Montgomery County, Maryland

ANNUAL INFORMATION STATEMENT

In Connection With Bonds and Other Obligations

Department of Finance

January 15, 2015

MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS

COUNTY EXECUTIVE

Isiah Leggett

COUNTY COUNCIL

George L. Leventhal	*President*
Nancy Floreen	*Vice-President*
Roger Berliner	
Marc Elrich	
Tom Hucker	
Sidney Katz	
Nancy Navarro	
Craig Rice	
Hans Riemer	

The County Executive and all County Council members were inaugurated on December 2, 2014 for a four year term.

APPOINTED OFFICIALS

Timothy L. Firestine	*Chief Administrative Officer*
Joseph F. Beach	*Director, Department of Finance*
Jennifer A. Hughes	*Director, Office of Management and Budget*
Marc P. Hansen	*County Attorney*
Linda M. Lauer	*Clerk of the Council*

BOND COUNSEL

McKennon Shelton & Henn LLP
Baltimore, Maryland

INDEPENDENT PUBLIC ACCOUNTANTS

CliftonLarsonAllen LLP
Baltimore, Maryland

DEBT MANAGEMENT AND DISCLOSURE INFORMATION

Department of Finance
101 Monroe Street, 15th Floor
Rockville, MD 20850
240/777-8860
240/777-8857 (Fax)
http://bonds.montgomerycountymd.gov

ANNUAL INFORMATION STATEMENT
IN CONNECTION WITH BONDS AND OTHER OBLIGATIONS

This Annual Information Statement ("the AIS"), dated January 15, 2015 is prepared by Montgomery County, Maryland ("the County"), to provide, as of its date, certain general information concerning the County and its operations. Included is information on the County 1) government, organizational structure and services, 2) financial information, 3) annual budgets, 4) results of fiscal years 2011-2014, 5) retirement system, 6) revenue sources, and 7) selected demographic and economic statistics, and information including population, employment and income.

The information presented in this AIS document is based on the most recent available information unless otherwise specified. This information was obtained from the County and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and the publication of this Statement shall not, under any circumstances create any implication that there is no change in the affairs of the County or in any other information contained herein, since the date hereof. The distribution of this AIS document by the County does not in any way imply that the County has obligated itself to update the information herein.

The presentation of information is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or operations of the County. No representation is made that past experiences, as might be shown by such financial and other information, will necessarily continue or be repeated in the future. Any statements in this document involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized.

Questions regarding information in the AIS should be directed to Joseph F. Beach, Director of Finance, Montgomery County, Maryland, 101 Monroe Street, EOB 15th Floor, Rockville, Maryland 20850. Telephone: 240-777-8860; fax: 240-777-8857. Email: bondquestions@montgomerycountymd.gov

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STATISTICAL HIGHLIGHTS

Debt as of June 30, 2014

General Obligation Bonds and Notes Outstanding	$2,370,500,000
Total Assessed Value	$163,601,192,842
Direct Debt (incl. Revenue Bonds)	$3,067,375,000
Ratio of Direct Debt to Assessed Value	1.87%
Net Direct Debt	$2,870,500,000
Ratio of Net Direct Debt to Assessed Value	1.75%

Budgets

Approved FY15 Operating Budget	$5.0 billion
Approved FY15 General Fund Unassigned Surplus	$149.3 million
FY14 General Fund Unassigned Balance	$284.2 million
FY14 Revenue Stabilization Fund Balance	$208.0 million
FY15-20 Capital Improvements Program	$4.5 billion

FY14 Major Revenues

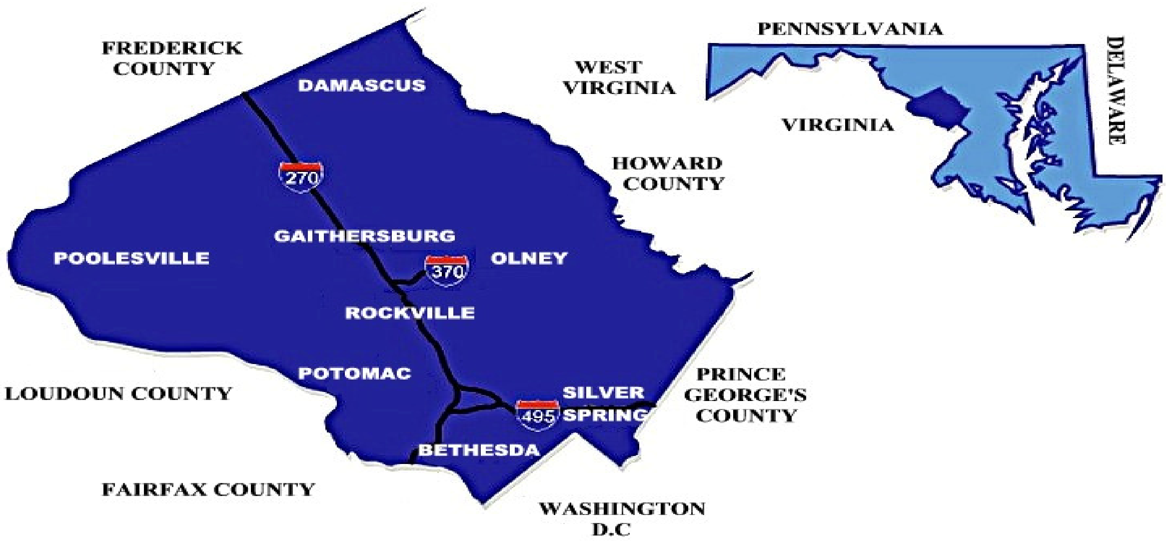
Income Tax	$1,376.8 million
Property Tax (General Fund)	$1,108.7 million
Transfer and Recordation Tax	$144.5 million
Other Taxes	$284.8 million

Demographics

Population 2013	1,016,677
Households 2013	364,496
Median Age 2010	38.5 years

Employment

Private Sector 2013	363,126
Public Sector 2013	88,683
Unemployment Rate 2013	5.1%
Personal Income 2013	$74.0 billion
Per Capita Income 2013	$ 72,746
Average Household Income 2013	$202,770
MCPS K-12 Projected FY15 Enrollment	154,230
MCPS Per Pupil Operating Expenditures (FY15)	$14,760
Montgomery College Enrollment (Fall 2013)	26,155



MONTGOMERY COUNTY - HISTORY AND GOVERNMENT

Location

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 496 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

History

Montgomery County was established by the State Convention in 1776, and from its establishment until 1948, the Montgomery County Government functioned under the County Commission system. In 1948, the voters adopted a charter giving the County home rule and a council-manager form of government. In 1968, the voters approved a new charter providing for separate legislative and executive branches of government, with the legislative power vested in an elected County Council and executive power in an elected County Executive. The new charter became fully implemented with the election of a County Executive and County Council in November 1970.

Government

The County Council is comprised of nine members, four of whom are elected by the qualified voters of the entire County. Each of the five other members of the Council must, at the time of their election, reside in a different one of five Council manic districts of the County and each of these five members shall be nominated and elected by the qualified voters in their respective districts. Populations of the Council manic districts are substantially equal.

The County Executive, who must be a qualified voter of the County for the five years preceding his or her election and who may not be less than thirty years of age, is elected by the qualified voters of the entire County at the same time as the Council. Both the County Executive and the County Council members serve a four-year term.

County Officials

County Executive – Isiah Leggett

Isiah Leggett was elected Montgomery County's sixth County Executive on November 7, 2006, and sworn in on December 4, 2006. In November 2010, he was reelected to another four-year term by County voters and, in 2014, was overwhelmingly elected to a third term. Mr. Leggett served as an infantry captain in the United States Army in Vietnam, earning the Bronze Star, Vietnam Service, and Vietnam Campaign medals. He worked as a legislative assistant on small business issues for Congressman Parren Mitchell of Baltimore and as a staff attorney for the Department of the Navy. In 1977, Mr. Leggett was selected as a White House Fellow in the Carter Administration. He worked as a member of the Montgomery County Human Rights Commission from 1979 to 1986 and was its chair from 1983 to 1986.

Mr. Leggett served as an at-large member of the Montgomery County Council for 16 years beginning in 1986. He won four terms and was elected Council President three times by his colleagues. He chaired the Council's Transportation and Environment Committee and served on the Education Committee. After leaving the Council in 2002, Mr. Leggett chaired the Maryland State Democratic Party for two years and continued his work as a Professor of Law at Howard University, where he taught from 1975 to 2006. He served as the law school's assistant dean from 1979 to 1986.

President, County Council – George Leventhal

George Leventhal is serving his fourth term as an at-large Democratic member of the Montgomery County Council. He is also currently serving as the Council's President. He chairs the Council's Health and Human Services Committee, which is responsible for programs affecting the sick, the poor, the elderly, the homeless, the disabled, the mentally ill, and abused and abandoned children, as well as libraries and the arts and humanities. He also serves on the Planning, Housing and Economic Development committee which oversees zoning and master plans among other topics.

Councilmember Leventhal has championed access to health care for the uninsured, housing for the homeless, green buildings, mass transit and clean energy during his time in office. Prior to his election to the County Council, he served as Chairman of the Montgomery County Democratic Central Committee and as Legislative Director to U.S. Senator Barbara A. Mikulski (D-MD). He has lived in Montgomery County most of his life and owns a home in Takoma Park with his wife Soraia P. Leventhal and their two sons, Daniel, a graduate of Montgomery County Public Schools, and Chico who is currently a student at Montgomery Blair High School.

Chief Administrative Officer – Timothy L. Firestine

Timothy L. Firestine has worked in public sector management for over 35 years. In his latest public sector role, Mr. Firestine is the Chief Administrative Officer (CAO) for Montgomery County, Maryland, a position he was appointed to in November 2006. Prior to his appointment as CAO, Mr. Firestine was the County's Director of Finance for 15 years. Prior to that, he served for 12 years in various management positions in the County's Office of Management and Budget. Before coming to Montgomery County, Mr. Firestine was the Budget Officer for the Allegheny County, Pennsylvania, Controller's Office.

Mr. Firestine received his Bachelor of Arts in Political Science from Albright College in Reading, Pennsylvania and his Master of Public Administration from the University of Pittsburgh. He is the past President of the Government Finance Officers Association of the United States and Canada and served as vice chair of its Committee on Debt Management. He is also a member of the District of Columbia Water and Sewer Authority, where he served as Vice Chair.

In the past, Mr. Firestine served as President of the Maryland Government Finance Officers Association, President of the Board of Trustees for Suburban Hospital Health Care System, Inc., in Bethesda, Maryland and, President of the Board of Investment Trustees for the Employee Retirement System for Montgomery County. Mr. Firestine was an adjunct professor at the University of Maryland, Graduate School of Public Policy, where he taught Public Finance.

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Director of Finance – Joseph F. Beach

Joseph F. Beach was appointed Director of Finance in July 2011. Prior to his appointment, he served in a variety of senior level positions with Montgomery County Government including, Director of the Office of Management and Budget, Assistant Chief Administrative Officer, Operating Budget Coordinator, and Senior Budget Analyst. Mr. Beach's service for the County included extensive work in the areas of collective bargaining, criminal justice policy, multi-year budgeting, and contract review.

Mr. Beach was admitted to the State Bar of Maryland in December 1995. He serves as an ex officio member of the County's Board of Investment Trustees, as the Chair of the Bethesda North Conference Center Management Committee, and also serves on the Board of Directors for the Strathmore Hall Arts Foundation.

Director, Office of Management and Budget – Jennifer A. Hughes

Jennifer A. Hughes was appointed Director of the Office of Management and Budget in August 2011. Prior to her appointment as Director of Office of Management and Budget, she served in a variety of senior level positions with Montgomery County Government including Acting Director for the Department of Permitting Services, Assistant Chief Administrative Officer, and as an appointed legislative analyst for the County Council in 1985 focusing on education, criminal justice and environmental issues.

Ms. Hughes first moved to the Washington D.C. area to serve as a Presidential Management Intern in the U.S. Office of Management and Budget. In addition to serving on the Board of Investment Trustees as an ex-officio member, Ms. Hughes also serves on the Board of Advisors for the Universities at Shady Grove.

County Attorney – Marc P. Hansen

Marc P. Hansen was appointed to the position of County Attorney in December 2010. In that capacity, he provides leadership to the county attorneys in litigation, transactional and general counsel services. Prior to his appointment, he served in various positions in the Office of the County Attorney. His areas of concentration are government operations, procurement, legislation, and ethics.

Mr. Hansen is a former mayor of Washington Grove, Maryland (1987-90), and Chair, Board of Zoning Appeals of Washington Grove. He is a former Chair of the General Government Section, International Municipal Lawyer's Association. He was previously in private practice (1975-1984). He is admitted to the Maryland Bar (1975), and is also admitted to practice in the U.S. District Court for Maryland (1976), the Fourth Circuit Court of Appeals (1977), and the U.S. Supreme Court (1980). Mr. Hansen is a member of the Maryland and Montgomery County Bar Associations.

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COUNTY GOVERNMENT SERVICES

Human Resources

As of the end of October 2014, the County government employed approximately 8,360 full time and 847 part-time employees. Seven thousand four hundred eighty-three (7,483) employees are in bargaining unit positions and represented by one of the three labor organizations that are certified under County law to bargain over the wages, fringe benefits, and working conditions of bargaining unit employees. The table below summarizes the current status of County labor agreements.

Table 1
County Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Service, Labor & Trades (MCGEO)	1,433	June 30, 2016
Office, Professional & Technical (MCGEO)	3,651	June 30, 2016
Police Officers (FOP)	1,216	June 30, 2015
Firefighters/Rescuers (IAFF)	1,183	June 30, 2016

Public school teachers in the County are not County government employees, but are employed by the Montgomery County Board of Education (the "Board"). As of October 2014, the Board employs approximately 21,145 full-time equivalent (FTE) employees. This number includes 83 non-represented employees and 21,062 employees in bargaining units. The Board bargains collectively with employees on matters concerning wages, hours, and other conditions of employment. There are four bargaining units, which are comprised of teachers, professional/administrative, non-certified supervisors, and support/maintenance employees, as presented in the table below.

