	<u>\$ 727,935</u>	<u>\$ 31,965,981</u>	<u>\$ 531,807,685</u>	<u>\$ 564,501,601</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF ACTIVITIES  
 NONMAJOR COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Exhibit F-2**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	BUPI	MCRA	MCC	Total
<b>Component Units:</b>								
General government	\$ 4,643,662	\$ 4,469,546	\$ 221,294	\$ -	\$ 47,178	\$ -	\$ -	\$ 47,178
Culture and recreation	18,747,307	16,398,474	-	363,958	-	(1,984,875)	-	(1,984,875)
Education	317,144,479	78,412,783	17,855,382	504,936	-	-	(220,371,378)	(220,371,378)
Total component units	<u>\$ 340,535,448</u>	<u>\$ 99,280,803</u>	<u>\$ 18,076,676</u>	<u>\$ 868,894</u>	47,178	(1,984,875)	(220,371,378)	(222,309,075)
General revenues:								
Grants and contributions not restricted to specific programs					-	-	251,760,563	251,760,563
Investment Income					-	2,557,975	5,992,989	8,550,964
Total general revenues					-	2,557,975	257,753,552	260,311,527
Change in net position					47,178	573,100	37,382,174	38,002,452
Total Net Position - beginning, as restated					680,757	31,392,881	494,425,511	526,499,149
Total Net Position - ending					<u>\$ 727,935</u>	<u>\$ 31,965,981</u>	<u>\$ 531,807,685</u>	<u>\$ 564,501,601</u>



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**STATISTICAL SECTION**

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## STATISTICAL SECTION

The Statistical Section presents detailed information for the primary government in the following areas, as a context for understanding what the information in the Financial Section says about the County's overall financial health:

### **Financial Trends**

Information to help the reader understand how the County's financial performance and well-being have changed over time.

### **Revenue Capacity**

Information to help the reader assess the County's most significant local revenue sources - the property tax and income tax.

### **Debt Capacity**

Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

### **Demographic and Economic Information**

Indicators to help the reader understand the environment within which the County's financial activities take place.

### **Operating Information**

Service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Many of these tables cover more than two fiscal years and present data from outside the accounting records. Therefore, the Statistical Section is unaudited.



MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 NET POSITION BY COMPONENT - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)  
 LAST TEN FISCAL YEARS

Table 1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 1,747,572,143	\$ 1,769,233,330	\$ 1,880,672,363	\$ 1,875,327,937	\$ 1,937,493,317	\$ 1,965,289,080	\$ 1,923,668,729	\$ 1,880,813,780	\$ 1,932,495,036	\$ 2,112,879,507
Restricted	287,333,081	338,811,955	440,714,792	410,457,623	393,404,279	380,181,540	426,265,013	502,059,858	296,564,191	315,878,315
Unrestricted (deficit) (1, 2)	(480,714,029)	(425,270,974)	(423,363,652)	(652,576,967)	(1,043,969,070)	(1,372,709,340)	(1,388,128,738)	(1,365,476,872)	(1,147,060,057)	(1,247,964,983)
Total Governmental Activities Net Position	1,554,191,195	1,682,774,311	1,898,023,503	1,633,208,593	1,286,928,526	972,761,280	961,805,004	1,017,396,766	1,081,999,170	1,180,792,839
<b>Business-type Activities:</b>										
Net investment in capital assets (2)	158,430,251	152,244,454	160,807,324	166,059,652	177,697,087	178,781,693	173,232,831	185,300,678	191,266,741	181,965,592
Restricted	68,389,069	80,486,538	72,370,254	76,590,751	66,606,205	54,684,729	52,817,393	93,254,622	94,329,133	64,810,807
Unrestricted	28,768,364	31,001,878	33,422,201	36,328,335	24,449,733	16,127,031	18,434,295	26,894,257	41,045,651	69,285,828
Total Business-type Activities Net Position	255,587,684	263,732,870	266,599,779	278,978,738	268,753,045	249,593,453	244,484,519	305,449,557	326,641,525	316,062,227
<b>Primary Government:</b>										
Net investment in capital assets (2)	1,906,002,394	1,874,877,273	1,996,886,602	1,999,920,988	2,003,119,670	2,109,006,202	2,065,797,289	2,066,114,458	2,123,761,777	2,294,845,099
Restricted	380,153,369	419,298,493	513,085,046	513,085,046	487,048,374	434,866,269	479,082,406	595,314,480	390,893,324	380,689,122
Unrestricted (deficit) (1, 2)	(477,461,966)	(347,668,585)	(345,348,366)	(348,382,752)	(577,980,713)	(1,321,517,738)	(1,338,590,172)	(1,338,582,615)	(1,106,014,406)	(1,178,679,155)
Total Primary Government Net Position	\$ 1,808,693,797	\$ 1,946,507,181	\$ 2,164,623,282	\$ 2,164,623,282	\$ 1,912,187,331	\$ 1,222,354,733	\$ 1,206,289,523	\$ 1,322,846,323	\$ 1,408,640,695	\$ 1,496,855,066

NOTES:

- \* This table is a summary of net position information presented in the basic financial statement Exhibit A-1.
- \* Government-wide net position information is reported on the accrual basis of accounting.
- \* Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County.
- \* Beginning in FY 13, the County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, and Net Position, which requires amounts formerly reported as net assets be reported as net position. The effect of this implementation is reflected in the above table.*

(1) The County's governmental activities has an unrestricted deficit because the County issues debt to fund construction costs for MCPS and MCC, two of its component units, and for M-NCPPC, a joint venture. Absent the effect of this relationship, the County would have reported a smaller government-wide deficit for its governmental activities and for government-wide purposes. Government-wide unrestricted net position would have been:

Unrestricted (deficit) net position reported above	\$ (477,461,966)	\$ (347,668,585)	\$ (345,348,366)	\$ (348,382,752)	\$ (577,980,713)	\$ (1,321,517,738)	\$ (1,338,590,172)	\$ (1,338,582,615)	\$ (1,106,014,406)	\$ (1,178,679,155)
Debt issued for capital on behalf of others	786,773,722	902,249,062	1,109,741,009	1,023,021,034	1,122,854,267	1,252,293,676	1,359,354,018	1,399,452,195	1,471,314,322	1,498,460,648
County net position absent effect of this relationship	\$ 309,311,756	\$ 554,580,477	\$ 764,392,643	\$ 674,638,282	\$ 544,873,554	\$ (69,224,062)	\$ 20,763,846	\$ 60,869,580	\$ 365,299,916	\$ 319,781,493

(2) Beginning in FY05, for government-wide purposes, the Business-type Activities net investment in capital assets includes in capital assets, certain garages, acquired by capital lease by the Silver Spring Parking Lot District. Since the related capital lease liability is an obligation of the Governmental Activities, and the debt does not relate to a governmental capital asset, the impact of such debt is reported in the unrestricted portion of net position for Governmental Activities purposes. However, for total Primary Government purposes, the impact of such debt has been reclassified out of unrestricted net position and reflected with the associated capital asset, in net investment in capital assets.

(3) Certain amounts have been restated or reclassified to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)  
 LAST TEN FISCAL YEARS  
**Table 2-a**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 227,211,859	\$ 257,586,189	\$ 274,005,357	\$ 304,526,806	\$ 337,557,085	\$ 293,349,395	\$ 287,987,929	\$ 351,138,451	\$ 400,023,515	\$ 474,084,799
Public safety	418,990,301	473,624,268	529,748,046	601,156,598	626,855,553	611,714,420	614,081,563	600,877,545	609,565,746	607,555,402
Public works and transportation	178,010,395	192,228,591	210,395,916	233,193,597	257,041,963	297,864,026	255,731,300	263,586,549	278,716,716	273,021,015
Health and human services	213,988,337	233,394,838	252,066,273	286,907,329	288,519,635	287,883,637	283,727,427	256,703,043	272,032,818	291,657,233
Culture and recreation	84,339,831	93,460,648	103,765,006	118,017,417	116,186,268	108,490,460	88,433,456	93,560,027	93,965,468	95,084,426
Community development and housing	19,915,566	19,380,438	18,213,040	19,134,520	21,365,597	40,627,603	73,432,068	46,198,670	37,821,686	38,160,065
Environment	8,664,457	9,157,156	12,962,711	14,967,339	13,618,312	16,446,934	19,189,065	28,584,840	28,913,062	31,590,141
Education	1,446,592,632	1,595,747,791	1,669,681,121	1,783,953,133	1,842,962,933	1,738,633,028	1,728,747,256	1,751,721,080	1,797,097,286	1,770,301,285
Interest on long-term debt	70,401,131	73,675,523	81,262,618	95,931,334	92,511,000	86,352,825	99,272,929	116,354,151	113,688,959	101,268,081
Total Governmental Activities Expenses	2,668,114,509	2,950,155,442	3,152,100,888	3,457,788,073	3,596,618,346	3,481,362,328	3,450,602,993	3,508,724,356	3,631,825,256	3,682,722,447
<b>Business-type Activities:</b>										
Liquor control	152,098,599	168,325,049	180,243,618	190,742,139	197,044,956	204,677,766	215,359,402	220,242,176	225,650,484	239,218,758
Solid waste activities	104,106,630	99,911,970	103,455,706	98,166,937	96,857,869	100,709,914	100,890,192	99,723,180	106,039,038	129,531,260
Parking lot districts	24,063,575	26,568,228	26,622,097	27,854,499	29,003,485	30,698,606	30,755,951	29,724,042	30,321,385	30,140,788
Permitting services	20,744,660	21,962,821	23,463,486	26,977,767	27,878,868	27,306,059	25,490,571	25,039,256	27,534,056	29,486,839
Community use of public facilities	5,958,685	6,810,783	7,657,662	8,456,433	8,744,741	8,397,989	8,727,217	8,890,716	9,533,241	8,997,721
Total Business-type Activities Expenses	306,972,149	323,578,851	341,442,569	352,197,775	359,529,919	371,790,334	381,223,333	383,619,370	399,078,204	437,375,366
Total Primary Government Expenses	2,975,086,658	3,273,734,293	3,493,542,657	3,809,985,848	3,956,148,265	3,853,152,662	3,831,826,326	3,892,343,726	4,030,903,460	4,120,097,813
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for services:										
General government	54,138,552	70,760,591	58,026,709	52,271,766	55,124,011	53,793,781	72,444,386	69,255,366	67,955,551	35,879,186
Public safety	24,345,320	21,261,849	21,633,121	33,618,772	44,359,719	33,115,674	38,595,219	35,960,217	44,887,666	52,773,389
Public works and transportation	17,091,962	17,417,455	18,262,635	17,750,337	18,997,028	22,214,073	26,974,805	28,375,493	31,024,303	28,606,534
Health and human services	4,187,736 (3)	3,733,918 (3)	3,894,842	6,504,109	5,604,372	1,497,239	4,721,205	5,785,003	4,976,188	5,448,684
Culture and recreation	22,226,891	24,180,695	26,155,477	27,740,357	29,964,898	31,559,913	32,590,653	36,029,762	37,693,903	38,555,482
Community development and housing	224,834	201,156	245,105	3,947,238	3,937,188	4,745,237	5,019,056	5,328,444	7,882,996	5,097,251
Environment	2,975,231	4,566,822	5,954,673	6,062,667	8,594,412	10,832,323	11,860,231	17,686,313	23,115,938	23,130,913
Operating Grants and Contributions:										
General government	10,043,510	8,624,075	9,906,187	9,833,718	6,720,731	8,425,267	5,849,908	4,727,151	4,746,333	7,177,643
Public safety	28,464,670	33,672,335	32,672,761	29,421,302	30,138,410	30,382,733	37,520,540	34,066,226	37,548,290	32,105,352
Public works and transportation	52,716,808	65,846,601	65,774,815	65,513,498	71,494,515	30,127,888	29,181,943	17,616,341	34,642,383	48,675,916
Health and human services	112,440,726 (3)	100,843,243 (3)	113,457,584	102,694,709	109,573,451	95,136,860	104,007,562	87,045,926	105,230,050	111,498,816
Culture and recreation	3,874,050	4,284,853	4,852,256	5,084,296	4,729,985	5,270,729	5,366,409	5,391,330	12,344,981	5,089,403
Community development and housing	4,608,273	8,905,322	4,568,516	3,825,474	6,300,663	10,997,335	10,261,792	13,596,969	738,299	4,765,528
Environment	2,031	9,377	336,713	20,104	924	86,862	567,585	2,984,828	623,999	1,740,066
Capital Grants and Contributions:										
General government	30,226,685	621,102	1,068	702,125	2,019,511	1,785,014	5,102,185	6,279,853	6,998,575	6,728,959
Public safety	4,870,655	4,151,203	6,444,925	1,867,152	5,112,282	1,830,899	212,915	805,520	1,866,778	2,144,407
Public works and transportation (3)	17,477,530	25,154,942	29,777,979	22,482,671	16,919,856	43,203,926	38,384,823	49,814,738	11,801,526	26,115,518
Culture and recreation	11,660,618	8,961,749	11,974,970	3,183,810	7,909,851	1,565,933	3,123,739	3,794,333	1,739,360	1,715,816