Table 2
Board of Education Bargaining Units

Bargaining Unit	Number of FTE Employees	Contract Expiration Date
Teachers & Other Professional (MCEA)	12,337	June 30, 2017
Administrative & Supervisory (MCAAP/MCBOA)	804	June 30, 2017
Support Services (SEIU Local 500)	8,004	June 30, 2017

Arts and Leisure

The Montgomery County Department of Recreation provides a wide range of programs including: aquatics, camps, classes, youth and adult sports, summer fun centers, special events, teen, senior citizen, and therapeutic programs. The Department operates 20 community centers that facilitate leisure activity, social interaction, family participation, and neighborhood civic involvement. Its newest community center, the Plum Gar Community Recreational Center, opened in the summer of 2013. The Scotland neighborhood Recreation Center reopened, after major renovations, in November, 2014. The Ross Boddy Neighborhood Recreation Center in Sandy Spring will be closed for the next 18 months for renovations. Five Senior Centers provide full service to residents throughout the County. An additional eleven program sites serve select senior populations, offering adults aged 55 and above classes, sports and fitness, trips, neighborhood and special programs for frail and isolated seniors. The Department also administers contracted grants for the Takoma Park Community Center, the Arts and Humanities Council and the Public Arts Trust. It also provides specialized recreational programming for at-risk teens, and works cooperatively with the Montgomery County Public Schools to provide a wide range of recreation and leisure opportunities for middle school and high school students throughout the County. There are seven large public outdoor swimming pools and four indoor aquatic complexes that provide for a variety of instructional, recreational, and competitive aquatic programs.

The Music Center at Strathmore was originally located in the historic Corby Mansion, which also housed the Strathmore Hall Foundation. The Center's original structure underwent a $3 million addition and renovation, and is used for art shows and dramatic readings. Significant improvements were made at the Center with the construction of a multi-disciplinary education and performance center on a five-acre site adjacent to the Center. The Music Center at Strathmore facility houses a full range of complementary arts education classes for children and adults. It combines studio, classroom, rehearsal, and performance space for students. The performance hall is capable of supporting large-scale (2,000-seat) musical presentations including major choral, orchestral, and popular entertainments.

As part of the Silver Spring Redevelopment project, the historic Silver Theatre, operated by the American Film Institute, was restored. Two additional theatres were constructed on the same site. Located on an adjacent site is the Round House Theatre School, which provides both theatrical and educational programs. Round House also operates a 400-seat theatre in Bethesda. Additional cultural opportunities are available at Montgomery College. The College operates a Summer Dinner Theatre and its Performing Arts Series features theatre, dance, and music performances.

Economic Development

Department of Economic Development

The economic development vision for Montgomery County is a globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates job creation, and enhances entrepreneurial opportunities.

To realize this vision, the Department of Economic Development (DED) retains and grows existing businesses and strategically attracts new businesses to the County. DED cultivates a business climate conducive to the ongoing growth and viability of small and minority-owned businesses. The department facilitates international business opportunities for County companies and proactively attracts foreign direct investment to the County. It preserves farmland and enhances the viability of the agricultural industry. DED also fosters creative and strong partnerships with academia, the Federal research community, and various levels of government to pursue innovative projects. Furthermore, it engages in public-private partnership projects to revitalize the County's town centers and provide for strategic redevelopment opportunities.

Economic Development Services and Programs

Existing and prospective new businesses receive an array of professional assistance from DED. This assistance can take the form of site searches (DED maintains an inventory listing of available office, R&D, and industrial space in the County), direct financial assistance, provision of socioeconomic statistics and other data, permit expediting, training and employment assistance, and targeted programs and services to meet the unique needs of small and minority-owned businesses. DED also operates the County's business incubator program with 95 early-stage technology companies currently in the program. DED oversees the County's training and employment programs through its Division of Workforce Services, and tourism promotion programs operated by Visit Montgomery.

Economic Development Fund and Other Financial Incentives

Businesses seeking to either establish a presence or expand facilities in the County may qualify for assistance through the County's Economic Development Fund (EDF). Established in 1995, the EDF provides financial assistance to private employers who will either retain jobs in the County or create new jobs through the expansion of current businesses or relocation of new businesses to the County. The EDF is administered by the County's Department of Finance.

As of October 30, 2014, 188 offers for grants and loans totaling $85.6 million were accepted under the Economic Development Fund Grant and Loan Program. The economic impact of these transactions is estimated to include: over 40,900 jobs retained, attracted, and projected to be created, over $1.7 billion in estimated private investment, and an estimated annual net revenue return of over $45 million.

In addition to the original Economic Development Fund Grant and Loan Program, there are six other active sub-programs under the Economic Development Fund:

- The Small Business Revolving Loan Program (SBRLP) was created in FY00 to assist small businesses that lack access to traditional private and public funding sources. SBRLP continues to provide financial assistance to small businesses in Montgomery County and facilitates business development through direct loans and augmenting loans made by other financial institutions. Since the beginning of this Program in FY00, 43 small businesses have received loans totaling $2.38 million.
- The Biotechnology Investor Incentive Program was approved by the County Council in FY11 to provide additional incentives to investors of biotechnology companies located in the County. The program operates in conjunction with the State Biotechnology Investment Tax Credit Program by offering an additional supplement to investors who have received a State Biotechnology Investment Tax Credit for their investment in a Montgomery County-based company. In FY14, a total of $500,000 was awarded to qualified investors.
- The Green Investor Incentive Program was created by the County Council in FY13 to provide incentive to any qualified investor who made an investment in a Montgomery County green business. In FY14, no award was granted due to lack of qualified investors.
- The Cybersecurity Supplement Program was approved by the County Council in FY14 to provide financial incentive for companies that invest in Montgomery County cybersecurity companies and receive the State Cybersecurity Investment Tax Credit. Funding for this Program is available starting FY15, as the State's Cybersecurity Tax Credit began its operation in January of 2014. There was also a partnership agreement with the State of Maryland and the National Institute for Standards and Technology to operate the National Cybersecurity Center of Excellence, the nation's hub of civil cybersecurity, with a total investment of $12.5 million.
- The Small Business Assistance Program was approved by the County Council in FY13 to provide assistance to small businesses located in either an enterprise zone or an urban renewal area that are adversely impacted by redevelopment projects located on property that is owned by the County or redevelopment projects that are financed in whole or in part by the County. The regulation and program policy are being developed and no funding was available during this reporting period.
- The MOVE Program was added in FY14 to attract cybersecurity, green technology, IT, and life science businesses to the County. Through the program, businesses receive financial assistance to reduce rental costs for the first year of location in the County. As of 2014, a total of $45,700 was awarded to qualified businesses.

Education

Montgomery County Public Schools (MCPS) is governed by an elected Board of Education comprised of eight members, including one student member. The Board, which was created by State law, appoints the Superintendent and all other employees. The system operates 202 elementary and secondary schools. The operating budget is $2.279 billion for FY15, a 2.3 percent increase over the prior year, and the approved FY15-20 Capital Improvement Program is $1.528 billion, an increase of $162.5 million over the previously approved CIP. The emphasis that County residents place on education is reflected in budgeted per pupil operating expenditures of $14,760 in FY15, and in the high percentage of high school graduates who continue formal education. In FY15, projected enrollment is 154,230 students.

Finance

The Department of Finance is responsible for the financial administration of the County government, including accounting, fiscal management, revenue collection, and risk management. The Controller's Division is responsible for the analysis, interpretation, and presentation of the County's financial position and results of operations through timely, accurate, and professional financial reports, and for timely and accurate payments to vendors for goods and services provided to the County. The Treasury Division is responsible for the collection of property taxes and excise taxes, and for the collection and processing of transfer and recordation taxes. The Fiscal Management Division is comprised of debt management and cash management and is responsible for managing the timely and economic issuance of short- and long-term financial obligations; developing and maintaining strong rating agency and investor relations; preparing accurate and timely financing documents, including the County's Annual Information Statement; ensuring strict compliance with disclosure requirements; coordinating bond counsel review; providing high-quality consulting services for County agencies, managers, staff, elected officials, and residents on issues related to debt and cash management. The County 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 County financial obligations, and maximization of the investment yield on the County's short-term working capital. Working capital is managed pursuant to the Annotated Code of Maryland, the County Code, and the County's short-term investment policy, as approved by the County Council. The average maturity of the working capital portfolio is generally less than six months. For FY14, the County managed an average of $411.8 million in its pooled consolidated investment portfolio. During FY14 the County earned investment income of $638,200 with an average rate of return of 0.15%.

Libraries

County public libraries offer free and equal access to services and resources to assist residents in finding ideas and information to sustain and enrich their lives. During FY14, library customers accessed services approximately 24.1 million times, including: 10.2 million books, media, e-books, and music files checked out; 1.0 million electronic data records downloaded; 2.5 million questions answered in-person or virtually; 1.0 million items used inside a library; 1.3 million computer sessions, print outs made from library computers, or copies made; 4.5 million visits to a branch; 3.3 million visits to the MCPL website or social media outlets; 0.1 million participants in pre-kindergarten learning activities; and 0.2 million participations in library teen, adult, senior focused programs, community partnership services, social media, on-line classes, meeting rooms, and other learning activities.

Library services to the public are provided at 20 library branches, plus the Montgomery County Correctional Facility Library, the Noyes Library for Young Children, the MCPLExpress@Olney kiosk installation at the Longwood Community Center, and electronically through the library's website. Services include: a diverse collection of books, e-books, e-magazines, media, and electronic content; knowledgeable staff who answer questions, conduct outreach visits in the community, and provide community programming; computers with business productivity software and Internet access; free Internet access via Wi-Fi; individual and group meeting and collaboration space; specialized learning tools such as discovery rooms and early literacy digital learning workstations; materials and staff assistance available in multiple languages; and other services.

Liquor Control

State legislation established a Liquor Control Board in Montgomery County on December 5, 1933, shortly after the end of nationwide prohibition, giving the Board monopoly power for the issuance of liquor, wine, and beer licenses in the County; the distribution of beverage alcohol at the wholesale level to County licensees; and the retail sale of liquor package goods for off-premise consumption. The Department of Liquor Control was created by Article 2B of the Annotated Code of Maryland, effective July 1, 1951. This newly-created Department assumed wholesale and retail control powers, and the Montgomery County Board of License Commissioners retained the authority to issue licenses for the retail sale of liquor, wine, and beer within the County. In 1997, the unification of Takoma Park gained Montgomery County four additional establishments, with one that is allowed to sell liquor package goods for off-premise consumption. On August 8, 2006, the Office of the Board of License Commissioners was reorganized into a new division of the Department of Liquor Control entitled, “Licensure, Regulation and Education”. The Board remains an independent body.

The Department of Liquor Control's responsibilities include the operation of 25 County retail stores and a warehouse that distributes beverage alcohol to the County stores and to approximately 1,010 licensed establishments (including beer and wine stores, restaurants, country clubs, etc.); inspections of licensed premises, training and education programs, and community partnering. The Department is a self-supporting business enterprise with all operating requirements included in the Department's annual budget. Income in excess of departmental needs is transferred to the County's General Fund to pay for general governmental services. In the last five fiscal years (FY10 through FY14) the Department transferred $143.27 million to the General Fund.

Parks

The Maryland-National Capital Park and Planning Commission administers 35,300 acres of parkland in the County. This includes 13 developed and three undeveloped regional and recreational parks, many consisting of over 200 acres, and featuring more than 640 acres of recreational lakes including Lake Frank, Lake Needwood, Little Seneca Lake, and Pine Lake. Of the 420 parks in the Montgomery Parks system, 313 smaller park and open space areas serve as local and neighborhood parks. Additionally, Seneca Creek State Park is located in the heart of the County, and Patuxent River State Park is located along the County's northeastern border. The National Park Service provides additional park facilities including the C & O Canal National Historic Park, Great Falls National Park, and Glen Echo Park. Several municipalities within the County, including Rockville, Takoma Park, Kensington, Gaithersburg, Poolesville, and Washington Grove, among others, maintain local parks.

Public Safety

Fire and Rescue Service

The Montgomery County Fire and Rescue Service (MCFRS) is an all-hazard fire and rescue service. MCFRS is one of the largest combination career/volunteer fire and rescue departments in the nation. MCFRS components include fire suppression, emergency medical services, emergency communications, apparatus management, fire code compliance, fire and explosive investigations, community outreach, training and administration. The department is comprised of approximately 2,150 personnel, including 1,150 career uniformed employees, 100 civilian employees, 900 call active volunteers and 19 Local Fire and Rescue Departments. MCFRS operates 37 fire and rescue stations and 7 satellite offices.

An extensive Capital Improvements Program (CIP) is in place to ensure that the MCFRS operates and maintains a sufficient complement of facilities to provide response capability and an appropriate level of readiness. In response to increasing calls for service and population growth, MCFRS continues to add stations. The most recent addition was a newly constructed station in Travilah that opened in February 2014. Additionally, MCFRS must rebuild or extensively renovate several older stations. In November 2013, a replacement station for Wheaton Rescue Squad opened near the location of the old station, and work has begun on a replacement for the first station in Glenmont. In subsequent years, an addition to the Kensington station is planned. Finally, there are several on-going projects to replace and/or update major building systems (roof, HVAC, fire alarm, generators) at other fire/rescue facilities to ensure that these facilities are properly maintained and meet current building code standards.

Police Department

The Montgomery County Police Department (MCPD) is a highly-trained merit system force of 1,268 sworn officers and 702 civilian staff for a total complement of 1,970 personnel. MCPD operates over 34 facilities, including six district police stations, and is accredited by the Commission for the Accreditation of Law Enforcement Agencies (CALEA).

Renovations, replacements, and/or upgrades at several facilities are planned for the Department. There are approved projects for one of the six district stations. The 2nd police district station is scheduled to be replaced. The 3rd district station was replaced last year. The current County Animal Shelter has been replaced with a state-of-the-art facility located in Gaithersburg. In conjunction with the County Executive's Smart Growth Initiative, a new Public Safety Training Academy (PSTA) is being planned to replace the existing aging facility and a new Montgomery County Public Safety Headquarters, which incorporates a new 1st District Police Station within the Headquarters facility, has been opened. The Smart Growth Initiative is designed to achieve significant savings and cost avoidance in replacing the various aging facilities.