Community development and housing	1,751,192	1,703,776	3,252,035	3,071,146	2,567,389	1,760,429	79,902	556,768	1,008,236	3,306,075
Environment	132,139	3,678,066	-	1,999,900	-	5,024,146	493,943	12,063	-	-
Total Governmental Activities Program Revenues	403,459,413	408,581,130	417,192,371	397,595,151	430,069,196	393,356,261	432,358,801	425,112,644	436,825,355	440,554,938
Business-type Activities:										
Charges for Services:										
Liquor control	177,938,916	191,351,999	201,744,558	213,711,131	220,795,524	229,317,194	242,802,606	252,285,232	259,327,227	268,677,859
Solid waste activities	96,179,903	102,432,416	99,990,932	102,107,187	100,139,024	103,373,586	106,304,522	108,410,918	108,780,916	109,251,865
Parking lot districts	22,123,851	22,978,890	25,306,635	26,486,431	27,303,666	28,252,122	30,647,758	29,208,719	31,980,146	31,093,981
Permitting services	25,466,582	23,949,256	25,523,639	28,320,497	22,998,323	27,840,904	30,537,026	41,196,475	45,231,452	44,393,317
Community use of public facilities	6,338,050	7,977,618	7,869,818	7,788,733	8,576,323	8,405,087	9,854,373	10,378,258	10,555,506	10,986,875
Operating Grants and Contributions:										
Solid waste activities	-	-	11,135	10,000	8,700	30,000	-	-	-	-
Total Business-type Activities Program Revenues	328,047,302	348,690,179	360,446,717	378,423,979	379,821,560	397,218,893	420,146,285	441,479,602	455,873,247	464,403,897
Total Primary Government Program Revenues	731,506,715	757,271,309	777,639,088	776,019,130	809,890,756	790,575,154	852,505,086	866,592,246	892,700,602	904,958,835
<b>Net (Expense) Revenue (1)</b>										
Governmental activities	(2,264,655,096)	(2,541,574,312)	(2,734,907,717)	(3,060,192,922)	(3,166,549,150)	(3,088,006,067)	(3,018,244,192)	(3,083,611,712)	(3,194,999,901)	(3,242,167,509)
Business-type activities	21,075,153	25,111,328	19,004,148	26,226,204	20,291,641	25,428,559	38,922,952	57,860,232	56,797,043	27,028,531
Total Primary Government Net Expense	(2,243,579,943)	(2,516,462,984)	(2,715,903,569)	(3,033,966,718)	(3,146,257,509)	(3,062,577,508)	(2,979,321,240)	(3,025,751,480)	(3,138,202,858)	(3,215,138,978)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes (2)	2,374,587,742	2,602,766,145	2,867,870,217	2,707,037,561	2,759,520,047	2,711,817,013	2,945,614,528	3,083,078,491	3,208,768,624	3,290,585,776
Grants, contributions, and other revenue not restricted to specific programs	-	-	-	-	-	-	-	-	-	588,567
Investment income (3)	15,806,293	29,769,889	42,003,532	42,586,707	14,173,076	8,299,709	5,543,975	7,035,479	8,036,630	6,457,962
Gain/(loss) on sale of capital assets	13,112,218	5,187,736	6,209,594	13,309,573	1,604,285	(1,366,889)	2,669,858	1,103,216	4,965,531	(3,529,635)
Transfers	29,801,928	32,433,658	34,073,566	32,444,171	44,971,675	55,088,988	53,459,555	47,986,288	44,703,099	46,858,508
Total Governmental Activities	2,433,308,181	2,670,157,428	2,950,156,909	2,793,378,012	2,820,269,083	2,773,838,821	3,007,287,916	3,139,203,474	3,266,473,884	3,340,961,178
Business-type Activities:										
Property taxes	8,412,877	9,199,581	9,562,592	11,266,747	11,854,882	9,931,045	9,273,198	8,503,222	10,063,874	10,391,101
Investment income	3,557,676	6,567,935	8,339,098	7,330,179	2,599,459	569,792	154,471	43,202	51,852	100,857
Gain/(loss) on sale of capital assets	-	-	34,637	-	-	-	-	42,544,670	-	(1,241,279)
Transfers	(29,801,928)	(32,433,658)	(34,073,566)	(32,444,171)	(44,971,675)	(55,088,988)	(53,459,555)	(47,986,288)	(44,703,099)	(46,858,508)
Total Business-type Activities	(17,831,375)	(16,966,142)	(16,137,239)	(13,847,245)	(30,517,334)	(44,588,151)	(44,031,886)	3,104,806	(34,587,373)	(37,607,829)
Total Primary Government	2,415,476,806	2,653,191,286	2,934,019,670	2,781,530,767	2,789,751,749	2,729,250,670	2,963,256,030	3,142,308,280	3,231,886,511	3,303,353,349
<b>Change in Net Position</b>										
Governmental activities	168,653,085	128,583,116	215,249,192	(264,814,910)	(346,280,067)	(314,167,246)	(10,956,276)	55,591,762	71,473,983	98,793,669
Business-type activities	3,243,778	8,145,186	2,866,909	12,378,959	(10,225,693)	(19,159,592)	(5,108,934)	60,965,038	22,209,670	(10,579,298)
Total Primary Government	\$ 171,896,863	\$ 136,728,302	\$ 218,116,101	\$ (252,435,951)	\$ (356,505,760)	\$ (333,326,838)	\$ (16,065,210)	\$ 116,556,800	\$ 93,683,653	\$ 88,214,371

NOTES:

\* This table presents information from the basic financial statement Exhibit A-2.

\* Government-wide net position information is reported on the accrual basis of accounting.

(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses.

(2) See Table 2-b for detail of General Tax Revenues.

(3) Certain amounts have been restated or reclassified to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES  
 LAST TEN FISCAL YEARS

Table 2-b

	2005	2006	2007	2008	2009
Property taxes	\$ 1,010,964,428	\$ 1,064,737,107	\$ 1,126,632,925	\$ 1,146,965,583	\$ 1,296,974,051
County income taxes	940,274,273	1,117,543,440	1,388,927,139	1,246,939,067	1,169,568,981
Real property transfer taxes	133,654,796	145,478,479	106,902,482	80,380,388	64,771,739
Recordation taxes	127,300,257	96,239,932	72,672,928	54,658,577	42,437,216
Fuel energy taxes	114,904,208	117,381,196	118,853,224	118,277,973	129,328,307
Hotel-motel taxes	14,162,958	15,869,779	17,476,723	17,783,194	16,829,254
Telephone taxes	29,907,857	29,176,263	29,375,812	30,472,124	30,906,025
Other taxes	3,418,965	16,339,949	7,028,984	11,560,655	8,704,474
Total Taxes - Governmental Activities	\$ 2,374,587,742	\$ 2,602,766,145	\$ 2,867,870,217	\$ 2,707,037,561	\$ 2,759,520,047

	2010	2011	2012	2013	2014
Property taxes	\$ 1,371,964,491	\$ 1,358,968,819	\$ 1,395,693,492	\$ 1,463,855,656	\$ 1,528,302,790
County income taxes	1,010,874,757	1,151,260,721	1,265,289,159	1,311,161,472	1,329,827,192
Real property transfer taxes	77,106,332	71,809,475	76,089,437	84,391,394	90,496,157
Recordation taxes	44,934,687	57,725,334	51,207,341	57,635,661	53,962,477
Fuel energy taxes	156,880,330	233,408,845	226,148,664	223,948,716	210,678,660
Hotel-motel taxes	17,064,493	19,295,158	18,167,827	18,910,872	17,675,982
Telephone taxes	29,741,879	49,087,889	46,470,315	45,696,525	53,160,865
Other taxes	3,250,044	4,058,287	4,012,256	3,168,328	6,481,653
Total Taxes - Governmental Activities	\$ 2,711,817,013	\$ 2,945,614,528	\$ 3,083,078,491	\$ 3,208,768,624	\$ 3,290,585,776

NOTES:  
 \* Government-wide general tax revenue information is reported on the accrual basis of accounting.

MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
**Table 3**

	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014
General Fund:										
Reserved	\$ 5,971,759	\$ 7,016,227	\$ 7,774,404	\$ 8,465,100	\$ 8,621,928	\$ 7,596,839	\$ -	\$ -	\$ -	\$ -
Unreserved	240,577,408	281,770,188	308,977,204	164,347,706	99,484,134	39,665,617	-	-	-	-
Nonspendable	-	-	-	-	-	-	4,181,482	5,635,580	5,649,319	6,159,553
Restricted	-	-	-	-	-	-	-	-	184,879,381	208,001,441
Committed	-	-	-	-	-	-	23,275,746	41,243,696	49,695,245	68,078,344
Assigned	-	-	-	-	-	-	11,022,956	20,382,922	29,344,177	33,293,736
Unassigned	-	-	-	-	-	-	69,031,737	192,937,060	238,947,394	284,211,537
Total General Fund	246,549,167	288,786,415	316,751,608	172,812,806	108,106,062	47,262,456	107,511,921	260,199,258	508,515,516	599,744,611
All Other Governmental Funds:										
Reserved	123,395,950	191,517,700	266,598,847	210,340,019	225,379,967	292,759,512	-	-	-	-
Unreserved (deficit), reported in:										
Capital Projects Fund	(57,358,204)	(33,910,656)	19,800,904	(12,377,776)	(86,447,622)	(34,256,005)	-	-	-	-
Special Revenue Funds	141,841,345	159,766,560	186,764,337	211,866,176	176,689,046	107,931,281	-	-	-	-
Nonspendable	-	-	-	-	-	-	212,311,293	212,663,632	222,942,022	-
Restricted	-	-	-	-	-	-	116,843,705	172,168,580	50,404,409	314,830,001
Committed	-	-	-	-	-	-	97,110,019	117,227,649	23,217,760	-
Assigned	-	-	-	-	-	-	(16,187,982)	(6,573,775)	(4,023,811)	1,777,868
Unassigned	-	-	-	-	-	-	-	-	-	(45,043,906)
Total All Other Governmental Funds	207,879,091	317,373,604	473,164,088	409,828,419	315,621,391	366,434,788	410,077,035	495,486,086	292,540,380	271,563,963
Total All Governmental Funds	\$454,428,258	\$606,160,019	\$789,915,696	\$582,641,225	\$423,727,453	\$413,697,244	\$517,588,956	\$755,685,344	\$801,055,896	\$871,308,574

NOTE:

\* This table presents summary fund balance information from the basic financial statement Exhibit A-3.

\* Fund balance information for governmental funds is reported on the modified accrual basis of accounting.

(1) Beginning in fiscal year 2011, the County implemented GASB Statement No. 54 which revised the fund balance categories for Governmental Funds.

MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
**Table 4**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 2,380,939,173	\$ 2,545,906,852	\$ 2,751,864,063	\$ 2,752,355,883	\$ 2,872,519,430	\$ 2,742,547,034	\$ 2,842,907,152	\$ 3,071,355,492	\$ 3,213,926,861	\$ 3,340,415,154
Licenses and permits	12,030,638	12,025,093	12,418,584	11,192,157	11,545,500	11,864,114	12,846,648	12,195,140	10,738,233	11,614,419
Intergovernmental	223,088,334	265,785,477	267,675,931	244,672,132	226,479,924	247,787,259	233,177,719	238,828,101	203,295,273	238,025,684
Charges for services	63,607,620	77,204,023	79,501,815	80,355,654	89,226,745	88,114,055	95,328,028	104,474,174	118,897,641	137,867,556
Fines and forfeitures	8,902,320	10,305,177	12,588,526	21,583,162	28,423,775	24,010,876	22,095,048	19,823,291	23,990,181	24,718,907
Investment income	13,647,809	24,832,274	34,147,428	37,012,601	12,114,916	8,167,875	2,501,375	1,678,682	3,559,251	3,246,853
Miscellaneous (1)	16,053,279	14,645,165	13,199,158	13,919,065	17,856,623	13,186,434	35,697,895	32,262,972	28,609,606	19,238,372
Total Revenues	2,718,269,173	2,950,704,061	3,171,395,505	3,161,090,654	3,258,166,913	3,135,677,647	3,244,553,865	3,480,617,852	3,603,017,046	3,775,126,945
<b>Expenditures</b>										
General government	202,052,021	228,669,438	248,252,022	257,381,611	277,007,216	251,799,095	250,208,030	304,292,249	377,437,886	427,961,485
Public safety	401,114,616	455,433,491	506,729,330	543,200,962	569,158,754	551,861,356	540,676,570	545,731,975	584,117,898	609,901,721
Public works and transportation	132,317,794	152,837,852	171,901,834	171,903,223	176,414,373	209,734,805	172,602,449	163,495,587	182,373,840	202,423,119
Health and human services	211,560,906	233,967,221	251,396,734	272,823,056	276,831,826	274,811,330	259,840,844	241,758,579	262,670,134	290,822,526
Culture and recreation	72,074,300	78,486,537	87,872,720	96,010,787	93,616,178	87,134,422	69,468,004	69,919,113	75,063,030	83,710,619
Community development and housing	16,947,062	17,297,254	17,125,576	15,912,219	19,208,889	38,595,295	56,344,179	44,426,304	42,401,492	34,324,023
Environment	5,487,891	6,452,471	8,620,911	9,242,386	10,318,956	12,667,903	13,758,025	20,857,521	20,173,173	19,621,158
Education (2)	1,345,450,958	1,382,898,458	1,490,679,488	1,563,374,406	1,643,643,553	1,562,095,633	1,525,074,457	1,484,470,943	1,541,101,257	1,569,587,294
Debt service:										
Principal	315,168,034	324,184,297	383,983,419	146,194,699	373,014,292	136,317,844	142,318,320	160,126,917	164,255,364	176,485,346
Interest	62,517,128	68,164,530	75,133,526	78,949,436	87,192,902	85,337,817	90,118,001	96,102,824	26,472,773	22,100,609
Leases and other obligations	26,593,959	26,245,116	16,030,672	16,358,135	19,857,064	20,921,170	28,650,471	24,704,102	112,329,448	115,657,356
Issuing costs	1,901,439	1,044,430	1,208,672	937,441	2,087,524	5,544,495	4,407,985	6,108,436	3,943,616	4,509,475
Capital projects	257,856,073	382,096,212	342,299,052	424,518,682	447,794,002	511,372,430	496,309,888	559,056,287	603,801,660	617,298,883
Total Expenditures	3,051,042,181	3,357,777,307	3,601,233,956	3,596,811,043	3,996,145,529	3,748,193,595	3,649,777,223	3,721,050,837	3,996,141,571	4,174,403,614
Excess (Deficiency) of Revenues over (under) Expenditures	(332,773,008)	(407,073,246)	(429,838,451)	(435,720,389)	(737,978,616)	(612,515,948)	(405,223,358)	(240,432,985)	(393,124,525)	(399,276,669)
<b>Other Financing Sources (Uses)</b>										
Transfers in	299,714,554	340,111,748	349,888,069	382,434,018	367,718,614	440,418,586	407,905,174	494,213,344	500,639,293	468,468,576
Transfers (out)	(265,244,530)	(307,303,502)	(316,432,051)	(352,597,173)	(324,259,745)	(370,535,898)	(351,883,159)	(447,138,462)	(438,499,850)	(414,155,565)
Sale of property	15,102,273	5,205,424	6,540,519	13,370,213	1,629,312	1,596,976	3,124,492	1,578,365	5,652,439	1,552,618
Financing under notes and leases payable	-	5,207,377	3,259,280	-	-	22,969,000	97,525	35,151,498	8,395,000	15,857,552
Payment to refunded bond escrow agent	(238,509,132)	-	-	(74,751,270)	-	(183,217,861)	-	(314,114,061)	(33,636,846)	(29,837,255)

Debt Issued:										
General obligation bonds	214,639,300	105,456,700	268,839,000	-	250,000,000	310,000,000	325,000,000	320,000,000	295,000,000	295,000,000
Premium on general obligation bonds	-	-	-	-	-	9,937,130	28,107,877	37,661,920	32,201,168	30,795,345
Bond anticipation notes	50,000,000	300,000,000	300,000,000	150,000,000	250,000,000	125,000,000	75,000,000	-	-	-
Certificates of participation	-	-	-	34,583,195	-	24,483,684	-	-	-	-
Lease revenue bonds	10,661,561	1,747,573	835,614	399,231	15,059,652	14,700	29,360,000	28,840,000	-	-
Taxable LTD obligation certificate	-	-	-	-	-	30,400,000	-	-	-	-
Discount on Taxable LTD obligation certificate	-	-	-	-	-	-	-	-	-	-
Variable rate demand obligations	-	100,000,000	-	-	-	-	-	-	-	38,015,000
Notes payable	-	-	-	-	10,000,000	-	-	-	-	(4,763)
Premium on general obligation refunding bonds	-	-	-	-	-	22,055,598	-	43,863,734	2,013,430	5,023,826
Capital lease financing	16,028,103	8,379,687	663,698	12,407	-	11,985	-	-	-	-
General obligation refunding bonds	239,222,589	-	-	74,795,297	8,917,011	161,755,000	-	237,655,000	23,360,000	25,059,716
Lease revenue refunding bonds	-	-	-	-	-	-	-	35,465,000	-	-
Premium on lease revenue refunding bonds	-	-	-	-	-	-	-	5,353,035	57,288	-
Revenue bonds	-	-	-	-	-	-	-	-	37,835,000	32,383,753
Premium on revenue bonds	-	-	-	-	-	-	-	-	5,478,155	1,370,544
Total Other Financing Sources (Uses)	341,614,718	558,805,007	613,594,129	228,445,918	579,064,844	594,888,900	516,711,909	478,529,373	438,495,077	469,529,347

**Special Item**

Gain on extinguishment of liability	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 8,841,710	\$ 151,731,761	\$ 183,755,678	\$ (207,274,471)	\$ (158,913,772)	\$ (17,627,048)	\$ 111,488,551	\$ 238,096,388	\$ 45,370,552	\$ 70,252,678

Debt service as a percentage of noncapital expenditures (1, 2, 3)	12.94%	12.26%	13.29%	6.56%	12.13%	6.44%	6.80%	7.47%	5.15%	5.25%
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NOTES:

\* This table is a summary of the basic financial statement Exhibit A-5.

\* Governmental fund information is reported on the modified accrual basis of accounting.

(1) Debt service represents debt service principal and interest expenditures presented above.

(2) Noncapital expenditures represents Total Expenditures above, less Capital Projects Fund and capital outlay expenditures that resulted in capital assets.

(3) For FY08, decrease in debt service as a percentage of non-capital expenditures due to general obligation bonds not being issued.

MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 COMBINED SCHEDULE OF "CASH AND INVESTMENTS" AND "INVESTMENT AND INTEREST INCOME" - ALL FUNDS  
 AS OF JUNE 30, 2014 AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
**Table 5**

	Cash and Investments		Total	Investment and Interest Income (Loss)		Total
	Pooled	Nonpooled		Pooled	Nonpooled	
Primary Government:						
General Fund	\$ 419,525,093	\$ 5,875,873	\$ 425,400,966	\$ 99,831	\$ 14,382	\$ 114,213
Debt Service Fund	40,844	9,271,461	9,312,305	95,589	3,910	99,499
Capital Projects Fund	71,498,460	55,183,620	126,682,080	74,203	29,573	103,776
Special Revenue Funds:						
Recreation	938,798	5,550	944,348	5,951	-	5,951
Fire Tax District	21,620,363	-	21,620,363	25,424	-	25,424
Mass Transit Facilities	12,565,852	2,000	12,567,852	4,191	-	4,191
Urban Districts	1,573,077	-	1,573,077	833	-	833
Housing Initiative	19,833,273	212,450	20,045,723	10,172	2,038,324	2,048,496
Rehabilitation Loan	1,331,087	-	1,331,087	713	64,039	64,752
Economic Development	2,949,011	-	2,949,011	1,334	29,105	30,439
Cable TV	1,501,071	-	1,501,071	1,574	-	1,574
Grants (1)	-	-	-	-	731,636	731,636
Agricultural Transfer Tax	1,140,129	-	1,140,129	1,325	-	1,325
Drug Enforcement Forfeitures	2,736,995	25,000	2,761,995	1,856	-	1,856
Water Quality Protection	14,259,451	-	14,259,451	11,430	-	11,430
Restricted Donations	4,061,627	-	4,061,627	-	1,458	1,458
Total Special Revenue Funds	84,510,734	245,000	84,755,734	64,803	2,864,562	2,929,365
Enterprise Funds:						
Liquor	7,852,557	5,963,497	13,816,054	4,203	1,553	5,756
Solid Waste Activities	66,254,306	3,000	66,257,306	44,076	-	44,076
Parking Lot Districts	45,583,758	4,432,871	50,016,629	18,494	2,559	21,053
Permitting Services	46,743,459	-	46,743,459	24,815	-	24,815
Community Use of Public Facilities	9,909,934	-	9,909,934	5,157	-	5,157
Total Enterprise Funds	176,344,014	10,399,368	186,743,382	96,745	4,112	100,857
Internal Service Funds:						
Motor Pool	5,647,259	300	5,647,559	15,815	-	15,815
Liability & Property Coverage Self-Insurance	125,980,216	-	125,980,216	88,512	102	88,614
Employee Health Benefits Self-Insurance	44,039,904	-	44,039,904	21,981	-	21,981
Central Duplicating	228	-	228	-	-	-
Total Internal Service Funds	175,667,607	300	175,667,907	126,308	102	126,410
Pension and Other Employee Benefit Trust Funds (1)	1,907,763	4,973,912,671	4,975,820,434	25,754	692,246,996	692,272,750
Investment Trust Fund	13,191,965	-	13,191,965	28,249	-	28,249
Private Purpose Trust Funds	180,538	-	180,538	-	56	56
Agency Funds	28,990,735	288,261	29,278,996	1,504	-	1,504
Total Primary Government	971,857,753	5,055,176,554	6,027,034,307	612,986	695,163,693	695,776,679
Component Units (Participation in County Pool)	681,249	-	681,249	469	-	469
Total	\$ 972,539,002	\$ 5,055,176,554	\$ 6,027,715,556	\$ 613,455	\$ 695,163,693	\$ 695,777,148

NOTES:  
 \* This table presents cash and investment related information, by fund, that is reported throughout the basic financial statements and supplementary data.  
 (1) Nonpooled investment income of these funds includes adjustments to fair value of nonpooled investments.

MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 COMBINED SCHEDULE OF CASH AND INVESTMENTS - BY FINANCIAL INSTITUTION  
 JUNE 30, 2014

**Table 6**

Description	Total
PNC Bank	\$ 398,606,491
Bank of New York	1,000,000
Bank of America, N. A.	62,066,968
Capital One Bank	4,918,503
Congressional Bank	3,512,804
Eagle Bank	26,464,893
Capital Bank	1,786,748
OBA Bank	4,194,809
Wells Fargo Bank	18,520,524
Total Financial Institutions	<u>521,071,740</u>
Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow:	
General Fund	5,875,873
Debt Service Fund	9,271,461
Capital Projects Fund	55,183,620
Special Revenue Funds	245,000
Enterprise Funds	6,083,938
Internal Service Funds	300
Fiduciary Funds	288,261
Total Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow	<u>76,948,453</u>
Total Cash Deposits in Financial Institutions and on Hand	598,020,193
Investments, at carrying value	5,429,526,729
Accrued interest receivable	168,634
Total Cash and Investments (1)	<u><u>\$ 6,027,715,556</u></u>

NOTES:

\* This table presents detailed cash and investment information that supports amounts reported in Table 5 and in Note III-A Cash and Investments.

(1) Includes component units' participation in County external investment pool (see Table 5).

MONTGOMERY COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 COMBINED SCHEDULE OF INVESTMENTS  
 JUNE 30, 2014

**Table 7**

	Pooled	Non-Pooled		Total Carrying Value (2)
		Enterprise	Fiduciary	
Investments, including accrued interest:				
U.S. Government Securities	\$ 215,722,337	\$ -	\$ -	\$ 215,722,337
Commercial paper	44,911,031	-	-	44,911,031
Money Market Funds	13,319	4,315,430	-	4,328,749
State Pool	190,651,941	-	-	190,651,941
Pension and Other Employee Benefit Trusts	-	-	4,973,912,671	4,973,912,671
Total (1)	<u>\$ 451,298,628</u>	<u>\$ 4,315,430</u>	<u>\$ 4,973,912,671</u>	<u>\$ 5,429,526,729</u>

NOTES:

\* This table presents detailed cash and investment information that supports amounts reported in Table 5 and in Note III-A Cash and Investments.

(1) Includes component units' participation in County external investment pool (see Table 5).

(2) Carrying value is the same as fair value.