Correction and Rehabilitation

The Department of Correction and Rehabilitation (DOCR) personnel complement includes 528 approved positions consisting of Correctional Officers, program staff, and other professionals who provide progressive and comprehensive correctional services through a wide variety of detention and community supervision programs. The Department operates facilities for incarceration and intensive community re-entry planning: the Montgomery County Detention Center (MCDC), the Montgomery County Correctional Facility (MCCF), and the Pre-Release and Re-entry Services (PRRS). In addition, the Pre-Trial Services Unit (PTSU) supervises over 2,200 defendants in the community on a daily basis.

The County is currently engaged in the planning and design to construct a dedicated DOCR training facility at the Montgomery County Correctional Facility in Clarksburg. The County is also engaged in planning and design for the renovation and addition of the kitchen and expansion of the dining area at the Pre-Release Center.

Solid Waste Management

The County Department of Environmental Protection operates an Integrated Solid Waste Management System in order to manage solid waste generated within the County. The elements of the program include an integrated system of methods and technologies, including source reduction, recycling, waste-to-energy, contractual out-of-County landfilling, maintenance of closed landfills, and a reserve permitted landfill within its borders.

The County Council has approved Executive Regulation 7-12 which sets a new recycling goal for the County to recycle 70 percent of waste generated by 2020. The regulation specifies that the County will adopt the State of Maryland methodology per the Maryland Recycling Act to measure the County's recycling, and will include the Source Reduction Credit used to calculate the Waste Diversion Rate. Solid Waste Services manages County-provided separate curbside recycling collection from approximately 213,410, single-family households of yard trim, glass bottles and jars, metal and plastic containers, and all types of clean, unsoiled paper. The County has enacted mandatory multi-family and commercial recycling regulations, and continues efforts to coordinate and integrate the execution and completion of recycling outreach, education, and training to ensure that the maximum amount of recycling is achieved.

During FY14, the County collected $3.083 million, net of expenses, in Materials Recovery Facility (MRF) material sales revenue that includes $1.715 million in plastics sales revenue, $1.261 million in metal sales revenue, $94,735 in battery recycling sales revenue, and $72,972 in recycled textiles sales revenue. Additionally, Solid Waste Services collected $1.193 million in other recycled metal sales revenue. The MRF now separates bulky rigid plastics and polyethylene terephthalate (PET) thermoform plastics. Acceptance of bulky rigid plastics began September 2013 and PET thermoform plastics since June 2012. The plastic containers are now sorted by type, baled, and shipped to plastics buyers (previous to FY03, all acceptable plastics were sold mixed yielding less than ideal prices).

A large percentage of the County's non-recycled waste is accepted at the County's Shady Grove Transfer Station and transported by rail to the County's mass burn Resource Recovery Facility (RRF) adjacent to the GenOn Mid-Atlantic LLC power plant near Dickerson, Maryland. The RRF, with a permitted capacity of 657,000 tons per calendar year, is operated by Covanta Montgomery Inc., and began commercial operations in August 1995. The RRF generates electricity which is sold under a long term contract to Constellation Energy. The Solid Waste Enterprise Fund maintains certain management reserves for various future needs of the Disposal Fund, and has allocated the restricted cash for these purposes.

Transportation

The Department of Transportation ensures the safe and convenient movement of pedestrians and vehicles on County roads, operates the traffic system in a safe and efficient manner, and maintains the County's road system, bridges, storm drains, sidewalks, curbs, gutters, alleys, bikeways, streetlights, traffic signals, facilities and related equipment. The Department also operates the Ride on Bus System and supports regional transportation initiatives. The Department's services include bridge maintenance, road resurfacing, roadway and related maintenance, snow removal and storm services, trail maintenance, tree maintenance, urban streetscaping, facility engineering, facility maintenance and operations, parking, street lighting, traffic planning, traffic and pedestrian safety, traffic signs and marking, traffic signals and the Advanced Transportation Management System, and transportation management and operations.

Ride-On Bus System

The County Ride-On bus system operates on 78 routes and is designed to complement the service provided by other transit operators in the County, while 76 of those routes serve one or more of the 12 Metrorail Red Line or MARC Rail Stations in the County. In FY14, approximately 26.4 million passenger trips took place on the County Ride-On Bus system. The entire fleet consists of 342 buses owned and operated by the County, which travel approximately 14.9 million miles per year.

Parking Districts

There are four parking lot districts in the major urbanized areas of the County. Prior to 1987, general obligation bonds were issued by the County to finance the construction of parking facilities in these areas. In 1987, the County began using parking revenue bonds. A special ad valorem tax is levied on certain commercial and residential property located within each district to pay for debt service used to finance parking facilities within the district, the maintenance and operation of such facilities, and capital construction projects within each district. Other significant sources of revenue used to finance the parking program are meter collections, fees from off-street lots and parking garages, and parking fines. Since 1987, the County has issued parking revenue bonds in the amount of approximately $125 million for land acquisition, construction, repair and renovation of parking facilities. During FY14, the four districts collectively had in service 19 garages with approximately 16,015 parking spaces, 22 surface lots with 1,707 spaces, and 2,428 on-street metered spaces.

OTHER SERVICES

Transportation Services

Airports

The County is served by three major airports located within 35 miles of Rockville. These airports provide high levels of short, long, and international flight services.

Ronald Reagan Washington National Airport is located in Arlington County, Virginia, across the Potomac River from Washington, D.C. Reagan National is accessible to Montgomery County by Metrorail. In 2013 the airport served approximately 20.4 million passengers on commercial, general aviation and commuter flights, a 3.9 percent increase from 2012. The airport's popularity is fueled by its proximity to Washington, D.C. and its convenient access to Metrorail.

Dulles International Airport is located in adjacent Fairfax/Loudoun counties in Virginia and offers commercial, general aviation and commuter service. Dulles served 21.9 million passengers in 2013, a 2.7 percent decrease from 2012. This decrease is attributable to the capacity adjustments resulting from additional flight slots given in recent years to Reagan National, which has consequently had record passenger levels for the fourth consecutive year.

Baltimore-Washington International Thurgood Marshall Airport (BWI) is located in Anne Arundel County, Maryland. Approximately 22.5 million passengers used the airport in 2013, a decrease of 0.8% percent from 2012. On July 12, 2013, Governor O'Malley announced a $125 million three-year capital investment plan to enhance airport security which was approved for expedited procurement in May of 2014 by the Maryland Board of Public Works.

Metrorail Transit System

Services of the Washington Metropolitan Area Transit Authority (Metro) are the backbone of the County transit system. Providing service to the County are 12 rapid rail stations with 15,559 parking spaces and additional service by 150 Metrobuses. With the opening of the final Metrorail station in the County (Glenmont) in July 1998, the system includes 18.4 miles of rail service operating in the County. Each weekday approximately 160,000 trips are made on Metrorail in Montgomery County.

Metrorail is now a 117 mile network with the recent opening of the 11.7 mile Silver Line that connects Tysons Corner and Reston Virginia to the network and eventually to Dulles International Airport. This extension opened in July 2014. The regional network connects Washington, D.C. with the expanding Maryland and Virginia suburbs. It includes 38.3 miles of rapid transit services in the District of Columbia, 38.3 miles in Maryland and 40.4 miles in Virginia.

Metrobus

Another significant element in the mass transit system is Metrobus, which carries 15 million passengers annually on major trunk lines such as East-West Highway, Georgia Avenue, Veirs Mill Road, and Colesville Road. Approximately 150 Metrobuses operate on 39 routes in the County.

MARC Rail and Commuter Bus

The Maryland Mass Transit Administration operates MARC commuter rail service with ten stations in the County. County residents make approximately 2,500 trips on MARC each weekday. There are also privately operated commuter bus services into Montgomery County from Hagerstown, Frederick, and Columbia, Maryland, subsidized by the Maryland Department of Transportation, connecting to Metrorail stations in the County.

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Water and Sewer Service

WSSC

Operation and maintenance of the public water and sewer systems in the County (exclusive of those for the City of Rockville and for the Town of Poolesville) are the responsibilities of a State-chartered agency, the Washington Suburban Sanitary Commission (WSSC) that serves both Montgomery and Prince George's Counties. WSSC operates under State law and is governed by a six-member Commission. The county executives of Montgomery County and Prince George's County each appoint three members, subject to confirmation by the respective county councils. The FY15 approved operating budget for WSSC totals $707.2 million; the approved capital budget totals $625.4 million.

The Potomac and Patuxent Rivers are WSSC's two sources of raw water supply, with filtration plants located in Potomac and Laurel, respectively. WSSC has 14 billion gallons of water supply storage and an effective filtration capacity of 344 million gallons per day (MGD). The Jennings Randolph Reservoir near Bloomington on the North Branch Potomac River and Little Seneca Lake near Boyds on Little Seneca Creek can supplement flows to Potomac River water users, including WSSC and Rockville. These reservoirs can provide approximately 17 billion gallons of raw water, if needed during low flow periods. An approved expansion of the Patuxent Filtration Plant, which WSSC expects to complete during FY19, will increase normal capacity there from 56 MGD to 72 MGD, and emergency capacity from 72 MGD to 110 MGD.

Most of the sewage collected by WSSC's systems is conveyed for treatment at the Blue Plains Wastewater Treatment Plant ("Blue Plains") in Washington, D.C. Blue Plains, owned and operated by the District of Columbia Water and Sewer Authority (DC WASA), has a treatment capacity of 370 MGD, of which WSSC's allocated capacity totals approximately 170 MGD. The County maintains membership on the DC Water Board. WSSC's Seneca Creek Wastewater Treatment Plant provides 20 MGD of treatment capacity in the Seneca basin, serving the communities of Gaithersburg, Germantown, and Clarksburg. An approved expansion will increase treatment at the Seneca Plant to its planned capacity of 26 MGD, with completion expected in April 2015. WSSC also operates two smaller treatment plants in the County which serve the communities of Damascus and Hyattstown. DC Water and WSSC have planned significant improvements to the Blue Plains, Seneca, and Damascus Wastewater Plants to meet Chesapeake Bay environmental quality goals.

City of Rockville

The City of Rockville operates its own water and wastewater system, which serves approximately 70 percent of the City's residential population. WSSC provides public service for the remainder of the city's population. Rockville's Water Treatment Plant, located on Sandy Landing Road in Potomac, draws raw water from the Potomac River. The plant is currently rated at 8.0 MGD. Rockville has 12 MG of water supply storage capacity in the following tanks: Hunting Hill, Carr Avenue and Talbott Street. Wastewater treatment for Rockville's sewerage system is provided at Blue Plains via WSSC's and DC Water's conveyance facilities. Rockville is allocated 9.31 MGD of treatment capacity of WSSC's 170 MGD capacity at Blue Plains. The approved FY15 Operating Budget for Rockville totals $13.0 million for the water fund and $11.4 million for the sewer fund. The approved FY15 Capital Budget for Rockville totals $9.3 million for the water fund and $17.3 million for the sewer fund.

Rockville performs systematic replacement of approximately one percent of the 175-mile water distribution system every year to help reduce the frequency of water main breaks, increase water flow for fire protection and improve overall water quality. This water main rehabilitation project accounts for $1.3 million in capital projects for the water distribution system in FY15. The City is also undertaking an aggressive preventative maintenance, pipe-lining and dig and replace plan for the sewage collection system that will help prevent blockages and overflows, identify and prioritize capital improvements, and reduce opportunities for infiltration and inflow of rain and groundwater into the system. Rockville invested $3.5 million in capital projects for the wastewater collection system in FY15.

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Town of Poolesville

The Town of Poolesville also operates its own water and wastewater systems, which serve the majority of the Town. Raw water for the Town’s system is supplied by eleven groundwater wells, with an average daily demand of approximately 0.5 MGD. The Town has acquired withdrawal permits for up to 0.65 MGD on an annual daily average. An additional well, for redundancy, is slated to be constructed in 2017. A 500 thousand gallon elevated tank and a one million gallon standpipe serve as storage and fire protection. The Town's Waste Water Treatment Plant is permitted to discharge 0.75 MGD and has completed treatment improvements to meet the Enhanced Nutrient Removal limits of the State. Efforts continue to reduce Inflow and Infiltration to the sewer system through pipe lining and additional repairs. In 2013 the Town received a $2.6 million loan from the Maryland Department of the Environment to complete this effort. During the Fall of 2014, the project was nearly complete and substantial reduction in Inflow and Infiltration is being observed. The Town's approved water and sewer operating budget in FY15 is just over $1 million, while the planned CIP budget is $175,500.

Utilities

The County is served by three electric distribution utilities: the Potomac Electric Power Company (Pepco), Potomac Edison, and Baltimore Gas and Electric. In addition, Washington Gas and Light Company provide natural gas service, accessible to all major commercial and industrial corridors.

Both electricity and natural gas are deregulated and customers are free to choose from over two dozen suppliers to reduce costs or stabilize utility budgets. In addition, customers may opt for electricity supplied by clean energy sources such as solar or wind to voluntarily reduce the environmental impact of energy consumption.

The County is also contracting for solar sited on County facilities via power purchase agreements. Where technically and economically feasible, these projects offer the County an opportunity to source energy supply at rates considerably less than other supply options. Also, on-site power is treated as “behind the utility meter” by Maryland Law and each unit of generation is credited at the full retail rate (e.g., distribution, transmission etc.) providing further savings. Currently, County law exempts Tier 1 renewables such as solar and wind energy generated on-site or through a state approved net metering program from the County’s fuel energy tax (Montgomery County Code 52-14(4).

Montgomery County utility customers also benefit from incentive programs created by the EmPower Maryland Act (Md. Public Utility Companies Code § 7-211) which directs all three electric utilities serving the County to offer incentive programs to help consumers reduce energy costs. These programs collectively provide incentives for a wide array of energy efficiency improvements allowing customers to limit exposure to utility costs by reducing consumption.