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Table 8

Fiscal Year	Real Property										Ratio of Total Assessed to Total Estimated Actual Value	
	Residential (1)					Commercial/Other						Total Direct Tax Rate (3)
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value		
2005	\$ 74,808,909,028	\$ 80,181,038,615	\$ 23,472,815,695	\$ 25,158,430,541	\$ 98,281,724,723	\$ 105,339,469,156					0.994	
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931					0.952	
2007	96,569,606,606	101,120,006,917	29,141,169,512	30,514,313,625	125,710,776,118	131,634,320,542					0.902	
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564					0.902	
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,473	164,038,891,569					0.904	
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043					0.904	
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834					0.947	
2012	129,513,818,139	139,412,075,499	32,683,331,619	35,181,196,575	162,197,149,758	174,593,272,074					0.981	
2013	124,783,384,563	134,320,112,554	33,489,446,285	36,048,919,575	158,272,830,848	170,369,032,129					1.008	
2014	125,035,897,087	136,502,071,055	34,855,968,247	38,052,367,082	159,891,865,334	174,554,438,137						
Personal Property (2)												
Fiscal Year	Business			Public Utility			Domestic Shares			Total Direct Tax Rate (3)	Ratio of Total Assessed to Total Estimated Actual Value	
	Individuals	Corporations	Operating Property	Operating Property	Domestic Shares	Operating Property	Operating Property	Domestic Shares	Operating Property			
2005	\$ 45,777,000	\$ 2,290,059,500	\$ 1,097,481,440	\$ 469,294,170	\$ 3,902,612,110	2,474	\$102,184,336,833	\$ 109,242,081,266	2.474	93.54		
2006	39,858,300	2,275,916,200	1,046,842,820	469,011,910	3,831,629,230	2,367	114,360,878,346	122,425,244,161	2.367	93.41		
2007	36,342,680	2,353,070,220	1,070,305,710	489,230,940	3,948,949,550	2,244	129,659,725,668	135,583,270,092	2.244	95.63		
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2,241	146,276,982,963	149,181,195,934	2.241	98.05		
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2,241	162,053,662,493	167,959,062,589	2.241	96.48		
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2,247	171,220,840,149	179,277,920,655	2.247	95.51		
2011	44,693,880	2,295,053,040	1,075,595,252	440,849,780	3,856,191,952	2,247	171,646,984,481	193,664,780,786	2.247	88.63		
2012	44,967,690	2,206,151,910	1,063,567,900	404,258,210	3,718,945,710	2,357	165,916,095,468	178,312,217,784	2.357	93.05		
2013	46,638,380	2,092,070,220	1,081,466,940	384,303,210	3,604,478,750	2,441	161,877,309,598	173,973,510,879	2.441	93.05		
2014	42,416,630	2,172,248,760	1,120,973,968	373,688,150	3,709,327,508	2,509	163,601,192,842	178,263,765,645	2.509	91.77		

NOTES:

\* Exempt and nontaxable property are not included in this table.

\* The following classes of property are not taxed: 1) personal property not used in a trade, business, or profession, and 2) business inventories.

\* Intangible personal property is exempt from taxation except in two instances: shares of stock in certain domestic utilities and oil pipeline corporations (shown above) and intangible personal property of corporations under a contract with the State, granted charter exemptions from property taxation.

\* Property owned by the Federal government, the State, or a subdivision or agency of either, is exempt. Also exempt are real and personal property used for religious, educational, or charitable purposes. Specific exemptions involve historical property, societies and museums, conservation property, cemeteries, certain fraternal and service organizations, continuing care facilities for the aged, nonprofit housing property, and dwelling houses of disabled veterans and blind persons.

(1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.

(2) For personal property, the assessed value and estimated actual value are the same.

(3) See Table 9-a for real and personal property direct tax rates.

Source: State of Maryland, Department of Assessments and Taxation.

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 REAL AND PERSONAL PROPERTY TAX RATES - COUNTY DIRECT RATE  
 LAST TEN FISCAL YEARS  
**Table 9-a**

	County-wide										Total County Direct Rate (3)	
	County					Substantially County-wide (1) M-NCPPC (2)						
	County	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District	Prorata Tax Rate		
<b>Real Property:</b>												
2005	\$ .734	\$ .123	\$ .044	\$ .001	\$ .902	\$ .025	\$ .003	\$ .020	\$ .059	\$ .092	\$ .994	
2006	.679	.134	.042	.001	.856	.025	.003	.022	.061	.096	.952	
2007	.624	.134	.053	.001	.812	.024	.003	.020	.057	.090	.902	
2008	.627	.126	.058	.001	.812	.024	.003	.019	.058	.090	.902	
2009	.661	.116	.040	.001	.818	.022	.003	.019	.053	.084	.902	
2010	.683	.105	.037	.001	.826	.019	.003	.018	.050	.078	.904	
2011	.699	.097	.037	.001	.834	.018	.003	.015	.045	.070	.904	
2012	.713	.121	.038	.001	.873	.018	.003	.017	.048	.074	.947	
2013	.724	.134	.048	.001	.907	.021	.003	.018	.054	.083	.990	
2014	.759	.125	.042	.001	.927	.020	.003	.018	.053	.081	1.008	
<b>Personal Property:</b>												
2005	\$ 1.835	\$ .308	\$ .110	\$ .003	\$ 2.256	\$ .063	\$ .008	\$ .050	\$ .148	\$ .218	\$ 2.474	
2006	1.698	.335	.105	.003	2.141	.063	.008	.055	.153	.226	2.367	
2007	1.560	.335	.133	.003	2.031	.060	.008	.050	.143	.213	2.244	
2008	1.567	.315	.145	.003	2.030	.060	.007	.047	.145	.211	2.241	
2009	1.652	.290	.100	.003	2.045	.055	.007	.047	.132	.196	2.241	
2010	1.707	.262	.092	.003	2.064	.047	.007	.045	.125	.183	2.247	
2011	1.747	.242	.092	.003	2.084	.045	.007	.038	.112	.163	2.247	
2012	1.783	.303	.095	.003	2.184	.045	.008	.043	.120	.173	2.357	
2013	1.810	.335	.120	.003	2.268	.053	.008	.045	.135	.195	2.463	
2014	1.898	.313	.105	.003	2.319	.050	.008	.045	.133	.190	2.509	

**NOTES:**

- \* The Tax rates are per \$100 of assessed value.
- \* The charter requires that revenues from real property taxes cannot exceed last year's revenues adjusted by the rate of inflation excluding revenues from new construction. The Council can adopt tax rates that exceed this limit by a supermajority of seven out of nine councilmembers.
- \* No discounts are allowed.
- \* Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1 for non-owner occupied property.
- \* Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payment due by September 30 and December 31 for owner occupied property.
- \* Interest and penalty at 20 percent are assessed on delinquent tax bills.
- \* Revised tax bills based upon certifications from the State received after September 1 may be paid within thirty days without interest.
- \* Delinquent taxes on real property are collected by sale. Taxes on personal property are enforced by legal action. Corporations may lose charter for failure to pay taxes.
- \* Costs of tax sale, which vary, are added to tax bills. The last sale cost \$50 per parcel.
- \* Tax sale date: second Monday in June.
- \* Personal property tax rates are applied to 100 percent of the property assessment.

(1) Rates classified as substantially county-wide represent those tax rates that are levied against all of the County's assessable base, except those incorporated cities and municipalities that provide their own such service.  
 (2) M-NCPPC County property tax rates are included in the County's direct rate since the County Council has the power to set, modify, or approve these tax rates for this joint venture organization.  
 (3) County direct rate includes: County tax rates that are levied County-wide, and County tax rates levied by M-NCPPC. For County special taxing district tax rates that are levied substantially County-wide, the direct rate includes a prorata portion of the tax rate that corresponds to the portion of the County's assessable base against which the rate is levied. Therefore, the total County direct rate presented above is not a mathematical sum of all the individual rates presented.



MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - CITIES AND TOWNS  
 LAST TEN FISCAL YEARS  
**Table 9-c**

Fiscal Year	Cities					Towns							
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
<b>Real Property:</b>													
2005	\$ .2120	\$ .3220	\$ .6600	\$ .0720	\$ .2000	\$ .0330	\$ .2000	\$ .1300	\$ .1700	\$ .1600	\$ .2300	\$ .0500	\$ .2170
2006	.2120	.3220	.6300	.0650	.1500	.0290	.2000	.1200	.1550	.1600	.2210	.0450	.2020
2007	.2120	.3120	.6300	.0600	.1500	.0260	.1900	.1200	.1470	.1400	.2000	.0400	.2020
2008	.2120	.3020	.6100	.0540	.1500	.0230	.1900	.1200	.1390	.1400	.1800	.0400	.2020
2009	.2120	.2920	.6050	.0540	.1500	.0210	.1900	.1300	.1300	.1200	.1600	.0400	.1810
2010	.2120	.2920	.5800	.0490	.1500	.0100	.1920	.1300	.1220	.1100	.1500	.0400	.1810
2011	.2620	.2920	.5800	.0514	.1500	.0100	.1920	.1300	.1360	.1000	.1594	.0800	.2210
2012	.2620	.2920	.5800	.0514	.1500	.0105	.2100	.1300	.1360	.1100	.1594	.0800	.2210
2013	.2620	.2920	.5800	.0514	.1500	.0104	.2100	.1340	.1360	.1100	.1590	.0800	.3170
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400	.1360	.1000	.1672	.0800	.3000
<b>Personal Property:</b>													
2005	\$ .5300	\$ .8050	\$ 1.6500	\$ .2000	\$ .4500	\$ .1000	\$ .5000	\$ .8000	\$ .5000	\$ .3500	\$ .6000	\$ .2200	\$ .6000
2006	.5300	.8050	1.5750	.2000	.4500	.1000	1.0000	.8000	.5000	.3500	.6000	.2200	.6000
2007	.5300	.8050	1.5750	.2000	.4500	.1000	1.0000	.8000	.5000	.3500	.6000	.2200	.6000
2008	.5300	.8050	1.5250	.2000	.4500	.1000	1.0000	.8000	.5000	.3500	.6000	.2200	.6000
2009	.5300	.8050	1.5130	.2000	.4500	.1000	1.0000	.8000	.5000	.3300	.6000	1.0000	.6000
2010	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5000	.3100	.6000	1.0000	.6000
2011	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2012	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2013	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.5700	.3000	.6000	1.0000	.7000

**NOTES:**

- \* Tax rates are per \$100 of assessed value.
- \* Personal property tax rates are applied to 100 percent of the property assessment.
- \* Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - VILLAGES  
 LAST TEN FISCAL YEARS  
**Table 9-d**

Fiscal Year	Villages											
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont		
<b>Real Property:</b>												
2005	\$ .050	\$ .020	\$ .000	\$ .025	\$ .140	\$ .048	\$ .060	\$ .008	\$ .052	\$ .060		
2006	.050	.020	.000	.023	.130	.048	.050	.008	.052	.060		
2007	.050	.020	.000	.023	.123	.048	.040	.008	.052	.060		
2008	.050	.020	.000	.022	.111	.048	.040	.008	.052	.060		
2009	.050	.020	.000	.022	.103	.048	.040	.008	.052	.040		
2010	.050	.020	.000	.022	.096	.048	.040	.008	.052	.040		
2011	.050	.020	.000	.022	.090	.048	.040	.040	.052	.040		
2012	.050	.020	.000	.022	.101	.048	.040	.046	.052	.040		
2013	.050	.020	.000	.022	.101	.048	.040	.047	.052	.040		
2014	.050	.020	.000	.022	.100	.048	.040	.047	.052	.040		
<b>Personal Property:</b>												
2005	\$ .125	\$ .050	\$ .000	\$ .000	\$ .600	\$ .120	\$ .060	\$ .008	\$ .130	\$ .000		
2006	.125	.050	.000	.000	.600	.120	.050	.008	.130	.100		
2007	.125	.050	.000	.000	.660	.120	.040	.008	.130	.100		
2008	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100		
2009	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100		
2010	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100		
2011	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100		
2012	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100		
2013	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100		
2014	.125	.050	.000	.000	.660	.120	.040	.500	.130	.100		

NOTES:

- \* Tax rates are per \$100 of assessed value.
- \* Personal property tax rates are applied to 100 percent of the property assessment.
- \* Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND  
 TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Table 10**

<b>For the Fiscal Year Ended June 30, 2014</b>				
	<b>Assessable Base</b>			<b>Ratio:</b>
	<b>Total</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Taxpayer Base to Total Assessable Base</b>
Potomac Electric Power Co.	\$ 793,656,503	\$ 34,531,133	\$ 759,125,370	0.49%
Verizon Maryland Inc	497,508,170	44,066,100	453,442,070	0.30%
Montgomery Mall LLC	281,850,410	280,115,000	1,735,410	0.17%
Washington Gas Light Co.	269,380,950	-	269,380,950	0.16%
Washington Metropolitan Area Transit Authority	260,060,067	260,060,067	-	0.16%
Federal Realty Investment Trust	254,587,797	252,901,867	1,685,930	0.16%
Street Retail Inc.	234,690,865	234,690,865	-	0.14%
Wheaton Plaza Reg Shopping Center	218,636,043	217,330,033	1,306,010	0.13%
Chevy Chase Land Co	207,660,900	207,660,900	-	0.13%
7501 Wisconsin Avenue LLC	200,181,660	200,000,000	181,660	0.12%
<b>Total</b>	<b>\$ 3,218,213,365</b>	<b>\$ 1,731,355,965</b>	<b>\$ 1,486,857,400</b>	<b>1.96%</b>
<b>Total Assessable Base</b>	<b>\$ 163,601,192,842</b>			<b>100.00%</b>

<b>For the Fiscal Year Ended June 30, 2005</b>				
	<b>Assessable Base</b>			<b>Ratio:</b>
	<b>Total</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Taxpayer Base to Total Assessable Base</b>
Potomac Electric Power Co.	\$ 729,757,190	\$ 6,494,600	\$ 723,262,590	0.71%
Verizon/Bell Atlantic	624,939,880	27,035,000	597,904,880	0.61%
Montgomery Mall	227,088,280	226,747,100	341,180	0.22%
Mirant Mid-Atlantic LLC	222,288,330	69,374,800	152,913,530	0.22%
Washington Gas Light Co.	215,907,220	-	215,907,220	0.21%
Bryant F. Foulger, Trustee	161,269,999	161,269,999	-	0.16%
7501 Wisconsin Ave LLC	155,000,000	155,000,000	-	0.15%
Camalier, Anne D et al, Trustee	141,546,032	141,546,032	-	0.14%
Democracy Associates	137,200,000	137,200,000	-	0.13%
Bethesda ARC LLC	130,405,710	130,345,900	59,810	0.13%
<b>Total</b>	<b>\$ 2,745,402,641</b>	<b>\$ 1,055,013,431</b>	<b>\$ 1,690,389,210</b>	<b>2.68%</b>
<b>Total Assessable Base</b>	<b>\$ 102,184,336,833</b>			<b>100.00%</b>