Healthcare

There are six accredited hospitals located within the County: Holy Cross Hospital in Silver Spring, Suburban Hospital-Johns Hopkins Medicine in Bethesda, Washington Adventist Hospital in Takoma Park, Shady Grove Adventist Hospital in Rockville, Holy Cross Germantown Hospital, and MedStar Montgomery Medical Center in Olney. There is also a free-standing Shady Grove Adventist Emergency Center in Germantown with 21 emergency treatment beds. In addition, a military hospital, Walter Reed National Military Medical Center (a consolidation of the National Naval Medical Center and Walter Reed Army Medical Center), is located in Bethesda, and the National Institutes of Health in Bethesda operates one of the world’s foremost centers of medical research. Accessible to the County are Frederick Memorial Hospital in Frederick County; Laurel Regional Hospital and Prince George’s Hospital Center in Prince George’s County; and various hospitals in the District of Columbia and Northern Virginia. The new Holy Cross Germantown Hospital opened October 1, 2014. On September 29, 2014, Adventist HealthCare submitted to the Maryland Health Care Commission a modified application for a certificate of need for the construction of a replacement hospital facility to be located in the White Oak area of Silver Spring. This would be a re-location of most of the services of the Washington Adventist Hospital, while maintaining certain services at the current Takoma Park campus.

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Higher Education

The 2013 American Community Survey 5-Year Estimates indicated that County residents, on average, are highly educated. According to the 2013 Survey, 57.1 percent of County residents 25 years old or over completed four or more years of college. Advanced degrees are held by 30.7 percent of the adult population. While high school graduates account for 91.2 percent of the County population aged 25 and over.

There are numerous colleges and universities offering degrees in various disciplines in and around Montgomery County. Many institutions also offer advanced degree programs in engineering, medicine, business, and computer sciences. The following table lists selected schools within or near the County and shows the student enrollment.

Table 3
Post - Secondary Education

College	Student Enrollment	
American University, Washington, DC	12,817	
Catholic University, Washington, DC	6,725	
George Washington University, Washington, DC	25,000	*
Georgetown University, Washington, DC	17,357	
Hood College, Frederick, MD	2,393	
Howard University, Washington, DC	10,002	
Johns Hopkins University, Baltimore, MD	20,871	
Montgomery College, 3 Campuses in County (2-year)	26,155	**
Universities at Shady Grove, Montgomery County	4,000	*
University of Maryland, College Park, MD	37,610	

* Approximate student enrollment
** Articulation agreements with 4-year institutions are available. Excludes enrollment in workforce development and continuing education classes.

Note: Most current data available for each institution

Travel and Tourism

According to the most recent report released (2013) by Tourism Economics, an Oxford Economics Company, the tourism industry in Montgomery County generated $1.69 billion in expenditures in 2013 up from $1.64 billion in 2012. Local room rental transient tax (7% levied) collections generated $17,986,020 in FY14, down over 4% from FY13 due to the Federal Government Sequestration and shut down impact on the local tourism economy. Lodging occupancy for 2013 was 64.1% which was down .5% from in 2012. The hotel average daily rate was $119.65 in 2013, down 2.2% from 2012. Montgomery County welcomed 3.1 million overnight visitors in 2013 and 4.5 million day-trip visitors.

Visit Montgomery, MD (formerly The Conference and Visitors Bureau of Montgomery County, Maryland, Inc.) is a public-private non-profit membership organization dedicated to the promotion of travel and tourism to the County. Visit Montgomery serves as a subcontractor to the Montgomery County Department of Economic Development. On behalf of the entire hospitality community, Visit Montgomery participates in travel industry trade shows across the country, sponsors familiarization tours for tour operators, travel agents and travel writers, implements a $450,000 print and electronic advertising campaign annually, manages a direct sales initiative for the meetings, group tour and sports markets, and implements marketing programs specifically targeting large groups that could meet in the Montgomery County Conference Center, markets all of the County's assets, including the Music Center at Strathmore, The Fillmore and the American Film Institute. Visit Montgomery also provides marketing and sales support to sporting events hosted at signature facilities like the Maryland SoccerPlex and Discovery Sports Center, Congressional Country Club, and other Maryland National Capital Park and Planning facilities. Marketing support is also provided for special events like the Silver Spring Jazz Festival, Heritage Days as well as special events held year-round like the AFI DOCS Film Festival.

DEBT SUMMARY

Overview

The County Government, four of its agencies (Montgomery County Revenue Authority, Montgomery County-Maryland National Park and Planning, Washington Suburban Sanitary Commission, and the Housing Opportunities Commission), and municipalities are authorized by State law and/or County Charter to issue debt to finance capital projects. Consistent with County fiscal policy, the County issues debt to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP). Bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as debt service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to current and future citizens benefiting from the facilities. Due to various Federal, State, and local tax policies, interest rates are generally lower than in the private sector.

In addition to the issuance of general obligation or revenue bonds, the County initially finances the cost of long-term capital assets with short-term paper known as Bond Anticipation Notes (BANs)/Commercial Paper, which the County intends to retire with the proceeds of long-term bonds. Additionally, the County from time to time enters into other long-term obligations, such as long-term loans, which are classified as long-term notes payable.

The various components of the County's debt described above are categorized as either direct or overlapping. Direct debt is the total bonded debt of the County, and constitutes the direct obligations of the County that impact its taxpayers. Components of Montgomery County direct debt are its general obligation bonds, BANs/commercial paper, long-term notes payable, and revenue bonds issued by the County.

Overlapping debt includes all borrowings of other County agencies, incorporated municipalities, and special taxing or development districts, which may impact those County tax- or rate-payers who are residents of those municipalities or special districts. More broadly, overlapping debt can help reveal the degree to which the total economy is being asked to support long-term fixed commitments for governmental facilities.

Certain direct and overlapping debt is additionally classified as Self-Supporting Debt. Such obligations are issued for projects that produce sufficient revenues to retire debt. The bonds are not supported by the taxing power of the governmental entity issuing them.

The County's Net Direct and Overlapping Debt is derived by subtracting Direct Self-Supporting Debt from the Total Direct and Overlapping Debt. A summary statement of direct and overlapping debt for Montgomery County is provided in Table 4 and 4A on the following pages. For additional discussion of particular elements of the County's debt, see the sections that follow.

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Table 4
Statement of Direct and Overlapping Debt
As of June 30, 2014

Direct Debt:		
General Obligation Bonds Outstanding	$2,270,500,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding	500,000,000	
Revenue Bonds Outstanding	196,875,000	
Total Direct Debt		$3,067,375,000
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,406,111,000	
Housing Opportunities Commission	733,830,685	
Montgomery County Revenue Authority	90,501,519	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	44,825,000	
Kingsview Village Center Development District	1,570,000	
West Germantown Development District	13,505,000	
Towns, Cities and Villages within Montgomery County	142,656,981	
Total Overlapping Debt		2,433,000,185
Total Direct and Overlapping Debt		5,500,375,185
Less Self-Supporting Debt:		
County Government Revenue Bonds	196,875,000	
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,406,111,000	
Housing Opportunities Commission	733,830,685	
Montgomery County Revenue Authority	90,501,519	
Total Self-Supporting Debt		(2,427,318,204)
Net Direct and Overlapping Debt		$3,073,056,981
Ratio of Debt to June 30, 2014 Assessed Valuation of (100% Assessment):		$163,601,192,842
Direct Debt		1.87%
Net Direct Debt *		1.75%
Direct and Overlapping Debt		3.36%
Net Direct and Overlapping Debt		1.88%
Ratio of Debt to June 30, 2014 Market Value		$178,263,765,645
Direct Debt		1.72%
Net Direct Debt *		1.61%
Direct and Overlapping Debt		3.09%
Net Direct and Overlapping Debt		1.72%

*Net Direct Debt of $2,870,500,000 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Table 4A
Statement of Direct and Overlapping Debt
As of June 30, 2014
And Including 2014 General Obligation Bonds*

Direct Debt:		
General Obligation Bonds Outstanding	$1,947,490,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding**	0	
2014 General Obligation Bonds	500,000,000	
2014 General Obligation Refunding Bonds	297,990,000	
Revenue Bonds Outstanding	196,875,000	
Total Direct Debt		$3,042,355,000
Overlapping Debt as of June 30, 2014		
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,406,111,000	
Housing Opportunities Commission	733,830,685	
Montgomery County Revenue Authority	90,501,519	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	44,825,000	
Kingsview Village Center Development District	1,570,000	
West Germantown Development District	13,505,000	
Towns, Cities and Villages within Montgomery County	142,656,981	
Total Overlapping Debt		2,433,000,185
Total Direct and Overlapping Debt		5,475,355,185
Less Self-Supporting Debt as of June 30, 2014		
County Government Revenue Bonds	196,875,000	
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,406,111,000	
Housing Opportunities Commission	733,830,685	
Montgomery County Revenue Authority	90,501,519	
Total Self-Supporting Debt		(2,427,318,204)
Net Direct and Overlapping Debt		$3,048,036,981
Ratio of Debt to June 30, 2014 Assessed Valuation of (100% Assessment):		$163,601,192,842
Direct Debt		1.86%
Net Direct Debt ***		1.74%
Direct and Overlapping Debt		3.35%
Net Direct and Overlapping Debt		1.86%
Ratio of Debt to June 30, 2014 Market Value of:		$178,263,765,645
Direct Debt		1.71%
Net Direct Debt ***		1.60%
Direct and Overlapping Debt		3.07%
Net Direct and Overlapping Debt		1.71%

* 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.

** Net of amount retired with proceeds of General Obligation Bonds.

*** Net Direct Debt of $2,845,480,000 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Debt Affordability

Once committed, debt service represents a major continuing claim on County resources that must be kept to affordable levels within the annual operating requirements of the County in order to avoid excessive pressures on operating budgets. To assure such affordable levels, the County's general obligation debt is subject to the following tests: 1) the self-imposed, but Charter-required, spending affordability guidelines and 2) the State Law-mandated Legal Debt Limit.

The County Council annually adopts spending affordability guidelines for the capital budget. The guidelines provide for the total amount of general obligation debt issued by the County and by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the subsequent two fiscal years and for the six-year Capital Improvements Program. Consideration of the guidelines is based on a number of economic and financial factors or criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing of funds and issuance of bonds up to a maximum of the sum of six percent of the assessed valuation of all real property and 15 percent of the assessed valuation of all personal property within the County. Article 25A, Section 5(P) provides that obligations having a maturity not in excess of 12 months shall not be subject to, or be included in, computing the County's legal debt limitation. However, the County includes its BANs/commercial paper in such calculation because it intends to repay such notes with the proceeds of long-term debt to be issued in the near future. The results of the County's legal debt limit computation are displayed in Table 5 and 5A below and on the next page.

Table 5
Statement of Legal Debt Margin
As of June 30, 2014

June 30, 2014 Assessed Valuation – Real Property		$159,891,865,334
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		$ 9,593,511,920
June 30, 2014 Assessed Valuation – Personal Property		$ 3,709,327,508
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		$ 556,399,126
Total Assessed Valuation – Real and Personal Property		$163,601,192,842
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$10,149,911,046
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$2,270,500,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper	500,000,000	
Net Direct Debt		2,870,500,000
Legal Debt Margin		$7,279,411,046
Net Direct Debt as a Percentage of Assessed Valuation		1.74%

Table 5A
Statement of Legal Debt Margin
As of June 30, 2014
And Including 2014 General Obligation Bonds*

June 30, 2014 Assessed Valuation – Real Property		$159,891,865,334
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		$ 9,593,511,920
June 30, 2014 Assessed Valuation – Personal Property		$ 3,709,327,508
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		$ 556,399,126
Total Assessed Valuation – Real and Personal Property		$163,601,192,842
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$10,149,911,046
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$1,947,490,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
2014 General Obligation Bonds	500,000,000	
2014 General Obligation Refunding Bonds	297,990,000	
Short-Term BANs/Commercial Paper	0	
Net Direct Debt		2,845,480,000
Legal Debt Margin		$7,304,431,046
Net Direct Debt as a Percentage of Assessed Valuation		1.74%

* 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.

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Direct Debt

General Obligation Bonds

County general obligation bonds are secured by the full faith, credit, and taxing powers of the County. Bonds are normally issued in serial maturities from one to 20 years, with five percent of the principal retired each year. This practice produces equal annual payments of principal over the life of the bond issue and declining annual payments of interest on the outstanding bonds. The Charter limits the term of any bond to a maximum of 30 years.

The General Obligation Bonded Debt Ratios displayed below measure the burden of the County's net direct debt, which consists primarily of general obligation bonds and outstanding BANs/commercial paper, and debt service payments on such. As with the calculation of the Legal Debt Limit, the County includes its BANs/commercial paper in these ratio calculations because it intends to repay such notes with the proceeds of general obligation debt to be issued in the near future. The ratios are as follows: 1) net direct debt as a percentage of full (market) value of taxable property; 2) debt service on outstanding general obligation bonds as a percentage of General Fund expenditures and transfers out; 3) net direct debt per capita; 4) net direct debt per capita as a percentage of per capita income; and 5) rate of replacement of general obligation bond principal (payout ratio) in ten years. The results of these indicators are displayed in Table 6 below.

Table 6
General Obligation Bonded Debt Ratios
2005 – 2014

Fiscal Year	Net Direct Debt to Market Value	GO Bond Debt Service to General Fund Expenditures	Net Direct Debt Per Capita	Net Direct Debt Per Capita to Per Capita Income	GO Bond Payout Ratio
2005	1.30	7.74	1,527	2.61	70.20
2006	1.30	7.77	1,701	2.71	69.75
2007	1.30	7.83	1,861	2.81	68.92
2008	1.18	7.95	1,848	2.70	71.39
2009	1.13	7.31	1,997	2.83	70.63
2010	1.22	7.92	2,277	3.24	69.37
2011	1.27	8.58	2,507	3.55	68.65
2012	1.46	8.87	2,625	3.60	67.88
2013	1.58	8.88	2,737	3.74	68.33
2014	1.61	8.96	2,819	3.88	68.64

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The County's general obligation indebtedness by issue is presented in Tables 7 and 7A. Annual debt service payments for the County's debt are displayed in Table 8. Table 9 sets forth the amount of general obligation bonds authorized to be issued by the County as of June 30, 2014. Also see Subsequent Events, Note 3 on page 29.

Table 7
General Obligation Debt of the County
As of June 30, 2014

Issue	Dated Date	Original Issue Size	Original Coupon Rates	TIC*	Maturity	Principal Outstanding June 30, 2014
GO Refunding Bonds	08/15/04	97,690,000	3.00-5.25	3.7208	2008-17	62,780,000
GO Bonds	05/15/05	200,000,000	4.00-5.00	3.8806	2006-25	10,000,000
GO Refunding Bonds	06/01/05	120,355,000	5.00	3.7817	2011-21	107,515,000
GO Bonds	05/01/06	100,000,000	4.25-5.00	3.8711	2007-16	20,000,000
GO VRDO**	06/07/06	100,000,000	variable	variable	2017-26	100,000,000
GO Bonds	05/01/07	250,000,000	5.00	4.0821	2008-27	100,000,000
GO Refunding Bonds	03/12/08	70,295,000	2.75-5.00	2.8965	2009-15	5,050,000
GO Bonds	07/15/08	250,000,000	3.00-5.00	4.1809	2009-28	187,500,000
GO Bonds***	11/03/09	232,000,000	3.75-5.00	3.1774	2015-29	232,000,000
GO Refunding Bonds	11/03/09	161,755,000	2.00-5.00	2.6487	2011-20	132,150,000
GO Bonds	11/17/09	78,000,000	2.00-5.00	1.1823	2010-14	15,600,000
GO Bonds	07/08/10	195,000,000	2.00-5.00	2.2596	2011-22	146,250,000
GO Bonds****	07/08/10	130,000,000	4.75-5.40	5.0708	2023-30	130,000,000
GO Bonds	08/11/11	320,000,000	4.75-5.40	3.2268	2012-31	288,000,000
GO Refunding Bonds	08/11/11	237,655,000	2.00-5.00	1.9896	2012-22	217,920,000
GO Bonds	10/24/12	295,000,000	2.50-5.00	2.2599	2013-32	280,250,000
GO Refunding Bonds	10/24/12	23,360,000	2.50-5.00	0.3812	2013-16	15,570,000
GO Bonds	11/26/13	295,000,000	3.00-5.00	3.1270	2014-33	295,000,000
GO Refunding Bonds	11/26/13	24,915,000	5.00	2.7745	2023-24	24,915,000
Total						$2,370,500,000

* True Interest Cost
** Variable Rate Demand Obligations
*** Federally Taxable – Build America Bonds – Direct Pay
**** Includes Federally Taxable – Build America Bonds $106.3 million – Direct Pay

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Table 7A
General Obligation Debt of the County
As of June 30, 2013 and June 30, 2014
And Including 2013 and 2014 General Obligation Bonds (1)

Issue	Dated Date	Original Issue Size	Coupon Rates	TIC[2]	Maturity	Outstanding June 30, 2013	Outstanding June 30, 2014
GO Bonds	03/15/04	$154,600,000	3.00-5.00%	3.8290	2005-24	$ 7,730,000	$ -
GO Refunding	08/15/04	97,690,000	3.00-5.25	3.7208	2008-17	74,895,000	12,170,000
GO Bonds	05/15/05	200,000,000	4.00-5.00	3.8806	2006-25	20,000,000	10,000,000
GO Refunding	06/01/05	120,355,000	5.00	3.7817	2011-21	114,175,000	107,515,000
GO Bonds	05/01/06	100,000,000	4.25-5.00	3.8711	2007-16	30,000,000	20,000,000
GO VRDO[3]	06/07/06	100,000,000	variable	variable	2017-26	100,000,000	100,000,000
GO Bonds	05/01/07	250,000,000	5.00	4.0821	2008-27	112,500,000	37,500,000
GO Refunding	03/12/08	70,295,000	2.75-5.00	2.8965	2009-15	10,150,000	5,050,000
GO Bonds	07/15/08	250,000,000	3.00-5.00	4.1809	2009-28	200,000,000	73,600,000
GO Bonds[4]	11/03/09	232,000,000	3.75-5.00	3.1774	2015-29	232,000,000	232,000,000
GO Refunding	11/03/09	161,755,000	2.00-5.00	2.6487	2011-20	147,915,000	132,150,000
GO Bonds	11/17/09	78,000,000	2.00-5.00	1.1823	2010-14	31,200,000	15,600,000
GO Bonds	07/08/10	195,000,000	2.00-5.00	2.2596	2011-22	162,500,000	146,250,000
GO Bonds[5]	07/08/10	130,000,000	4.75-5.40	5.0708	2023-30	130,000,000	130,000,000
GO Bonds	08/11/11	320,000,000	2.00-5.00	3.2268	2012-31	304,000,000	192,000,000
GO Refunding	08/11/11	237,655,000	2.00-5.00	1.9896	2012-22	226,670,000	217,920,000
GO Bonds	10/24/12	295,000,000	2.50-5.00	2.2599	2013-32	295,000,000	280,250,000
GO Refunding	10/24/12	23,360,000	2.50-5.00	0.3812	2013-16	23,360,000	15,570,000
GO Bonds	11/26/13	295,000,000	3.00-5.00	3.1270	2014-33	295,000,000	295,000,000
GO Refunding	11/26/13	24,915,000	5.00	2.7745	2023-24	24,915,000	24,915,000
GO Bonds	11/19/14	500,000,000	4.00-5.00	2.7445	2015-34	-	500,000,000
GO Refunding	11/19/14	297,990,000	5.00	2.3437	2016-28	-	297,990,000
Total						$2,542,010,000	$2,845,480,000

(1) On November 13, 2013 and November 6, 2014, the County issued General Obligation Bonds (Tax-Exempt Series A) in the amount of $295,000,000 and $500,000,000 and General Obligation Refunding Bonds (Tax-Exempt Series B) in the amount of $24,915,000 and $297,990,000 respectively. These amounts are included in both fiscal years for comparative purposes.

(2) True Interest Cost

(3) Variable Rate Demand Obligations

(4) Federally Taxable – Build America Bonds – Direct Pay

(5) Includes Federally Taxable – Build America Bonds $106.3 million – Direct Pay

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Table 8
Summary of General Obligation Bonds
Debt Service Requirements by Fiscal Year
As of June 30, 2014

Fiscal Year	General Obligation Bonds Principal	Interest*	Total
2015	$ 193,000,000	$ 101,976,079	$ 294,976,079
2016	188,320,000	92,297,923	280,617,923
2017	182,490,000	83,376,774	265,866,774
2018	171,545,000	74,997,581	246,542,581
2019	165,820,000	67,224,634	233,044,634
2020	159,910,000	59,712,438	219,622,438
2021	153,220,000	52,692,647	205,912,647
2022	146,070,000	45,441,316	191,511,316
2023	138,180,000	40,936,644	179,116,644
2024	128,645,000	34,686,538	163,331,538
2025	120,700,000	29,393,225	150,093,225
2026	112,220,000	24,571,181	136,791,181
2027	102,220,000	19,919,300	122,139,300
2028	89,720,000	15,234,956	104,954,956
2029	89,720,000	11,290,650	101,010,650
2030	77,220,000	7,577,300	84,797,300
2031	61,750,000	4,570,000	66,320,000
2032	45,500,000	2,458,750	47,958,750
2033	29,500,000	1,106,250	30,606,250
2034	14,750,000	295,000	15,045,000
Totals	$ 2,370,500,000	$ 769,759,186	$ 3,140,259,186

*For budget and bond authority purposes, variable rate demand obligations are reported with general obligation bonds. Future interest payments for the variable rate demand obligations are not included on this schedule. The interest rate is re-set daily and the rate is established by the marketing agents.

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Table 9
General Obligation Bonds Authorized – Unissued
As of June 30, 2014

Purpose	Chapter	Act	Authorized Amount	Amount Unissued
General County, Parks, and	54	2010	$341,600,000	$317,390,000
Consolidated Fire Tax District	24	2011	65,400,000	65,400,000
	19	2012	13,900,000	13,900,000
	26	2013	331,600,000	331,600,000
			752,500,000	728,290,000
Road & 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
			317,500,000	237,840,000
Public Schools and	54	2010	108,700,000	73,068,000
Community College	24	2011	214,300,000	214,300,000
	19	2012	187,400,000	187,400,000
	26	2013	15,100,000	15,100,000
			525,500,000	489,868,000
Mass Transit	24	2011	103,200,000	75,405,000
			103,200,000	75,405,000
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
			53,030,000	52,270,000
Agricultural Easements	24	2011	2,000,000	2,000,000
Façade Easements	24	2011	1,100,000	1,100,000
	26	2013	2,200,000	2,200,000
			5,300,000	5,300,000
Parking District :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
			24,280,000	4,458,000
Parking District: Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			9,150,000	4,865,000
Total Parking Districts			33,430,000	9,323,000
Total General Obligation Bonds			$1,790,460,000	$1,598,296,000

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Current Revenue Substitution for General Obligation Bonds (PAYGO)

The County follows a practice of budgeting significant current revenue substitution for general obligation bonds over the six-year Capital Improvements Program. This "pay-as-you-go" approach to funding debt-eligible capital improvement projects, known as PAYGO, helps manage the County's debt burden and retain funding flexibility. The significant amounts of PAYGO substitutions over the past ten years, and planned for substitution over the six years beginning FY15, are displayed below.

Table 10
PAYGO Substitutions
(Actual FY05-14, Budgeted FY15-20)

Fiscal Year	PAYGO Amount	Fiscal Year	PAYGO Amount
2005	7,275,000	2013	29,500,000
2006	11,737,000	2014	29,500,000
2007	27,500,000	2015	29,950,000
2008	27,500,000	2016	32,450,000
2009	5,406,000	2017	32,700,000
2010	1,316,000	2018	33,200,000
2011	-	2019	33,200,000
2012	31,000,000	2020	33,200,000

Short-Term Bond Anticipation Notes/Commercial Paper

The County utilizes Bond Anticipation Notes (BANs)/commercial paper for short-term capital financing of capital expenditures with the expectation that the principal amount will be refinanced with the proceeds of long-term general obligation bonds. Interest costs incurred are usually at lower rates than with long-term financing. The County has BANs/commercial paper authorized, issued, and outstanding as financing sources for capital construction and improvements. BANs/commercial paper are issued at varying maturities to a maximum of 270 days, under a note program that matures on June 30, 2022. The County reissues the notes upon maturity until they are refinanced with long-term bonds. Changes in BANs/commercial paper during the period July 1, 2013 through June 30, 2014 are presented in Table 11 below. Also see Subsequent Events Note 3 on page 29.

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Table 11
Bond Anticipation Notes Outstanding
As of June 30, 2014

Issue	Balance June 30, 2013	BANs Retired	BANs Issued	Balance June 30, 2014
BAN 2009-A	$100,000,000	$60,895,000	$60,895,000	$100,000,000
BAN 2009-B	100,000,000	60,895,000	60,895,000	100,000,000
BAN 2010-A	150,000,000	86,605,000	86,605,000	150,000,000
BAN 2010-B	150,000,000	86,605,000	86,605,000	150,000,000
Total	$500,000,000	$295,000,000	$295,000,000	$500,000,000

Revenue Bonds

County revenue bonds are authorized by the County to finance specific projects such as parking garages and Department of Liquor Control and Solid Waste facilities. The debt service is paid from pledged revenues received in connection with the projects. Proceeds from revenue bonds may be applied only to the costs of projects for which they are authorized. They are considered separate from general obligation debt and do not constitute a pledge of the full faith and credit or unlimited taxing power of the County.

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 County issued $37.8 million in Water Quality Protection Revenue Bonds Series in 2012. The proceeds of the Series 2012A Bonds are used to finance and refinance the planning, design acquisition, and construction of stormwater management facilities that are included in the County's Capital Improvement Program. It is a proactive program to protect natural waterway environments, restore streams previously damaged by excessive erosion, sedimentation and improved water quality.

County revenue bond indebtedness by issue is presented in Table 12. Annual debt service payments for the County's revenue bond debt are displayed in Table 13. Table 14 sets forth the amount of revenue bonds authorized to be issued by the County as of June 30, 2014.

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Table 12
Revenue Bond Debt of the County
As of June 30, 2014

Issue Date	Dated	Original Issue Size	Original Coupon Rates	TIC*	Maturity	Principal Outstanding June 30, 2014
Parking Revenue Bonds (Bethesda PLD)	08/31/05	$16,495,000	3.62%-5.00%	4.0471%	2007-25	$ 11,830,000
Parking Revenue Bonds (Bethesda PLD)	05/16/12	24,190,000	3.00%-5.00%	2.8367%	2015-23	24,190,000
Parking Revenue Refunding Bonds (Bethesda PLD)	05/16/12	13,750,000	1.25%-1.93%	2.8367%	2013-17	11,110,000
Liquor Control Revenue Bonds	05/12/09	46,765,000	3.00%-5.00%	4.1195%	2010-29	38,460,000
Liquor Control Revenue Bonds	04/28/11	34,360,000	2.00%-5.00%	4.2826%	2012-31	30,840,000
Liquor Control Revenue Bonds	07/30/13	46,645,000	3.125%-5.00%	3.9326%	2014-33	44,835,000
Water Quality Protection Revenue Bonds	07/18/12	37,835,000	0.25%-5.00%	3.3148%	2013-32	35,610,000
Total						$ 196,875,000

* True Interest Cost.