Source: State of Maryland Department of Assessments and Taxation

MONTGOMERY COUNTY, MARYLAND  
REVENUE CAPACITY  
PROPERTY TAX LEVIES AND COLLECTIONS \*  
LAST TEN FISCAL YEARS

Table 11

Fiscal Year	Tax Levy			Collected within the			Collections in			Total Collections to Date		
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years	Total Adjusted Levy	Fiscal Year of the Levy		Percentage of Original Levy	Subsequent Years (1)		Amount	Percentage of Adjusted Levy	Amount	Percentage of Adjusted Levy
				Amount (1)	%		Years (1)	%				
2005	\$ 1,006,556,130	\$ (672,256)	\$ 1,005,883,874	\$ 1,005,935,155	99.94 %	\$ (2,893,982)		\$ 1,003,041,173	99.72 %			
2006	1,032,231,333	(2,362,440)	1,029,868,893	1,031,967,800	99.97	(3,880,627)		1,028,087,173	99.83			
2007	1,087,613,905	(1,840,424)	1,085,773,481	1,081,566,118	99.44	(887,797)		1,080,678,321	99.53			
2008	1,137,590,824	(3,527,653)	1,134,063,171	1,132,548,519	99.56	(2,881,486)		1,129,667,033	99.61			
2009	1,282,437,423	1,343,874	1,283,781,297	1,278,337,019	99.68	610,756		1,278,947,775	99.62			
2010	1,344,626,102	(5,499,672)	1,339,126,430	1,343,140,289	99.89	(17,048,274)		1,326,092,015	99.03			
2011	1,350,416,973	(2,500,709)	1,347,916,264	1,349,698,631	99.95	(3,375,200)		1,346,323,431	99.88			
2012	1,365,605,932	1,085,528	1,366,691,460	1,363,217,734	99.83	2,561,878		1,365,779,612	99.93			
2013	1,390,542,228	(2,304,460)	1,388,237,768	1,384,563,178	99.57	1,586,021		1,386,149,199	99.85			
2014	1,437,898,506	-	1,437,898,506	1,434,787,650	99.78	-		1,434,787,650	99.78			

NOTES:

\* This table includes data for all property taxes billed applicable to all funds for Montgomery County, Maryland to include General, Special Revenue, Debt Service, and Enterprise Funds. Property taxes billed for the State of Maryland, various municipalities and development districts, the Washington Suburban Sanitary Commission, and the Maryland-National Capital Park and Planning Commission, are excluded.

(1) Amounts represent collections received, including overpayments, net of refunds. Penalties and interest are excluded. See Table 12 Note (2) for treatment of such overpayments.

MONTGOMERY COUNTY, MARYLAND  
REVENUE CAPACITY  
SCHEDULE OF FISCAL YEAR PROPERTY TAX LEVY, PROPERTY TAX REVENUES,  
AND ADDITIONAL ITEMS RELATED TO THE PROPERTY TAX BILLING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Table 12**

	Fiscal Year Property Tax Levy	Collections of Current Levy Year Assessment (1)	Collection of Prior Levy Year Assessment (1)	Adjustments and Accruals	Total Revenues (2)
General Fund	\$ 1,148,085,538	\$ 1,146,109,577	\$ 1,323,933	\$ (40,159,333)	\$ 1,107,274,177
Special Revenue Funds :					
Recreation	26,212,237	26,152,228	90,881	3,112,512	29,355,621
Bethesda Urban District	470,810	467,783	(10,975)	13,062	469,870
Silver Spring Urban District	676,192	647,506	9,226	7,132	663,864
Wheaton Urban District	175,938	167,606	2,610	(2,648)	167,568
Mass Transit	63,303,304	63,123,628	277,012	7,354,920	70,755,560
Fire Tax District	188,413,135	187,878,617	590,856	21,945,472	210,414,945
Total Special Revenue Funds	279,251,616	278,437,368	959,610	32,430,450	311,827,428
Enterprise Funds:					
Silver Spring Parking Lot District	7,229,587	7,003,437	75,641	44,230	7,123,308
Bethesda Parking Lot District	2,645,700	2,620,300	(76,529)	(6,090)	2,537,681
Wheaton Parking Lot District	599,440	530,476	7,445	53,669	591,590
Montgomery Hills Parking Lot District	86,625	86,492	919	(805)	86,606
Total Enterprise Funds	10,561,352	10,240,705	7,476	91,004	10,339,185
Total Property Tax - Montgomery County	1,437,898,506	1,434,787,650	2,291,019	(7,637,879)	1,429,440,790
Tax Bill Items Other than Montgomery County					
Property Taxes:					
M-NCPPC Joint Venture Property Taxes:					
M-NCPPC Administration	23,466,299	23,409,122	89,972	2,779,246	26,278,340 *
M-NCPPC Park	69,106,910	68,944,542	205,061	8,176,344	77,325,947 *
M-NCPPC Land Acquisition	1,527,323	1,522,186	6,401	174,226	1,702,813 *
Agency Relationship Property Taxes:					
State of Maryland	179,561,927	179,483,554	(554,431)	(4,634,552)	174,294,571 *
Municipalities	82,900,742	82,479,548	(16,772)	331,678	82,794,454 *
Development Districts	2,499,084	2,499,388	(3,977)	217,228	2,712,639 *
Charges for Services:					
Refuse Disposal - Solid Waste Activities Fund	69,683,317	68,486,381	(1,859)	417,502	68,902,024 *
Refuse Collection - Solid Waste Activities Fund	6,030,057	6,025,328	3,912	467	6,029,707 *
Leaf Vacuuming	6,531,806	6,525,189	2,786	3,698	6,531,673 *
Water Quality Protection Charges	24,072,053	23,596,940	(4,872)	(20,207)	23,571,861 *
Municipality Refuse Charges	1,008,220	1,006,684	499	107	1,007,290 *
Development District Special Assessments	213,708	213,708	-	-	213,708 *
WSSC FFBC	19,592,966	19,578,215	(25,743)	32,113	19,584,585 *
Bay Restoration Fund	914,640	915,003	(9,034)	5,923	911,892 *
Total Other Items	487,109,052	484,685,788	(308,057)	7,483,773	491,861,504
Grand Total	\$ 1,925,007,558	\$ 1,919,473,438	\$ 1,982,962	\$ (154,106)	\$ 1,921,302,294

NOTES:

\* Amounts represent collections, rather than revenues.

(1) Amounts represent collections received net of refunds.

(2) Total Revenues represent the sum of Collections, during the current year, of Current and Prior Year Levy Assessments, (i.e., cash basis) and related Adjustments and Accruals to convert such data to revenues on the modified or full accrual basis of accounting. Penalties and interest are excluded.

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 SCHEDULE OF PROPERTY TAXES RECEIVABLE BY FUND TYPE  
 JUNE 30, 2014

**Table 13**

<b>Year</b>	<b>General</b>	<b>Special Revenue</b>	<b>Enterprise</b>	<b>Other Fiduciary</b>	<b>Total</b>
2005 & prior	\$ 1,795,840	\$ 455,305	\$ 62,886	\$ 773,844	\$ 3,087,875
2006	227,328	72,780	12,544	85,099	397,751
2007	229,337	81,827	9,545	106,684	427,393
2008	336,365	121,482	22,220	104,314	584,381
2009	757,728	211,824	35,516	236,445	1,241,513
2010	920,235	204,891	16,783	298,664	1,440,573
2011	767,856	204,348	50,905	284,846	1,307,955
2012	1,220,772	328,251	51,222	679,093	2,279,338
2013	2,552,772	845,362	113,354	1,235,975	4,747,463
2014	5,645,506	1,425,748	383,693	1,509,218	8,964,165
Total Property Taxes Receivable	<u>\$ 14,453,739</u>	<u>\$ 3,951,818</u>	<u>\$ 758,668</u>	<u>\$ 5,314,182</u>	<u>\$ 24,478,407</u>

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 INCOME TAX RATES  
 LAST TEN TAX YEARS

Table 14

Tax Year	State Income Tax Rate				Montgomery County Income Tax Direct Rate
	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	
2003	2.00 %	3.00 %	4.00 %	4.75 %	2.95 %
2004	2.00	3.00	4.00	4.75	3.20
2005	2.00	3.00	4.00	4.75	3.20
2006	2.00	3.00	4.00	4.75	3.20
2007	2.00	3.00	4.00	4.75	3.20
2008	2.00	3.00	4.00	4.75-6.25	3.20
2009	2.00	3.00	4.00	4.75-6.25	3.20
2010	2.00	3.00	4.00	4.75-6.25	3.20
2011	2.00	3.00	4.00	4.75-5.50	3.20
2012	2.00	3.00	4.00	4.75-5.75	3.20

NOTES:

- \* Rates are based on tax year which coincides with calendar year.
- \* Beginning in tax year 1999, the amount of taxes paid by Montgomery County residents was based on a tax rate applied to the Maryland taxable income.
- \* Beginning with tax year 2011, the State's income tax rates for net taxable income in excess of \$3,000 were 4.75%, 5.00%, 5.25%, and 5.50% depending on the filing status and net taxable income.
- \* Beginning with tax year 2012, the State added a 5.75% rate for the top bracket.

Source: Revenue Administration Division, State Comptroller's Office.

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 INCOME TAX FILERS SUMMARY INFORMATION  
 LAST TEN TAX YEARS  
**Table 15**

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Montgomery County Income Tax Direct Rate
2003	357,522	\$ 28,992,891,462	\$ 22,917,536,979	\$ 1,013,579,288	\$ 671,079,128	\$ 1,684,658,416	2.95 %
2004	361,268	31,160,185,053	24,901,353,842	1,102,583,780	791,114,843	1,893,698,623	3.20
2005	380,241	39,581,589,250	32,241,963,585	1,384,669,182	1,025,536,849	2,410,206,031	3.20
2006	383,214	41,836,264,633	34,089,151,444	1,470,625,709	1,084,440,791	2,555,066,500	3.20
2007	387,875	45,044,465,276	36,947,166,594	1,610,260,135	1,175,936,199	2,786,196,334	3.20
2008	379,739	41,070,791,364	32,876,469,466	1,511,917,178	1,046,272,919	2,558,190,097	3.20
2009	376,323	39,060,773,506	31,075,877,228	1,410,063,716	987,098,452	2,397,162,168	3.20
2010	386,891	42,234,426,562	34,040,992,827	1,556,444,328	1,081,538,245	2,637,982,573	3.20
2011	393,640	43,986,140,274	35,879,078,661	1,622,232,304	1,139,960,820	2,762,193,124	3.20
2012	401,848	47,554,137,682	39,644,979,160	1,845,214,377	1,259,631,971	3,104,846,348	3.20

NOTES:

- \* See Table 16 for detailed breakout of adjusted gross income level.
- \* Rates are based on tax year which coincides with calendar year.
- \* Beginning in tax year 1999, the amount of taxes paid by Montgomery County residents was based on a tax rate applied to the Maryland taxable income.
- \* Tax Year 2012 is the latest tax year for which data are available.

Source: Revenue Administration Division, State Comptroller's Office.