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Table 13
Summary of Revenue Bond Debt Service Requirements by Fiscal Year
As of June 30, 2014

Fiscal Year	Principal	Interest	Total
2015	$ 9,100,000	$ 8,653,140	$ 17,753,140
2016	9,505,000	8,264,180	17,769,180
2017	9,870,000	7,887,484	17,757,484
2018	10,310,000	7,448,659	17,758,659
2019	10,765,000	6,995,609	17,760,609
2020	11,230,000	6,514,659	17,744,659
2021	11,765,000	5,975,709	17,740,709
2022	10,430,000	5,392,921	15,822,921
2023	10,900,000	4,922,418	15,822,418
2024	11,395,000	4,439,943	15,834,943
2025	11,860,000	3,965,923	15,825,923
2026	12,370,000	3,442,096	15,812,096
2027	11,645,000	2,917,464	14,562,464
2028	12,170,000	2,389,127	14,559,127
2029	12,725,000	1,836,171	14,561,171
2030	9,630,000	1,305,784	10,935,784
2031	10,060,000	875,550	10,935,550
2032	7,815,000	452,154	8,267,154
2033	3,330,000	112,387	3,442,387
Total	$196,875,000	$83,791,378	$280,666,378

Table 14
Revenue Bonds Authorized – Unissued
As of June 30, 2014

			Authorized Amount	Unissued Amount
Parking Lot Districts	11-1383	1989	$ 51,163,000	$ 1,403,000
	14-921	2001	35,000,000	9,000,000
	17-403	2012	46,000,000	8,060,000
Solid Waste Disposal	12-1010	1993	56,635,000	6,255,000
Liquor Control & Transit	16-863	2009	138,000,000	10,230,000
Water Quality Protection	Bill 12-12	2012	95,000,000	57,165,000
Total Revenue Bonds			$421,798,000	$ 92,113,000

Conduit Debt of the County

Montgomery County's conduit issuers issue bonds on the County's behalf and loan the proceeds to the County. This results in lease payments from the County to the conduit issuers, which in turn pays the debt service on the bonds. Table 15 below displays the principal amounts owed by the County to these conduit issuers as of June 30, 2014.

Table 15
Conduit Debt of the County
As of June 30, 2014

Purpose	Issuer	Principal Outstanding June 30, 2014
Montgomery County Conference Center	Montgomery County Revenue Authority	$ 7,935,000
Human Services Headquarters	Montgomery County Revenue Authority	1,152,390
Aquatic Centers	Montgomery County Revenue Authority	7,345,360
Solid Waste Disposal System	Northeast Maryland Waste Disposal Authority	56,970,000
TOTAL		$ 73,402,750

Subsequent to June 30, 2014 Events

1. 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.

2. 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.

3. 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.

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Overlapping Debt

In addition to the direct debt described above, certain portions of the debt of other governmental entities in the County are payable in whole or in part by the taxpayers of the County. The debt includes general obligation bonds, revenue bonds, mortgages payable, notes payable, BANs/commercial paper, certificates of participation, and bank loans.

Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC) issues general construction bonds to finance construction of small diameter water distribution and sewage collection lines, and required support facilities in Montgomery and Prince George's Counties. Generally, these are considered general obligation bonds because they are payable from unlimited ad valorem taxes upon all the assessable property in the WSSC district. They are actually paid through assessments on properties being provided service and are considered to be overlapping debt rather than direct debt of the County. WSSC Water Supply and Sewage Disposal Bonds, which finance major system improvements, including large diameter water distribution and sewage collection lines, are paid from non-tax sources including user charges collected through water and sewer rates, which also cover all system operating costs. They are backed by unlimited ad valorem taxes upon all the assessable property within the WSSC district in addition to mandated rates, fees, and charges sufficient to cover debt service. Pursuant to Section 22-104 of the Public Utilities Article of the Annotated Code of Maryland, the County must guarantee payment of principal and interest on WSSC bonds, unless the WSSC waives such guarantee requirement in accordance with Section 22-104. WSSC has waived such guarantee requirement with respect to each outstanding bond issue.

Housing Opportunities Commission

The Housing Opportunities Commission of Montgomery County (HOC) issues revenue bonds for its Multifamily Mortgage Program and its Single Family Mortgage Purchase Program which are paid through mortgages and received from the underlying real estate properties or individual borrowers. The bonds do not constitute a liability or obligation, direct or indirect, of the County, the State of Maryland, or any political subdivision thereof and are not backed by the full faith and credit of the County or HOC. However, 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. Title 16-205 of the Housing and Community Article in the Code provides the method by which the County implemented the guarantee.

Montgomery County Revenue Authority

The Montgomery County Revenue Authority (MCRA) has authority to issue revenue bonds and to otherwise finance projects through notes and mortgages with land and improvements serving as collateral. These are paid through revenues of MCRA's several enterprises, which include golf courses and the Montgomery County Airpark. The County also uses MCRA as a conduit for alternative capital project funding arrangements. These include financing for several County aquatic facilities and the Montgomery County Conference Center. For these projects, the MCRA issues the bonds and the debt service is paid through revenues from long-term lease agreements with the County. See "County Facility Lease Obligations" below.

Maryland-National Capital Park and Planning Commission

The Maryland-National Capital Park and Planning Commission (M-NCPPC) issues general obligation debt for the acquisition and development of local parks and certain special parks and advance land acquisition, with debt limited to that supportable within mandatory tax rates. The Commission also issues revenue bonds funded by its enterprise operations. Pursuant to Section 6-101 of Article 28 of the Annotated Code of Maryland, the County must guarantee payment of principal and interest on the debt of M-NCPPC that is not self-supporting.

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Special Taxing Districts

The County created three development districts: Kingsview Village Center, West Germantown, and Clarksburg Town Center. These development districts were created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. 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, special taxes and/or special assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective district. Any bond issued under Chapter 14 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.

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.

On August 13, 2014, the County issued $12,025,000 of bonds to refund West Germantown Development District Series 2002A, 2004A, and 2004B bonds at a true interest rate of 2.8 percent for a net present value savings of $2.842 million, or 21.7 percent savings of refunded bonds through 2027. On August 26, 2014, the County issued $1.4 million of bonds to refund the 1999 Series Kingsview Village Center Development District bonds at a true interest rate of 3.0 percent for a net present value savings of $166,098, or 11.6 percent savings of refunded bonds through 2021. The district tax payers will benefit from these refundings as lower debt service costs translate into lower tax burden needed to support the debt service payments.

The County Council terminated the Clarksburg Town Center development district in October 2010, therefore, no bonds were issued and no special taxes or assessments were levied for the Clarksburg Town Center Development District.

In March 2010, the County adopted a new sector plan for the White Flint area of north Bethesda. This smart-growth master plan transforms the area into a pedestrian-friendly, transit-oriented, urban setting that is expected to be a leading economic engine for the County. To successfully implement the sector plan, the County adopted legislation (Bill 50-10), in December 2010 to create a new special taxing district in the White Flint area, along with an implementation strategy and a list of the infrastructure necessary to successfully implement that strategy (Resolution No 16-1570). Bill 50-10 creates the White Flint Taxing District (Chapter 68C of the County Code) in order to collect ad valorem tax revenue that will provide a stable, reliable and consistent revenue stream. The revenue collected will fund the transportation infrastructure improvements identified in the implementation and strategy Resolution by facilitating repayment of bonds authorized by the legislation.

Towns and Cities

The towns of Brookeville, Poolesville, and Garrett Park, and the cities of Rockville and Takoma Park are located wholly within Montgomery County and issued long-term obligations to fund various public amenities such as road and sewer improvements.

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County Facility Lease Obligations

The County leases building 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 $27.6 million for FY14. In addition, long-term leases with the Montgomery County Revenue Authority (MCRA) are subject to annual appropriations, but are related to the debt service on bonds that MCRA issued on the County's behalf.

Following is a listing of significant lease agreements for FY14:

Payee	Location	Use	Total Rent For FY14
Eldridge, Inc.	255 Rockville Pike, Rockville	Various Agencies	$5,812,923
GXS, Inc.	100 Edison Park Drive, Gaithersburg	Public Safety Headquarters	1,042,776
Montgomery County Revenue Authority	Indoor Swim Centers	Recreation	1,834,050
Montgomery County Revenue Authority	5701 Marinelli Drive, Rockville	Conference Center	645,334
F.S. Peoples Realty Co.	14935 Southlawn Lane, Rockville	Fire & Rescue/Liquor Control	1,831,058
FP Gude LLC	7300 Calhoun Drive, Derwood	Juvenile Assessment Center	1,529,884
Alexandria Real Estate	1300 Quince Orchard Blvd., Gaithersburg	Emergency Communications Center	1,098,734
Washington Real Estate Investment Trust	600 East Jefferson St., Rockville	Community Use of Public facilities/Family Justice Center	890,055
Washington Real Estate Investment Trust	51 Monroe Street, Rockville	Various Agencies	896,705
Felland Limited Partnership	4901-43 Nicholson Ct., Kensington	DOT/Transit Services	828,109
Seneca Center II, LLC	18753 N. Frederick Ave.	Board of Elections	867,802
Fanaroff & Steppa c/o HBW Group	981 Rollins Avenue, Rockville	HHS-OAS Clinic	711,990
1335 Piccard LLC, c/o Wellstone Corp.	1335 Piccard Drive, Rockville	Health Center	758,167
Montgomery County Revenue Authority	1301 Piccard Drive, Rockville	Health & Human Services	638,689
Investment Properties, Inc.	701-C Dover Road, Rockville	Fire & Rescue Warehouse	530,462
The Gudelsky Company	8630 Fenton Street, Silver Spring	Health Center	469,875
Williamson, Harry E. and Helga R.	12500 Ardennes Avenue, Rockville	Corrections	605,097
Rockville Metro Plaza I, LLP	111 Rockville Pike, Rockville	Economic Development	493,170
Investment Properties, Inc.	11 North Washington St. 4th Floor Rockville	HHS Community Support Network	401,829
C-W Gaither, LLC	9121-25 Gaither Road, Rockville	Public Safety	462,213
ARE 25/35/45 W. Watkins Corp.	45 West Watkins Mill Rd, Gaithersburg	Public Safety	352,909
Betty B. Casey Trust	8516-40 Anniversary Circle, Rockville	Records Center/Warehouse	404,945
Halcyon Associates	8300-8434 Helgerman Court, Gaithersbg.	Public Safety	160,137
Halcyon Associates	8663-73 Grovemont Circle, Gaithersbg.	Fire & Rescue	144,796
Green Squad LLC	11435 Grandview Ave	Fire & Rescue	119,777

Other Operating Payment Agreements

Lease Revenue Bonds – Metrorail Garage Projects

The County entered into a Trust Agreement dated June 1, 2002 with Wachovia Bank, N.A. related to the issuance of $37,880,000 in Lease Revenue Bonds to finance the costs of parking structures and related facilities at the Shady Grove Metrorail Station and the Grosvenor Metrorail Station in Montgomery County. The County leased the garages to the Washington Metropolitan Area Transit Authority (WMATA), an interstate compact agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia.

Pursuant to the Trust Agreement, and a First Supplemental Trust Agreement dated September 1, 2004, additional bonds in the amount of $4.7 million were issued by the County on September 28, 2004 to complete construction of the Shady Grove and Grosvenor parking structures and related facilities. The final maturity of the Series 2002 and Series 2004 bonds is in 2024.

On September 27, 2011, the County issued $35.5 million in Lease Revenue Project and Refunding bonds to finance a portion of the design and construction costs of the Glenmont Metrorail Station parking structure and refund the outstanding Series 2002 and 2004 Metrorail garage bonds. The Bonds were issued pursuant to a Trust Agreement between the County and U.S. Bank National Association as Trustee. The final maturity of the bonds is 2031.

The Bonds are limited obligations of the County payable solely from and secured by a pledge of (1) the revenues and receipts to be derived from the lease of the garages to WMATA and (2) certain funds and accounts established pursuant to the Trust Agreement, including a debt service reserve. The County covenanted to budget, appropriate and pay to the Trustee for deposit in the debt service reserve, at any time and in any fiscal year when the amount to the credit thereof is less than required by the Trust Agreement, an amount equal to the deficiency; however, the obligation of the County to make any such payment in any fiscal year is contingent upon the appropriation in such fiscal year by the Montgomery County Council of funds from which such payment can be made. The obligation of the County under the agreement does not constitute a pledge of the full faith and credit or of the taxing powers of the County.

Certificates of Participation (COPs) and Taxable Limited Obligation Certificates

The County entered into a conditional purchase agreement (COPs) dated October 1, 2007 with U.S. Bank National Association for the purpose of borrowing $33.6 million to acquire equipment for use in the County's fire and rescue program. The COPs mature in 10 years. In April 2010, the County entered into a conditional purchase agreement with U.S. Bank, for the purpose of borrowing $23.0 million to acquire buses. That issuance of COPs matures in seven years.

In April 2010, the County issued $30.4 million of Taxable Limited Obligation Certificates which was supplemented by an additional issue of $28.8 million in August 2011. The proceeds of these sales are being used to fund the County's Facility and Residential Development Projects - primarily projects associated with affordable housing and the Fillmore music venue. The Certificates fully amortize over 20 years.

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 affordable housing opportunities in the County.

The County's obligation to make payment under these agreements in any fiscal year is contingent upon the County Council making an appropriation for such purpose in such year. In the event that the Council does not appropriate money to make such payments, the County is required to return the financed asset to the trustee without any additional financial liability. The obligation of the County under the agreements does not constitute a pledge of the full faith and credit or of the taxing powers of the County.

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GENERAL FINANCIAL POLICIES

Financial Reporting Standard

Montgomery County seeks to continually maintain best practices in its financial reporting operation. The County received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR) for FY13 and for more times than any other county in the nation. Since 1951, the County received the award 44 times and in 42 consecutive 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 comprehensive annual financial report. The 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 County believes the FY14 CAFR will again meet the Certificate of Achievement Program's requirements and submitted it to the GFOA to determine its eligibility for another certificate.

Reporting Entity

The County reporting entity is determined by criteria set forth in promulgations of the Governmental Accounting Standards Board. The reporting entity includes the fiscal activities of Montgomery County Government, as the primary government, and Montgomery County Public Schools (MCPS), Montgomery College ("the College"), Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, and the Bethesda Urban Partnership, Inc., as component units. Not included within the reporting entity are the Montgomery County portion of Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, Metropolitan Washington Council of Governments, and the Northeast Maryland Waste Disposal Authority. These entities are considered joint ventures and disclosure of the County's participation in these joint ventures is presented as a footnote to the County's financial statements included in its Basic Financial Statements (refer to Appendix A for statements as of June 30, 2014).

Basis of Accounting

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. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow, liabilities, deferred inflow, fund balance/net position, revenues, and expenditures/expenses. Both the government-wide and fund perspectives allow users to address relevant questions and understand changes in financial conditions. The basis of accounting for both types of statements is presented below. The balance sheet categories of deferred inflows and deferred outflows are currently unique to governmental generally accepted accounting principles. Deferred outflows are consumption of net assets in one period that are applicable to a future period. Deferred inflows are acquisition of net assets in one period that are applicable to a future period.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and certain fiduciary fund (pension and other employee benefit trusts, investment trust, and private-purpose trusts) financial statements. The agency funds also use the accrual basis of accounting to recognize assets and liabilities. 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.

Governmental fund (i.e., General, Debt Service, Capital Projects, Special Revenue, and Permanent) financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded as soon as they are 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 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.

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 non-major 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. Financial activity and position of the internal service funds are accounted for in the governmental activities columns of the government-wide financial statements. Although both the fund and government-wide financial statements that include the financial activity and position of the internal service funds 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 in the government-wide statements; cumulative net results and current year net results of financial activities between internal service funds and other proprietary fund financial statements are reflected on the bottom of the proprietary fund financial statements.

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.

Basis of Budgeting

At the direction of the County Executive, the Office of Management and Budget, with the CountyStat Office and County operating departments, realigned the County's budget process to focus on results. Results-Based Budgeting ensures that resource allocation is based on County priority objectives to make government more responsive, that programs and initiatives are operating effectively and efficiently, and that tax dollars are spent wisely through the use of performance data as a primary basis for review and analysis of budgetary requests.

When fully implemented, Results-Based Budgeting will (1) rely on historical and projected performance data and other reliable and relevant evidentiary data to justify budget allocations through the demonstration of performance results, (2) document the "return on investment" expected from budget expenditures by assessing the impact of those expenditures on the customers of County services ("customer results"), the quality of life in Montgomery County, and the Montgomery County Results; (3) enhance opportunities for cross departmental/agency coordination and resource allocation decisions, since the corresponding impact of resource changes on performance can be evaluated in a timely and objective manner, (4) use data systematically and transparently to drive the decision- making processes by which finite resources are allocated to achieve both customer results and the Montgomery County Results, (5) provide a better basis for decision making and administration of annual budgets, including additional investments or budgetary reductions, since these decisions would be based on alignment with priority objectives and performance data. This includes changes of the use of base funding if such changes will improve results, as opposed to limiting such decisions to only new or incremental funding; (6) routinely seek improvements to productivity and no-cost or low-cost solutions to problems; and (7) be used for the annual budget development and review process, as well as any mid-year decisions.

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The Montgomery County Results

The Montgomery County Results refer to qualities of life that matter most to County residents and as such have become Montgomery County priority objectives. These qualities are: A Responsive and Accountable County Government, Affordable Housing in an Inclusive Community, An Effective and Efficient Transportation Network, A Strong and Vibrant Economy, Children Prepared to Live and Learn, Healthy and Sustainable Communities, Safe Streets and Secure Neighborhoods, and Vital Living for All of Our Residents.

County Stat

County Stat is a component of the County's results-based accountability system, and a mechanism for performance management in Montgomery County government. Its goal is to improve government performance through greater accountability, better transparency into County challenges and successes, thereby moving the County forward towards a culture of "managing results" and a more effective and efficient County government. CountyStat is guided by four simple principles: require data driven performance; promote strategic governance; increase government transparency; and foster a culture of accountability. CountyStat meetings, led by the County Executive and the Chief Administrative Officer, are held on a routine basis as a tool with which to examine the results of departments' activities.

Legal Framework for Budgeting

As required by the County Charter, the County Executive submits to the County Council, not later than January 15, a comprehensive six-year Capital Improvements Program (CIP) in each even numbered year, and a Capital Budget each year. In addition, the County Executive, not later than March 15 of each year, submits an annual Operating Budget and six-year Public Services Program (PSP), and Fiscal Policy.

The Capital Improvements Program includes a statement of the objectives of capital programs and the relationship of capital programs to the County's long-range development plans; recommends capital projects and a construction schedule; and provides an estimate of costs, a statement of anticipated revenue sources, and an estimate of the impact of the program on County revenues and the operating budget. The Capital Improvements Program, to the extent authorized by law, includes all capital projects and programs of all agencies for which the County sets tax rates or approves budgets or programs.

The fiscal program shows projections of revenues and expenditures for all functions, recommends revenue and expenditure policies for the program, and analyzes the impact of tax and expenditure patterns on public programs and the economy of the County.

As part of the six-year CIP and PSP programs, the County Executive includes the proposed capital and operating budgets containing recommended levels of expenditures and sources of revenue for the ensuing fiscal year. In addition, a summary is submitted containing an analysis of the fiscal implications for the County of all available budgets of all agencies for which the County Council sets tax rates, makes levies, and approves programs or budgets. These other agencies include the Montgomery County Public Schools, Montgomery College, the Maryland-National Capital Park and Planning Commission, the Housing Opportunities Commission of Montgomery County, the Montgomery County Revenue Authority, the Washington Suburban Sanitary Commission (a bi-county agency), the Washington Suburban Transit Commission (a bi-county agency), and the 19 independent Fire and Rescue Corporations.

The County Council must hold public hearings on the proposed budgets and six-year programs commencing not earlier than 21 days following their receipt. The County Council may add to, delete from, increase or decrease any appropriation item in the operating or capital budget. The Council also approves the budget, as amended, and appropriates the funds not later than June 1 of the year in which it is submitted. By June 30 of each year the County Council makes the tax levies deemed necessary to finance the budgets for the ensuing fiscal year beginning July 1. Pursuant to a Charter amendment adopted in the November 2008 general election, the County Council may not levy an ad valorem tax on real property to finance the budgets that will produce total revenue that exceeds the total revenue produced by the tax on real property in the preceding fiscal year plus a percentage of the previous year's real property tax revenues that equals an increase in the Consumer Price Index unless approved by the affirmative vote of all nine Council members. This limit does not apply to revenue from 1) newly constructed property, 2) newly rezoned property, 3) property that, because of a change in State law, is assessed differently than it was assessed in the previous tax year, 4) property that has undergone a change in use, and 5) any development district tax used to fund capital improvement projects.

The Charter requires that County capital improvement projects which are estimated to cost in excess of an amount established by law, or which the County Council determines to possess unusual characteristics or to be of sufficient public importance, must be individually authorized by local law, which would be subject to referendum upon timely petition of five percent of the County's registered voters.

The cost criterion for projects in the FY15 Capital Budget and the Approved FY15-20 CIP is $13.6 million. The Charter also requires approval of the aggregate operating budget by the affirmative vote of six Council members, as opposed to a simple majority, when it exceeds the budget for the preceding year by a percentage which is greater than the percentage increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore combined metropolitan statistical area (CMSA) for the 12 months preceding December 1 of each year, as published by the U.S. Department of Labor. In addition, a Charter amendment adopted at the November 1990 general election requires the County Council to annually adopt spending affordability guidelines for the capital and operating budgets, including guidelines for the aggregate capital and operating budgets. Any aggregate capital budget or aggregate operating budget that exceeds the guidelines then in effect requires the affirmative vote of seven of the nine council members for approval.

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ANNUAL BUDGETS

Operating Budget and Tax Rates

On May 22, 2014 the County Council approved the FY15 operating budget comprising the County Government, MCPS, the College, and M-NCPPC aggregating $4.996 billion. This budgetary level represents an increase of 3.8 percent over the adopted budget for FY14.

The FY15 operating budget provides the greatest share (49.1 percent) of total tax supported resources to Montgomery County Public Schools (MCPS). Funding for MCPS and Montgomery College accommodates enrollment growth. In addition, the budget increases reserves, fully funds the annual requirement for retiree health insurance, and strategically restores critical services in public safety and services to vulnerable populations.

The approved FY15 budget provided for an unassigned surplus of $149.3 million in the General Fund and $158.7 million across all tax supported funds. For FY15, the estimated weighted real property tax rate for the County is $0.996 per $100 of assessed value.

Capital Budget/Capital Improvements Program

The County Council approved the FY15 Capital Budget and FY15-20 Capital Improvements Program (CIP) for the County government and the required agencies, except for WSSC, aggregating $4.452 billion for the Approved FY15-20. The Approved FY15-20 program provided for County bond funding aggregating $1.947 billion over the FY15-20 six-year period. The Council approved a Capital Improvements Program for WSSC totaling $1.208 billion for FY15-20. (WSSC is governed by State Law and is the only agency for which the County Council adopts an annual CIP).

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SELECTED FINANCIAL INFORMATION
GENERAL FUND AND MAJOR SOURCES OF REVENUE

General Fund Revenues

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

Major Sources of General Fund Revenue

Three of the largest revenue sources for the General Fund are income taxes, property tax collections, and real property transfer and recordation taxes. 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. Property taxes amounted to $1,108.7 million in FY14, which were 1.5 percent above the budget estimate and 7.0 percent above actual revenues in FY13. The combined tax receipts from the County's real property transfer and recordation tax was $144.5 million in FY14, which were 1.5 percent above the budget estimate and 1.8 percent above FY13. The remaining tax sources – consisting of fuel/energy, telephone, hotel/motel, and other taxes – totaled 284.8 million in FY14 and were approximately $8.2 million, or 5.6 percent, above the budget estimate but 2.5 percent below actual revenues in FY13.

General Fund Expenditures and Transfers

Expenditure savings in FY14 amounted to $9.1 million. Savings occurred in both departmental expenditures ($4.6 million) and non-departmental expenditures ($4.5 million). Even though all departmental and non-departmental units recognized some savings this year, the majority of the savings occurred in lower than projected operating costs for Libraries ($1.1 million) and Utilities ($1.2 million).

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Table 16
Montgomery County, Maryland
Schedule of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

Revenues:	Fiscal Year Actual 2011	2012	2013	2014	Fiscal Year Budget 2015
Taxes:					
Property, including interest & penalty	$1,061,582,080	$1,042,924,958	$1,036,227,629	$1,108,735,671	$1,088,918,814
Transfer tax and recordation tax	129,534,809	127,296,778	142,027,055	144,458,634	160,694,266
County income tax	1,039,234,850	1,255,089,822	1,317,533,090	1,376,763,653	1,340,644,366
Other taxes	304,004,588	293,532,105	292,007,596	284,844,756	277,738,739
Total Taxes	2,534,356,327	2,718,843,663	2,787,795,370	2,914,802,714	2,867,996,185
Licenses and permits	10,372,597	9,877,007	9,703,745	10,585,333	11,486,397
Intergovernmental revenue	51,645,247	41,873,345	51,799,202	65,386,079	56,232,240
Charges for services	9,483,647	8,387,285	10,552,028	8,911,416	8,858,044
Fines and forfeitures	19,249,187	18,742,899	23,160,668	23,993,497	21,621,131
Investment income	12,206	12,224	66,215	5,572	270,060
Miscellaneous	16,823,983	16,061,866	14,449,088	14,406,470	8,720,990
Total Revenues	2,641,943,194	2,813,798,289	2,897,526,316	3,038,091,081	2,975,185,047
Expenditures (including encumbrances):					
General County:					
General government	224,132,215	276,824,927	348,045,120	403,689,920	390,653,713
Public safety	334,915,498	342,225,124	367,638,180	386,799,315	399,426,367
Transportation and public works	63,657,144	51,076,683	68,700,317	82,090,135	55,959,060
Health and human services	183,462,232	184,255,411	196,376,879	216,191,464	226,540,160
Culture and recreation	34,021,901	33,615,205	35,568,206	38,749,757	42,754,620
Housing and community development	3,860,221	3,374,938	4,439,750	4,699,773	11,554,236
Environment	2,666,513	2,414,241	2,371,515	2,247,029	2,783,831
Total Expenditures	846,715,724	893,786,529	1,023,139,967	1,134,467,393	1,129,671,987
Transfers In (Out) :					
Transfers In:					
Special Revenue Funds	24,649,524	25,557,670	24,504,717	26,552,919	27,390,500
Enterprise Funds	37,771,540	30,993,350	28,400,910	28,253,518	35,692,017
Internal Service Funds	2,500,000	--	19,034,302	8,682,636	10,056,754
Component Units	247,613	240,075	232,538	--	247,610
Total Operating Transfers In (Out)	65,168,677	56,791,095	72,172,467	63,489,073	73,386,881
Transfers Out:					
Special Revenue Funds	(33,625,392)	(78,066,365)	(57,842,563)	(49,557,407)	(47,105,745)
Debt Service Fund	(220,150,085)	(235,553,941)	(252,311,377)	(256,222,429)	(290,789,930)
Capital Projects Fund	(21,567,200)	(40,384,588)	(45,695,781)	(42,493,960)	(24,377,000)
Enterprise Funds	(3,420,070)	(3,389,630)	(2,873,089)	(2,608,209)	(2,862,660)
Internal Service Funds	--	(884,147)	(1,597,958)	(1,143,657)	(823,698)
Component Units	(1,532,153,074)	(1,484,536,407)	(1,547,788,358)	(1,576,615,732)	(1,620,695,940)
Total Transfers Out	(1,810,915,821)	(1,842,815,078)	(1,908,109,126)	(1,928,641,394)	(1,986,654,973)
Net Transfers In (Out)	(1,745,747,144)	(1,786,023,983)	(1,835,936,659)	(1,865,152,321)	(1,913,268,092)
Excess of revenues and operating transfers in over/ (under) expenditures, encumbrances and operating transfers out	49,480,326	133,987,777	38,449,690	38,471,367	(67,755,032)
Fund Balances, July 1 as previously stated	39,657,640	93,078,794	235,497,305	289,598,811	352,940,120
Adjustment for previous year encumbrances	3,940,828	8,430,734	15,651,816	24,869,942	--
Fund Balances, July 1 restated	43,598,468	101,509,528	251,149,121	314,468,753	352,940,120
Equity transfers in (out)	--	--	--	--	--
Budgetary Fund Balance, June 30	$ 93,078,794	$ 235,497,305	$ 289,598,811	$ 352,940,120	$ 285,185,088

Table 17
General Fund
Schedule of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above (2)	$ 93,078,794	$ 235,497,305	$ 289,598,811	$ 352,940,120
Encumbrances outstanding	11,022,956	20,382,922	29,344,177	33,293,736
Cumulative Marriot Conference Center	3,416,052	4,332,672	4,719,357	5,578,374
Unrealized investment gain (loss) (1)	(272,792)	(277,552)	(301,087)	(326,213)
Net differences between beginning fund balances	266,911	263,911	274,877	271,653
GAAP Fund Balance as Reported	$ 107,511,921	$ 260,199,258	$ 323,636,135	$ 391,757,670
Elements of GAAP Fund Balance:				
Nonspendable	$ 4 ,181,482	$ 5 ,635,580	$ 5,649,319	$ 6,159,553
Restricted	--	--	--	14,500
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 Fund Balance	$ 107,511,921	$ 260,199,258	$ 323,636,135	$ 391,757,670

Note: All amounts are audited, and are for fiscal years ended June 30.
(1) Amount restated to break out impact of unrealized investment gains (losses)
(2) Amounts consistent with prior year budget ending fund balance but does not equal CAFR RSI-1.