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 INCOME TAX FILERS, NET TAXABLE INCOME, AND LIABILITY BY ADJUSTED GROSS INCOME LEVEL  
 LAST TEN TAX YEARS  
**Table 16**

	2012					2011						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>												
\$200,000 and higher	46,219	11.5 %	\$22,039,899,095	55.6 %	\$ 705,083,255	56.0 %	43,367	11.0 %	\$18,940,921,100	52.8 %	\$ 606,109,387	53.1 %
\$100,000 - 199,999	80,423	19.8	9,191,004,899	23.2	294,106,087	23.3	78,493	19.9	8,754,369,086	24.4	280,131,565	24.6
\$80,000 - 99,999	32,356	8.1	2,200,179,738	5.5	70,404,468	5.6	31,549	8.0	2,109,818,960	5.9	67,512,836	5.9
\$50,000 - 79,999	69,779	17.4	3,234,709,580	8.2	103,501,417	8.2	69,024	17.5	3,158,538,933	8.8	101,065,265	8.9
\$25,000 - 49,999	94,285	23.5	2,275,703,684	5.7	67,996,861	5.4	93,603	23.9	2,230,397,502	6.2	67,065,011	5.9
\$10,000 - 24,999	68,129	17.0	666,921,915	1.7	17,760,659	1.4	67,074	17.0	647,673,860	1.8	17,271,011	1.5
Under \$10,000	10,657	2.7	36,560,249	0.1	779,224	0.1	10,530	2.7	37,359,220	0.1	805,745	0.1
<b>Total</b>	<b>401,848</b>	<b>100.0 %</b>	<b>\$39,644,979,160</b>	<b>100.0 %</b>	<b>\$ 1,259,631,971</b>	<b>100.0 %</b>	<b>393,640</b>	<b>100.0 %</b>	<b>\$35,879,078,661</b>	<b>100.0 %</b>	<b>\$1,139,960,820</b>	<b>100.0 %</b>

	2010					2009						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>												
\$200,000 and higher	41,013	10.6 %	\$17,579,946,541	51.7 %	\$ 562,543,777	51.9 %	37,938	10.1 %	\$15,099,696,016	48.6 %	\$ 483,182,753	48.9 %
\$100,000 - 199,999	77,120	20.0	8,500,689,337	25.0	272,017,224	25.2	75,337	20.0	8,205,421,074	26.4	262,570,303	26.6
\$80,000 - 99,999	31,087	8.0	2,052,626,152	6.0	65,684,030	6.1	30,539	8.1	1,991,569,519	6.4	63,727,815	6.5
\$50,000 - 79,999	68,176	17.6	3,069,598,268	9.0	98,220,784	9.1	67,318	17.9	2,997,962,262	9.6	95,930,462	9.7
\$25,000 - 49,999	91,738	23.8	2,157,173,705	6.3	65,083,691	6.0	91,012	24.2	2,133,139,837	6.9	64,605,378	6.6
\$10,000 - 24,999	66,278	17.0	639,553,522	1.9	17,109,443	1.6	63,453	16.8	609,402,845	2.0	16,258,806	1.6
Under \$10,000	11,479	3.0	41,405,302	0.1	879,296	0.1	10,726	2.9	38,685,675	0.1	822,935	0.1
<b>Total</b>	<b>386,891</b>	<b>100.0 %</b>	<b>\$34,040,992,827</b>	<b>100.0 %</b>	<b>\$ 1,081,538,245</b>	<b>100.0 %</b>	<b>376,323</b>	<b>100.0 %</b>	<b>\$31,075,877,228</b>	<b>100.0 %</b>	<b>\$ 987,098,452</b>	<b>100.0 %</b>

	2008					2007						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>												
\$200,000 and higher	38,578	10.2 %	\$16,973,535,490	51.7 %	\$ 543,156,343	52.0 %	39,973	10.3 %	\$ 20,721,888,649	56.1 %	\$ 663,101,691	56.4 %
\$100,000 - 199,999	74,717	19.7	8,091,343,219	24.6	258,922,960	24.7	73,690	19.0	8,058,872,420	21.8	257,889,666	21.9
\$80,000 - 99,999	30,776	8.1	1,986,294,082	6.0	63,561,396	6.1	30,713	7.9	2,030,595,581	5.5	64,983,024	5.5
\$50,000 - 79,999	68,045	17.9	2,989,265,979	9.1	95,651,414	9.1	67,534	17.4	3,057,948,389	8.3	97,861,191	8.3
\$25,000 - 49,999	92,617	24.4	2,175,555,800	6.6	67,165,848	6.4	93,694	24.2	2,298,139,649	6.2	71,322,924	6.1
\$10,000 - 24,999	62,729	16.5	613,532,524	1.9	16,788,721	1.6	67,786	17.5	719,513,016	1.9	19,469,703	1.7
Under \$10,000	12,277	3.2	46,942,372	0.1	1,026,237	0.1	14,485	3.7	60,208,890	0.2	1,308,000	0.1
<b>Total</b>	<b>379,739</b>	<b>100.0 %</b>	<b>\$32,876,469,466</b>	<b>100.0 %</b>	<b>\$ 1,046,272,919</b>	<b>100.0 %</b>	<b>387,875</b>	<b>100.0 %</b>	<b>\$ 36,947,166,594</b>	<b>100.0 %</b>	<b>\$ 1,175,936,199</b>	<b>100.0 %</b>

(Continued)

MONTGOMERY COUNTY, MARYLAND  
 REVENUE CAPACITY  
 INCOME TAX FILERS, NET TAXABLE INCOME, AND LIABILITY BY ADJUSTED GROSS INCOME LEVEL  
 LAST TEN TAX YEARS  
**Table 16 (Concluded)**

	2006					2005						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>												
\$200,000 and higher	35,634	9.3 %	\$18,364,689,191	53.8 %	\$ 587,671,196	54.2 %	32,289	8.5 %	\$ 16,822,880,955	52.1 %	\$ 538,333,470	52.5 %
\$100,000 - 199,999	70,202	18.3	7,643,868,101	22.4	244,608,348	22.6	67,171	17.7	7,344,360,047	22.8	235,024,270	22.9
\$80,000 - 99,999	30,178	7.9	1,998,995,282	5.9	63,973,086	5.9	29,705	7.8	1,973,884,323	6.1	63,168,474	6.2
\$50,000 - 79,999	66,285	17.3	2,995,838,794	8.8	95,875,398	8.8	65,722	17.3	2,990,204,062	9.3	95,694,416	9.3
\$25,000 - 49,999	95,337	24.8	2,306,395,629	6.8	71,796,673	6.6	96,118	25.3	2,312,771,299	7.2	72,276,536	7.0
\$10,000 - 24,999	70,328	18.4	715,858,507	2.1	19,067,166	1.8	72,054	18.9	727,599,564	2.3	19,364,575	1.9
Under \$10,000	15,250	4.0	63,505,940	0.2	1,448,924	0.1	17,182	4.5	70,263,335	0.2	1,675,108	0.2
<b>Total</b>	<b>383,214</b>	<b>100.0 %</b>	<b>\$34,089,151,444</b>	<b>100.0 %</b>	<b>\$ 1,084,440,791</b>	<b>100.0 %</b>	<b>380,241</b>	<b>100.0 %</b>	<b>\$ 32,241,963,585</b>	<b>100.0 %</b>	<b>\$ 1,025,536,849</b>	<b>100.0 %</b>

	2004					2003						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>												
\$200,000 and higher	24,529	6.8 %	\$10,214,344,217	41.0 %	\$ 326,859,346	41.4 %	21,620	6.0 %	\$ 8,524,970,852	37.1 %	\$ 251,486,662	37.5 %
\$100,000 - 199,999	61,333	17.0	6,729,437,859	27.0	215,346,908	27.2	58,288	16.3	6,372,559,207	27.8	187,994,449	28.0
\$75,000 - 99,999	37,159	10.3	2,416,623,481	9.7	77,335,230	9.8	37,193	10.4	2,418,752,401	10.6	71,356,625	10.6
\$50,000 - 74,999	55,487	15.4	2,455,348,478	9.9	78,581,106	9.9	55,699	15.6	2,474,338,793	10.8	73,000,914	10.9
\$25,000 - 49,999	95,230	26.3	2,300,676,859	9.2	72,216,385	9.1	96,019	26.9	2,334,019,236	10.2	67,753,134	10.1
\$10,000 - 24,999	70,752	19.6	715,905,106	2.9	19,080,205	2.4	71,880	20.1	724,230,132	3.2	17,860,602	2.7
Under \$10,000	16,778	4.6	69,017,842	0.3	1,695,663	0.2	16,823	4.7	68,666,358	0.3	1,626,742	0.2
<b>Total</b>	<b>361,268</b>	<b>100.0 %</b>	<b>\$24,901,353,842</b>	<b>100.0 %</b>	<b>\$ 791,114,843</b>	<b>100.0 %</b>	<b>357,522</b>	<b>100.0 %</b>	<b>\$ 22,917,536,979</b>	<b>100.0 %</b>	<b>\$ 671,079,128</b>	<b>100.0 %</b>

NOTES:  
 \* Information in this table presents data by adjusted gross income level to support summary level information in Table 15.  
 \* Information relating to the ten highest tax payers is not available from the State of Maryland; therefore, as an alternative, data is presented above by adjusted gross income level.  
 \* Rates are based on tax year which coincides with calendar year.  
 \* See Tables 14 and 15 for direct tax rate information.  
 \* Tax Year 2012 is the latest tax year for which data are available.

Source: Revenue Administration Division, State Comptroller's Office and Montgomery County Department of Finance.

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS (2)  
Table 17

Fiscal Year	Governmental Activities										Taxable Limited Obligation Certificates	Total Governmental Activities
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations	Bond Anticipation Notes	Notes Payable	Lease Revenue Bonds	State MICRF Loan	Certificates of Participation	Capital Leases	Revenue Bonds		
2005	\$ 1,415,151,542	\$ -	\$ -	\$ -	\$ 11,575,144	\$ 41,275,000	\$ 1,198,385	\$ 9,780,000	\$ 83,969,583	\$ -	\$ -	\$ 1,562,949,654
2006	1,393,883,160	100,000,000	-	100,000,000	13,980,419	39,790,000	-	-	87,086,843	-	-	1,734,740,422
2007	1,512,675,607	100,000,000	-	150,000,000	13,975,293	38,255,000	-	-	81,316,156	-	-	1,896,222,056
2008	1,366,758,054	100,000,000	-	300,000,000	9,920,647	36,670,000	-	33,580,000	74,472,783	-	-	1,921,401,484
2009	1,496,561,371	100,000,000	-	300,000,000	15,764,265	35,025,000	-	30,475,000	67,929,435	-	-	2,060,218,071
2010	1,437,839,285	100,000,000	232,000,000	425,000,000	13,897,942	33,320,000	-	50,255,000	81,564,283	14,463,000	30,400,000	2,418,199,834
2011	1,517,280,000	100,000,000	338,320,000	500,000,000	15,023,170	31,550,000	-	43,935,000	71,156,741	42,803,956	29,470,000	2,689,538,867
2012	1,658,970,000	100,000,000	338,320,000	500,000,000	59,537,476	33,100,000	-	37,420,000	46,530,000	41,265,110	56,265,000	2,871,407,586
2013	1,930,155,391	100,000,000	339,827,520	500,000,000	49,800,724	33,802,447	-	30,675,000	20,130,000	83,556,016	54,661,870	3,142,608,968
2014	2,085,028,317	100,000,000	339,671,879	500,000,000	51,252,461	32,812,650	-	24,305,000	16,432,750	112,031,698	90,509,121	3,352,043,876

Fiscal Year	Business-type Activities				Ratios			
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Total Business-type Activities	Total Primary Government	Debt to Personal Income (1)	Outstanding Debt per Capita (1)
2005	\$ 56,512	\$ 62,655,000	\$ -	\$ -	\$ 62,711,512	\$ 1,625,661,166	2.91 %	\$ 1,764
2006	4,894	70,620,000	-	-	70,624,894	1,805,365,316	2.99	1,949
2007	2,447	61,800,000	926,268	10,033,172	72,761,887	1,968,983,943	3.14	2,113
2008	-	54,685,000	724,795	-	55,409,795	1,976,811,279	3.00	2,097
2009	-	79,567,000	467,876	-	80,034,876	2,140,252,947	3.38	2,232
2010	-	73,101,676	252,610	-	73,354,286	2,491,554,120	3.78	2,564
2011	-	71,566,044	81,782	-	71,647,826	2,761,186,693	3.98	2,816
2012	-	87,674,890	-	-	87,674,890	2,959,082,476	4.08	2,990
2013	-	86,295,600	1,976,348	-	88,271,948	3,230,880,916	4.40	3,233
2014	-	97,163,694	1,701,104	-	98,864,798	3,450,908,674	4.40	3,389

NOTES:  
(1) See Table 23 for personal income and population data, used in calculating these ratios.  
(2) Beginning in fiscal year 2013, the County changed its presentation of outstanding debt in the statistical section to include unamortized premiums, discounts, and deferred differences on refundings. Amounts presented prior to fiscal year 2013 are shown at gross amounts.

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
**Table 18**

Fiscal Year	General Bonded Debt Outstanding (1)				Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Taxable BABs General Obligations (2)				
2005	\$ 1,415,208,054	\$ -	\$ -	\$ -	\$ 1,415,208,054	1.30 %	\$ 1,524
2006	1,393,888,054	100,000,000	-	-	1,493,888,054	1.22	1,597
2007	1,512,675,607	100,000,000	-	-	1,612,675,607	1.19	1,713
2008	1,366,758,054	100,000,000	-	-	1,466,758,054	0.98	1,538
2009	1,496,561,371	100,000,000	-	-	1,596,561,371	0.95	1,643
2010	1,437,839,285	100,000,000	232,000,000	-	1,769,839,285	0.99	1,821
2011	1,517,280,000	100,000,000	338,320,000	-	1,955,600,000	1.01	1,996
2012	1,658,970,000	100,000,000	338,320,000	-	2,097,290,000	1.18	2,119
2013	1,930,155,391	100,000,000	339,827,520	-	2,369,982,911	1.36	2,372
2014	2,085,028,317	100,000,000	339,671,879	-	2,524,700,196	1.42	2,479

NOTES:

- (1) General Bonded Debt includes all general obligation debt, variable rate demand obligation, regardless of purpose or repayment source, and other bonded debt financed with general government resources. Governmental lease revenue bonds and business-type revenue bonds are excluded because they are repayable from specific resources other than general governmental resources. Other debt is excluded because it is not in the form of bonds.
- (2) General obligation bonds, variable rate demand obligations and build america bonds are comprised of both governmental and business-type activities from Table 17.
- (3) See Table 8 for estimated actual value of taxable property data.
- (4) See Table 23 for population data. However, when population data for prior years is revised, per capita amounts presented herein are reported as originally stated.

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)  
JUNE 30, 2014  
**Table 19**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 497,839	100.00 %	\$ 497,839
Poolesville - bonds	2,482,180	100.00	2,482,180
Rockville:			
Bonds	128,545,000	100.00	128,545,000
Certificates or notes	6,755,462	100.00	6,755,462
Somerset - bonds	1,610,000	100.00	1,610,000
Takoma Park:			
Bonds	2,616,500	100.00	2,616,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	50,009,122	100.00	50,009,122
MCC - capital leases	55,957,052	100.00	55,957,052
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	109,531,148	39.65	43,425,000
Advance land acquisition bonds	1,430,000	100.00	1,430,000
Development Districts (2):			
Kingsview Village Center - bonds	1,570,000	100.00	1,570,000
West Germantown - bonds	13,505,000	100.00	<u>13,505,000</u>
Total Overlapping Debt			308,553,155
Montgomery County direct debt (5)			<u>3,352,043,876</u>
Total Direct and Overlapping Debt			<u><u>\$ 3,660,597,031</u></u>

NOTES:

- (1) Direct debt relating to the governmental activities of the County includes general obligation bonds, variable rate demand obligations, bond anticipation notes, notes payable, lease revenue bonds, and capital leases. Overlapping debt is the debt of other governmental entities in the County that is payable in whole or in part by taxpayers of the County. It includes general obligation bonds, revenue bonds, mortgages payable, notes payable, commercial paper, bond anticipation notes, certificates of participation, capital leases, and bank loans.
- (2) Entities are wholly within Montgomery County.
- (3) Unaudited information provided by entities.
- (4) Overlapping debt percentage is based on the debt relating to the County.
- (5) Source: total of governmental activities debt on Table 17.

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
COMPUTATION OF LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS  
**Table 20**

	2005	2006	2007	2008	2009
<b>Assessed Value</b>					
Real property (1, 3)	\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472
Personal property (2)	3,902,612,110	3,831,629,230	3,948,949,550	3,970,547,370	3,920,171,020
Total Assessed Value	\$ 102,184,336,833	\$ 114,360,878,346	\$ 129,659,725,668	\$ 146,276,982,963	\$ 162,053,662,492
<b>Legal Debt Margin</b>					
Debt Limit - Percentage of Assessable Base:					
For real property at 6% (2)	\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488
For personal property at 15%	585,391,817	574,744,385	592,342,433	595,582,106	588,025,653
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	6,482,295,300	7,206,499,332	8,134,989,000	9,133,968,242	10,076,035,141
Debt Applicable to Limit:					
General obligation bonds	1,415,208,054	1,393,888,054	1,512,675,607	1,366,758,054	1,496,561,371
Variable Rate Demand Obligation	-	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs General Obligation	-	-	-	-	-
Bond anticipation notes	-	100,000,000	150,000,000	300,000,000	300,000,000
Long-term notes payable	1,198,385	-	-	-	-
Total Debt Applicable to Limit	\$ 1,416,406,439	\$ 1,593,888,054	\$ 1,762,675,607	\$ 1,766,758,054	\$ 1,896,561,371
Legal Debt Margin	\$ 5,065,888,861	\$ 5,612,611,278	\$ 6,372,313,393	\$ 7,367,210,188	\$ 8,179,473,770
Legal Debt Margin as a Percentage of Debt Limit	78%	78%	78%	81%	81%
<b>Assessed Value</b>					
Real property (1, 3)	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848	\$ 159,891,865,334
Personal property (2)	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750	3,709,327,508
Total Assessed Value	\$ 171,220,840,149	\$ 171,646,984,481	\$ 165,916,095,468	\$ 161,877,309,598	\$ 163,601,192,842
<b>Legal Debt Margin</b>					
Debt Limit - Percentage of Assessable Base:					
For real property at 6% (2)	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920
For personal property at 15%	618,599,492	578,428,793	557,841,857	540,671,813	556,399,126
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	10,644,410,104	10,645,876,345	10,289,670,842	10,037,041,664	10,149,911,046
Debt Applicable to Limit:					
General obligation bonds	1,437,839,285	1,517,280,000	1,658,970,000	1,930,155,391	2,085,028,317
Variable Rate Demand Obligation	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs General Obligation	232,000,000	338,320,000	338,320,000	339,827,520	339,671,879
Bond anticipation notes	425,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Long-term notes payable	-	-	-	-	-
Total Debt Applicable to Limit	\$ 2,194,839,285	\$ 2,455,600,000	\$ 2,597,290,000	\$ 2,869,982,911	\$ 3,024,700,196
Legal Debt Margin	\$ 8,449,570,819	\$ 8,190,276,345	\$ 7,692,380,842	\$ 7,167,058,753	\$ 7,125,210,850
Legal Debt Margin as a Percentage of Debt Limit	79%	77%	75%	71%	70%

NOTES:

- (1) See (1) on Table 8.
- (2) See (3) on Table 8.
- (3) As a Charter County, the legal debt limit is provided by Article 25A, Section 5(P(1)), of the Annotated Code of Maryland. Effective June 1, 2001, real property in the State of Maryland began being assessed at 100 percent of full assessed value instead of the previous 40 percent assessment method. Also effective June 1, 2001, the section of the Code referred to above was amended in conjunction with the real property assessment change. Under the amendment, the legal debt margin is a total of 6 percent of the assessable base (presented at 100 percent) of real property of the County and 15 percent of the County's assessable base of personal property and operating real property.

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY  
PLEGGED-REVENUE COVERAGE (1)  
LAST TEN FISCAL YEARS

Table 21

Fiscal Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue for Debt Service	Debt Service (4)			Coverage %
				Principal	Interest	Total	
<b>Bethesda Parking Lot District:</b>							
2005	\$ 17,317,168	\$ 5,447,448	\$ 11,869,720	\$ 3,315,000	\$ 1,386,603	\$ 4,701,603	252.46 %
2006	18,167,711	5,959,821	12,207,890	3,430,000	1,567,391	4,997,391	244.29
2007	20,055,735	6,587,481	13,468,254	3,550,000	1,848,185	5,398,185	249.50
2008	20,991,790	6,935,238	14,056,552	3,175,000	1,709,435	4,884,435	287.78
2009	21,538,148	7,409,414	14,128,734	3,340,000	1,566,585	4,906,585	287.95
2010	20,046,662	8,188,688	11,857,974	1,840,000	1,429,335	3,269,335	362.70
2011	19,217,766 (a)	7,829,314	11,388,452	1,915,000	1,355,235	3,270,235	348.25
2012	18,137,767 (a)	8,038,372	10,099,395	1,995,000	1,278,135	3,273,135	308.55
2013	20,201,622 (a)	8,006,351	12,195,271	2,020,000	2,030,369	4,050,369	301.09
2014	19,001,427 (a)	8,129,681	10,871,746	2,100,000	1,910,939	4,010,939	271.05
<b>Liquor Control:</b>							
2010	\$ 229,335,472	\$ 201,443,397	\$ 27,892,075	\$ 1,745,000	\$ 2,024,478	\$ 3,769,478	739.95 %
2011	242,614,756	212,550,427	30,064,329	1,550,000	2,108,248	3,658,248	821.82
2012	252,364,670	217,254,363	35,110,307	2,825,000	3,530,455	6,355,455	552.44
2013	258,903,266	222,759,553	36,143,713	2,790,000	3,561,750	6,351,750	569.04
2014	268,683,615	235,187,621	33,495,994	4,725,000	5,038,843	9,763,843	343.06
<b>Metrorail Garage Project:</b>							
2005	\$ 3,158,382	\$ -	\$ 3,158,382	\$ 1,350,000	\$ 1,808,382	\$ 3,158,382	100.00 %
2006	3,292,758	-	3,292,758	1,485,000	1,807,758	3,292,758	100.00
2007	3,294,214	-	3,294,214	1,535,000	1,759,214	3,294,214	100.00
2008	3,292,339	-	3,292,339	1,585,000	1,707,339	3,292,339	100.00
2009	3,295,276	-	3,295,276	1,645,000	1,650,276	3,295,276	100.00
2010	3,294,214	-	3,294,214	1,705,000	1,589,214	3,294,214	100.00
2011	3,292,009	-	3,292,009	1,770,000	1,522,009	3,292,009	100.00
2012	3,416,120	-	3,416,120	2,365,000	1,051,120	3,416,120	100.00
2013	3,472,363	-	3,472,363	1,860,000	1,612,363	3,472,363	100.00
2014	3,474,363	-	3,474,363	1,955,000	1,519,363	3,474,363	100.00
<b>Water Quality Protection</b>							
2013	\$ 25,302,118	\$ 16,937,522	\$ 8,364,596	\$ 915,000	\$ 1,207,601	\$ 2,122,601	394.07 %
2014	26,047,644	17,248,871	8,798,773	1,310,000	1,706,150	3,016,150	291.72

NOTES:

- (1) Table includes debt that is secured by a pledge of a specific revenue stream, and is designed to reflect whether the County had to use general (unpledged) revenues to repay debt that was intended to be self-supporting.
  - (2) Gross revenues include non-operating investment income. Gross revenues for the parking lot district bonds include all revenues of the district and consist primarily of parking fee charges for services, parking fines, and dedicated property taxes. Gross revenues for the metrorail garage project lease revenue bonds include lease payments from WMATA.
  - (3) Operating expenses do not include interest, depreciation, or amortization expenses.
  - (4) Debt service consists of amounts relating to revenue or lease revenue bonds; amounts relating to general obligation bonds are excluded.
- (a) Parking Lot District gross revenue excludes non-cash gains on disposal of capital assets; not available to pay for debt service.

MONTGOMERY COUNTY, MARYLAND  
 DEMOGRAPHIC STATISTICS  
 PRINCIPAL EMPLOYERS  
 CURRENT FISCAL YEAR AND NINE YEARS AGO

Table 22

Employer	Fiscal Year 2014			Fiscal Year 2005		
	Employees(1)	Rank	Percentage of Total County Employment(2,3)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	28,500	1	6.31 %	38,800	1	8.58 %
Montgomery County Public Schools	25,429	2	5.63	20,987	2	4.64
U.S. Department of Defense	12,000	3	2.66	13,800	3	3.05
Montgomery County Government	10,815	4	2.39	8,272	4	1.83
U.S. Department of Commerce	5,500	5	1.22	6,200	5	1.37
Adventist Healthcare	4,900	6	1.08	6,000	6	1.33
Marriott International, Inc. (Headquarters)	4,700	7	1.04	*		-
Lockheed Martin	4,000	8	0.89	3,900	10	0.86
Montgomery College	3,632	9	0.80	*		-
Holy Cross Hospital of Silver Spring	3,400	10	0.75	*		-
Giant Food Corporation	*		-	4,900	7	1.08
Verizon	*		-	4,700	8	1.04
Chevy Chase Bank	*		-	4,700	8	1.04
Total	<u>102,876</u>		<u>22.77 %</u>	<u>112,259</u>		<u>24.82 %</u>

NOTES:

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

Note: Excludes post offices, state and local governments.

- (1) The employee numbers listed were prepared jointly by Montgomery County's Department of Economic Development (DED) and the Maryland Department of Business & Economic Development. The figures are based on DED's analysis of the MD Department of Labor, Licensing & Regulation's Quarterly Census of Employment & Wages, 4th quarter 2013 data of public and private employers in Montgomery County.
- (2) Employee counts for Federal & Military facilities exclude contractors to the extent possible; embedded contractors may be included.
- (3) Total payroll employment in FY14 was 451,809, and in FY05, 458,668.

Source: Montgomery County Department of Economic Development

MONTGOMERY COUNTY, MARYLAND  
 DEMOGRAPHIC STATISTICS  
 LAST TEN YEARS  
**Table 23**

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
2005	921,531	\$ 57,950,289	\$ 62,885	508,251	492,431	3.1 %	139,337
2006	926,492	62,251,585	67,191	518,142	503,476	2.8	139,387
2007	931,694	64,472,203	69,199	512,934	499,536	2.6	137,798
2008	942,748	67,379,333	71,471	519,330	502,802	3.2	137,745
2009	959,013	65,965,060	68,784	522,704	493,400	5.6	137,763
2010	976,006	67,991,412	69,663	525,908	495,187	5.8	140,500
2011	991,645	71,716,065	72,320	530,699	502,229	5.4	143,309
2012	1,004,709	73,551,167	73,206	535,371	507,381	5.2	146,497
2013	1,016,677	74,840,000	73,612	535,271	508,190	5.1	149,018
2014	1,018,355	78,420,000	77,007	529,482	506,937	4.3	151,289

NOTES:

- (1) Sources: Data for 2005-2012 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2010 from Montgomery Planning Department (MNCPPC) and for 2013 and 2014 are estimated by the Montgomery County Department of Finance from Round 8.2 Cooperative Estimates and pertain to population in households. Estimates for 2005-2012 published by BEA in November 2013 and reflect the County's population estimates available as of 2012, population estimate for 2013 from the American Community Survey, U.S. Census, and average annual growth rate of 0.2 percent from 2013 to 2015 from Round 8.2.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2009-2012 were revised by BEA. Data for 2013 through 2014 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2009 - 2013. Data for 2014 estimated by Montgomery County Department of Finance based on the percent change from first half of CY13 to the first half of CY14.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2008-2013 revised by BLS. Data for 2014 estimated by Montgomery County Department of Finance based on the percent change from first half of CY13 to the first half of CY14.
- (6) The unemployment rates for 2008 through 2013 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2014 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2014.
- (7) Source: County Executive's Recommended FY15 Operating Budget, Office of Management and Budget, Montgomery County, page 10-5.

MONTGOMERY COUNTY, MARYLAND  
 OPERATING INFORMATION  
 EMPLOYEE WORKYEARS BY FUNCTION (1)  
 LAST TEN FISCAL YEARS

Table 24

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities:</b>										
General Government:										
Legislative Branch:										
Board of Appeals	5	5	5	5	5	5	4	4	4	4
County Council	69	69	70	73	77	75	70	73	75	77
Inspector General	3	5	5	6	6	5	3	4	5	5
Legislative Oversight	8	10	11	11	11	11	9	9	10	11
Merit System Protection Board	1	1	1	1	1	1	1	1	1	1
People's Counsel	2	2	2	2	2	2	2	-	-	-
Zoning and Administrative Hearings	4	4	4	4	4	4	4	4	4	4
Judicial Branch:										
Circuit Court	103	106	111	108	109	110	107	106	117	118
State's Attorney	108	112	115	118	121	122	119	122	129	132
Executive Branch:										
Board of Elections	33	28	47	47	47	46	44	40	31	31
Board of Liquor License Commissioners	12	12	12	-	-	-	-	-	-	-
Commission for Women	10	10	11	11	11	10	6	-	-	-
Community Engagement (2)	-	-	-	-	-	-	-	24	22	22
County Attorney	45	44	44	44	43	39	37	34	42	43
County Executive	40	38	37	41	50	47	32	26	28	31
Ethics Commission	2	2	3	3	3	2	-	2	3	3
Finance	115	116	117	121	116	108	103	107	114	125
General Services	-	-	-	-	194	199	179	178	184	183
Human Resources	52	57	58	61	59	58	44	49	60	67
Human Rights	23	23	22	22	22	19	15	8	8	8
Intergovernmental Relations	4	5	5	5	5	5	5	5	5	5
Management and Budget	32	31	31	31	30	29	25	25	28	28
Procurement	29	29	30	30	-	-	-	-	-	-
Public Information	9	9	9	9	9	8	42	42	43	42
Regional Services Centers	27	29	30	31	34	29	17	-	-	-
Technology Services	140	147	156	150	146	138	107	102	104	110
Urban Districts	51	57	57	57	58	58	50	52	55	55
Non-Departmental Accounts	1	3	3	3	3	3	3	2	2	4
Public Safety:										
Consumer Protection	-	-	23	22	21	19	15	15	16	17
Correction and Rehabilitation	572	585	626	635	622	599	555	557	512	518
Emergency Management and Homeland Security	-	70	72	72	10	9	10	11	11	12
Fire and Rescue	1,142	1,155	1,236	1,335	1,351	1,349	1,267	1,240	1,254	1,282
Police	1,582	1,651	1,733	1,777	1,819	1,789	1,720	1,724	1,744	1,767
Sheriff	166	169	177	183	183	176	169	166	178	185
Transportation:										
Fleet Management	164	164	170	191	205	202	194	206	205	205
Transit Services	642	652	680	762	871	831	789	831	814	816
Other (3)	515	472	477	480	315	346	305	258	258	273
Health and Human Services	1,437	1,476	1,506	1,605	1,613	1,577	1,462	1,484	1,559	1,569
Culture and Recreation:										
Cable TV	13	13	14	15	17	19	26	27	30	31
Public Libraries	402	403	420	428	426	388	299	273	314	350
Recreation	405	416	442	450	451	422	365	343	375	398
Community Development and Housing:										
Economic Development	37	40	45	52	46	41	32	26	29	31
Housing and Community Affairs	90	91	74	77	73	67	59	58	66	73
Environment	43	45	49	51	51	52	51	84	91	93
<b>Business-Type Activities:</b>										
Community Use of Public Facilities	26	26	26	26	27	25	22	26	27	27
Liquor Control	293	321	330	341	344	337	313	323	324	339
Parking Lot Districts	42	43	45	47	50	51	46	48	49	49
Permitting Services	191	191	215	214	218	197	173	178	198	201
Solid Waste Activities	148	152	156	155	159	105	99	103	103	102
Total Workyears	8,838	9,089	9,512	9,912	10,038	9,734	8,999	9,000	9,231	9,447

NOTES:

\* Amounts represent budgeted workyears rounded to nearest whole workyear.

(1) Represents County government workyears only, and excludes component units. Therefore, no workyears are listed for Education function, which relates to component units MCPS and MCC.

(2) Community Engagement Cluster created in FY12 by consolidating the staffing of the Regional Services Centers, the Gilchrist Center and the Commission for Women.

(3) Excludes programs presented under business-type activities.

Source: County Executive's Annual Recommended Operating and Public Services Program, Schedule D-2, various years.

MONTGOMERY COUNTY, MARYLAND  
 OPERATING INFORMATION  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
**Table 25**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (1)
<b>Governmental Activities:</b>										
General Government										
Number of Procurement Office actions (2)	8,066	8,588	8,779	8,396	7,709	7,188	6,610	6,750	7,711 (6)	8,396
Number of property tax bills processed (6)	345,162	349,804	353,998	358,514	361,237	361,963	362,971	364,050	365,495	366,847
Number of payments issued	143,000	150,000	162,959	153,201	154,416	137,856	117,831	111,211	112,507	129,973
Investment portfolio return (5)	2.19 %	4.19 %	5.21 %	4.41 %	1.71 %	0.22 %	0.10 %	0.02 %	0.16 %	0.15 %
Public Safety:										
Fire and Rescue:										
Number of responses to incidents	98,508	100,805	103,758	106,321	105,736	107,527	109,153	109,597	108,996	109,496
Number of inspections completed	NA	NA	10,901	16,771	24,663	20,994	13,139 (7)	7,353	6,036	11,644
Number of fire incidents investigated	342	405	515	520	584	531	728 (8)	668	745	584
Police:										
Number of arrests	11,769	13,221	12,943	11,741	13,286	13,150	13,567	13,216	12,511	13,153
Number of traffic citations (calendar years)	122,805	123,018	106,183	102,280	93,796	82,119	65,439	55,710	53,540	107,040
Number of warrants served	11,413	12,500	12,104	10,222	9,052	7,823	7,542	9,598	12,623	8,297
Transportation (3):										
Lane-miles of streets resurfaced	205	213	292	248	250	377	258	332	442	311
Number of passengers transported	25,134,000	27,294,000	28,220,000	29,673,000	29,627,000	27,895,138	26,719,517	27,240,110	26,603,242	26,391,551
Health and Human Services:										
Number of applicants approved for the Home Energy Program	4,729	5,140	6,402	6,840	8,077	9,681	9,438	8,778	7,308	7,951
Number of individuals served through the Crisis Center	53,757	59,175	61,332	60,390	59,966	60,150	50,083	47,075	48,312	49,281
Number of licensed and registered child care slots in the County	33,484	33,224	33,500	34,382	35,501	35,403	36,426	38,722	39,806	38,506
Number of in-home aide service hours for seniors and people with disabilities	173,087	193,317	199,478	219,515	182,761	156,634	122,991	101,905	90,000	94,012
Culture and Recreation:										
Library:										
Number of items circulated	10,611,894	10,857,498	11,035,542	11,451,481	11,836,563	12,105,851	10,137,952	9,403,471	9,303,918	9,770,776
Recreation:										
Number of community center visits/contacts	3,989,146	3,718,474	4,050,000	4,050,000	1,760,336	1,315,022	1,299,619	1,320,664	1,178,398	1,127,742
Number of visits to County pools	1,245,472	1,358,734	1,590,683	1,600,000	2,230,406	2,232,902	2,234,904	2,246,874	2,255,874	2,553,202
Number of persons registered for camps and classes	25,300	25,133	25,000	25,000	51,785	66,029	51,648	53,746	55,044	55,829
Community Development and Housing										
Housing and Community Affairs										
Number of housing rental licenses issued	80,006	80,245	80,173	82,205	85,285	86,267	89,286	91,555	92,527	96,185
Number of housing code enforcement cases	6,804	7,451	5,955	6,574	7,547	7,282	7,186	6,988	6,597	6,998
Environment:										
Number of sediment control inspections performed for development sites	19,115	18,063	16,790	16,389	17,859	17,666	13,472	12,206	12,839	16,287
Education:										
Average number of pupils registered pre-K through 12 (4)	139,337	139,387	137,798	137,745	139,276	141,777	144,064	146,497	148,779	151,607
College students - credit and non-credit (4)	55,118	56,490	59,374	58,506	59,479	60,698	60,970	63,837	62,417	59,389
<b>Business-Type Activities:</b>										
Land development plans approved										
Refuse collected (tons)	4,587	4,674	4,244	4,324	3,302	3,432	4,066	4,967	4,517	5,112
Waste processed at the Resource Recovery Facility (tons)	80,472	77,596	83,545	83,181	81,704	83,826	85,628	86,512	69,568 (6)	71,407
Number of cases transferred from warehouse to County-operated liquor stores to be sold	574,663	621,822	593,185	579,660	540,407	535,980	575,000	540,644	546,644	577,787
Number of wholesale liquor cases sold to private liquor stores	808,000	849,000	895,785	921,681	979,464	1,014,804	1,096,702	1,093,554	1,094,530	1,155,544
	4,026,000	4,144,000	4,147,332	4,191,956	4,092,765	4,104,740	4,142,590	4,104,574	4,068,430	4,174,541

NOTES:  
 NA - Data not readily available, or not available in a manner consistent with this display.  
 (1) Indicators represent actuals or latest estimates of actuals  
 (2) Indicators provided by Office of Procurement  
 (3) Excludes programs presented under "Business-Type Activities."  
 (4) Indicators provided by the Montgomery County Public Schools and Montgomery College, two component unit organizations.  
 (5) Indicators provided by Department of Finance  
 (6) Revised  
 (7) The decrease in number of inspections reflects a loss of 12 inspector positions from mid-2010 thru mid-2011  
 (8) The increase in investigations reflects a change in the manner in which explosives incidents are reported to the State. The State captures all explosives incidents including good intent calls for service.  
 Source: 2006 and prior: *Montgomery Measures Up!*, Montgomery County Office of Management and Budget

MONTGOMERY COUNTY, MARYLAND  
 OPERATING INFORMATION  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS  
**Table 26**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities:</b>										
General Government:										
Number of conference centers	1	1	1	1	1	1	1	1	1	1
Landfills	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Police stations	6	6	6	6	6	6	6	6	6	6
Police satellites	6	6	7	8	8	8	8	4	4	3
Police vehicles	1,208	1,252	1,255	1,340	1,410	1,369	1,327	1,363	1,341	1,345
Fire stations (2)	33	34	34	34	35	35	36	36	37	37
Fire apparatus	454	464	463	471	498	518	452	464	451	461
Transportation:										
Streets (miles)	2,574	2,588	2,602	2,609	2,611	2,621	2,621	2,623	2,627	2,631
Ride On buses (1)	353	398	459	469	480	462	390	410	412	422
Administrative vehicles	775	762	778	757	806	785	757	734	738	761
Fire vehicles	93	96	110	130	134	122	121	120	115	116
Heavy equipment	664	645	596	540	482	456	454	460	463	482
Streetlights	61,358	63,489	65,225	66,528	66,752	66,903	66,962	67,211	67,781	67,931
Traffic signals	737	747	756	772	779	791	800	814	823	829
Culture and Recreation:										
Libraries	23	21	22	22	22	22	22	22	22	22
Volumes in library collection	2,962,910	2,977,017	3,203,802	3,131,150	3,168,551	2,809,010	2,660,221	2,564,280	2,500,705	2,834,652
Swimming pools	12	13	14	14	14	13	13	13	13	13
Community Development and Housing:										
Number of low income housing units (1)	102	102	102	102	102	101	101	101	101	101
Environment:										
Storm drains (miles)	852	854	860	864	864	874	874	875	877	881
Education:										
Elementary, Middle and High School buildings	192	194	199	200	199	200	200	200	202	202
College buildings	42	42	43	43	44	46	48	48	49	49
<b>Business-Type Activities:</b>										
Parking spaces in parking lot districts	20,524	21,479	21,282	21,160	21,169	21,185	21,173	20,470	19,989	19,984
Parking garages/lots	42	41	40	41	41	41	41	40	40	42

NOTES:

\* Data relates to primary government only, except for education data which relates to MCPS and MCC.

(1) FY06 to FY07 restated

(2) FY10 to FY13 restated

Sources: Various County departments, MCPS, and MCC.



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\* POEB = Pension and Other Employee Benefits







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