Revenue Stabilization Fund

The State of Maryland enacted legislation in 1992 authorizing political subdivisions in Maryland to establish “rainy day” or reserve funds to accommodate future funding shortfalls. Pursuant to this State law, Montgomery County, under Section 20-64 of Article XII of the Montgomery County Code, established a Revenue Stabilization Fund (the “Fund”) effective July 1, 1994. The Fund supplements the reserve or operating margin the County annually sets aside, and provides a mechanism to level out the revenue stream by adjusting for year-to-year fluctuations beyond a certain baseline level.

Effective FY11, the mandatory annual contribution to the Fund must equal the greater of 50 percent of any excess revenue or an annual amount equal to the lesser of 0.5 percent of the Adjusted Governmental Revenues or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues. Excess revenue is the amount, if positive, by which total revenues from the income tax, real property transfer tax, recordation tax, and investment income for the General Fund for the fiscal year exceed the original projections for these amounts. Adjusted Governmental Revenues means tax-supported County Governmental Funds revenues, plus revenues of the County Grants Fund, County Capital Projects Fund, tax-supported funds of the Montgomery County Public Schools, not including the County’s local contribution, tax-supported funds of Montgomery College, not including the County’s local tax contribution, and tax-supported funds of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission.

In FY13, the mandatory contribution was $29.6 million. This resulted in the amount of the Fund increasing to $184.9 million. In FY12, the mandatory contribution was $60.7 million and the fund balance was $155.2 million. In FY11, the mandatory contribution was $19.6 million and the fund balance was $94.5 million.

In FY14, the fund balance in the Revenue Stabilization Fund (RSF) was combined with the General Fund in the Comprehensive Annual Financial Report (CAFR). The required mandatory contribution for FY14 was $22,998,919. This amount was transferred to the RSF as required. As of June 30, 2014, the ending fund balance in the Revenue Stabilization Fund was $207,986,941. This amount is reported as restricted fund balance in the General Fund for FY 14. The County is phasing in a 10 percent reserve requirement for Adjusted Governmental Revenues and expects to obtain this level of funding by FY20.

Table 18
Revenue Stabilization Fund
Transfers In and Fund Balance

Fiscal Year	Transfers (millions)	Fund Balance (millions)
2014	$ 23.0	$208.0
2013	29.6	184.9
2012	60.7	155.2
2011	19.6	94.5
2010	(44.8)	74.9
2009	--	119.6
2008	--	119.6
2007	11.9	119.6
2006	6.6	107.8
2005	5.2	101.2
2004	8.8	95.9
2003	--	87.2
2002	7.7	87.2
2001	8.9	79.5
2000	8.4	70.6
1999	5.5	62.2
1998	21.4	56.8
1997	18.7	29.4

Note: Fund Balances include transfers in and investment income.

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Enterprise Funds

The County has three major enterprise funds, liquor control, solid waste activities, and parking lot districts, which are accounted for and operated in a manner similar to private business enterprises. The results of operations for Fiscal Years 2010 – 2014 are shown in the table below.

Table 19
Enterprise Funds Paying Debt Service
Results of Operations

Fund	Fiscal Year				
	2010	2011	2012	2013	2014
Liquor Control					
Operating Revenues	$ 229,212,948	$ 242,609,273	$ 252,325,417	$ 258,876,654	$ 268,655,339
Operating Expenses	203,062,862	214,184,399	218,758,812	224,306,626	237,434,727
Operating Income	$ 26,150,086	$ 28,424,874	$ 33,566,605	$ 34,570,028	$ 31,220,612
Solid Waste Activities					
Operating Revenues	$ 103,254,833	$ 105,997,778	$ 107,772,792	$ 108,248,910	$ 109,211,815
Operating Expenses	100,018,519	100,372,622	98,781,876	105,868,485	129,648,505
Operating Income (Loss)	$ 3,236,314	$ 5,625,156	$ 8 ,990,916	$ 2 ,380,425	$ (20,436,690)
Parking Lot Districts					
Operating Revenues	$ 16,104,060	$ 16,257,449	$ 28,916,500	$ 31,054,372	$ 30,896,632
Operating Expenses	12,806,038	12,755,410	28,436,826	28,750,317	28,774,524
Operating Income	$ 3,298,022	$ 3,502,039	$ 479,674	$ 2 , 304,055	$ 2,122,108

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Self-Insurance Funds

On July 1, 1978, County Code Section 20-37 was enacted to establish the Montgomery County Self-Insurance Program. The County self-insures such exposures as workers' compensation, commercial general liability, automobile liability, professional/public official liability, certain property, and other selected risks which require mitigation.

An Inter-Agency Insurance Panel comprised of the County and member agencies, and chaired by the County's Finance Director, provides overall direction, formulates insurance policy, reviews claims, and evaluates the effectiveness of the loss control program. Claims against the agencies are handled under a contract with a third party claims administrator. Legal services are provided by the Office of the County Attorney.

The County Finance Department, Division of Risk Management operates the Self-Insurance Program for the County and other participating agencies: MCPS, Montgomery College, M-NCPPC, various independent fire Corporations, Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County, Rockville Housing Enterprises, Villages of Drummond and Friendship Heights, and the Bethesda Urban Partnership. The City of Gaithersburg, Town of Somerset and Chevy Chase Village participate for workers' compensation coverage only.

In addition to the self-insured coverage, Risk Management coordinates the purchase of commercial insurance for such coverage as All Risk Property Insurance, Boiler and Machinery, Public Official and Employee Bonds, Electronic Data Processing, Fiduciary Liability, and others. Beginning March 15, 2007, Commercial Excess Liability insurance was purchased, and is effective through June 30, 2014. It is expected that this coverage will be maintained, but it is dependent on market conditions and price at the time of the policy renewal.

A summary of FY14 operations of the program is outlined below:

	($000's)
Revenues:	
Contributions from participating agencies	$ 65,263
Interest on investments	89
Recovered losses	580
Other income	656
Total Revenues	66,588
Expenses:	
Claims expense	39,493
Claims administration, loss control, external insurance, and other administrative expenses	14,177
Total Expenses	53,670
Net Gain	12,918
Net Position, July 1, 2013	(16,421)
Net Position, June 30, 2014	$ (3,503)

By State law effective July 1, 1987, local government employees are protected by the Local Government Tort Claims Act. Under this legislation, the liability of the employees of local governments for common law torts, such as negligence, is limited to $200,000 for an individual claim, and $500,000 for all claims arising from one occurrence. This act, combined with the law limiting the public school system's liability to $100,000, significantly decreases the exposure of the program to large losses.

The County is also self-insured for unemployment benefits and maintains a minimum premium funding arrangement for employee health insurance. The FY14 operations for these two elements of the insurance program are not reflected above.

County Employee Retirement Plans

General

The County maintains a defined benefit pension plan and several other employee retirement plans. The Employees' Retirement System (the "System") is a cost-sharing, multiple employer defined benefit pension plan established in 1965. In addition to the County, other agencies and political subdivisions have elected to participate in the System, including Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County, Town of Chevy Chase, Strathmore Hall Foundation, Inc., Washington Suburban Transit Commission, Montgomery County Employees Federal Credit Union and with respect to certain employees, the Maryland State Department of Assessments and Taxation and the District Court of Maryland (collectively, the "Participating Employers"). The System is a contributory plan with employees contributing a percentage of their base annual salary, depending on their group classification. The County and each other Participating Employer contribute the remaining amounts necessary to fund the System on an actuarial basis. The System is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and Guaranteed Retirement Income Plan (the "GRIP") participants. Substantially all employees of the Participating Employers hired prior to October 1, 1994 are provided retirement benefits under the System. All covered full-time employees of the County and other Participating Employers must become members of the System as a condition of employment. All covered career part-time employees of the County and other Participating Employers may become members on an individual basis.

The County has established a Board of Investment Trustees (the "Board") to be responsible for the investment management of the System assets. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

The Montgomery County Council passed legislation in fiscal year 2009 enabling the County to establish and maintain the GRIP, a cash balance plan that is part of the System, for employees. During fiscal year 2010, eligible County employees who were members of the Retirement Savings Plan (the "RSP") were granted the option to elect to participate in the GRIP and to transfer their RSP member account balance to the GRIP and cease being a member of the RSP. As of June 30, 2014, 5,535 active members, 6,242 retirees and beneficiaries receiving benefits and 403 terminated plan members entitled to but not yet receiving benefits were participating in the System.

Deferred Retirement Option Plans (the "DROP"), established in fiscal year 2000, allow any employee who is a member of a specified membership group or bargaining unit, and who meets certain eligibility requirements, to elect to retire but continue to work for the County for a specified time period, during which pension payments are deferred. When the member's participation in the DROP ends, the member must stop working for the County, draw a pension based on the member's credited service and earnings as of the date that the member began to participate in the DROP and receive the value of the DROP payoff. As of June 30, 2014, the balance of amounts held by the System pursuant to DROP was $10,608,529.

The RSP is a cost-sharing, multiple employer defined contribution plan established in 1994. The RSP covers all non-public safety and certain public safety employees not represented by a collective bargaining agreement and hired on or after October 1, 1994 unless they elect to participate in the GRIP. Employees covered by the System may make an irrevocable decision to transfer to the RSP. As of June 30, 2014, 3,585 active members and 877 inactive plan members were participating in the RSP with a net position of $292,506,905. The Board establishes for the RSP members a diversified slate of mutual and commingled investment funds from which participants may select their investment options.

The Deferred Compensation Plan (the "DCP") was established pursuant to Section 457 of the Internal Revenue Code of 1986, as amended. 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 DCP. As of June 30, 2014, the DCP had a net position of $344,281,712. The Board establishes for the DCP a diversified slate of mutual and commingled investment funds from which participants may select their investment options.

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Employees' Retirement System

System benefit provisions are established under the County Code. All benefits vest at five years of service. The System contains different retirement groups and retirement membership classes. 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. There are different retirement membership classes within the groups that are assigned based upon the job classification of the member. Normal and early retirement eligibility, the formula for determining the amount of benefit and the cost of living adjustment vary 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 highest 12 months and for mandatory integrated group members, the highest 36 months. The percentage of earnings and the maximum years of credited service vary depending on the retirement class and group.

Required employee contribution rates to the System vary from 4% to 11.25% of regular earnings as specified under the County Code. Each Participating Employer is required to contribute the remaining amount necessary to fund the System using the actuarial basis specified in the County Code.

The County retains an actuary (currently Gabriel Roeder Smith & Company) to conduct an actuarial valuation of the System at the end of each fiscal year. The purpose of the actuarial valuation is to determine the funding status and annual contribution requirements of the System. The actuary calculates the total pension liability of the System, based on the demographic and economic assumptions, compared to the Plan's fiduciary net position, to determine the funded ratio of the System.

An actuarial valuation will also state an actuarially recommended contribution rate. The actuarially recommended contribution consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service and (2) an amortization of the unfunded liability as a level percentage of payroll. The unfunded liability as of June 30, 2010 was amortized over an initial closed period of 18 years and with all future amortization bases being amortized over 20 years.

The System uses an asset valuation method of smoothing the difference between the market value of assets and actuarial value of assets over a five-year period which dampens the volatility of asset values that could occur because of short-term fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process and prevents volatility in employer contribution rates due to short-term fluctuations in the investment markets. Assets are valued at market value but with a phase-in of investment gains and losses arising over a five-year period. As of June 30, 2014, the aggregate market value of net assets of the System was $3,652,867,097 and the aggregate actuarial value of net assets of the System was $3,333,484,724.

During the past five fiscal years, the County has made the actuarially recommended contributions to the System. The actuarially recommended contribution to the System for fiscal year ended June 30, 2014 was $144,709,675 and was based on the actuarial valuation as of June 30, 2012. The County intends to make the actuarially recommended contribution to the System for the next fiscal year.

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The following tables show the historical funded status for the System for the ten year period ending June 30, 2014 and the projected funded status for the System for the five year period ending June 30, 2014.

Table 20
Historical Funded Status

Valuation Date (June 30)	Net Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
2005	$ 2,144,779,203	$ 2,100,532,623	$ 2,775,047,412	$ 674,514,789	75.7 %
2006	2,307,679,562	2,222,724,295	2,918,336,073	695,611,778	76.2
2007	2,714,267,659	2,469,933,200	3,100,637,723	630,704,523	79.7
2008	2,618,801,439	2,701,119,470	3,341,549,425	640,429,955	80.8
2009	2,145,999,195	2,736,010,144	3,489,057,559	753,047,415	78.4
2010	2,442,692,323	2,791,144,974	3,645,576,341	854,431,367	76.6
2011	2,897,207,710	2,869,422,276	3,744,713,474	875,291,198	76.6
2012	2,936,773,694	2,891,435,563	3,768,745,962	877,310,399	76.7
2013	3,184,245,211	3,012,547,244	3,821,380,732	808,833,488	78.8
2014	3,652,867,097	3,333,484,724	3,958,929,718	625,444,994	84.2

Investments

The Board has adopted an investment policy that works to control the extent of downside risk to which the 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.

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The following was the Board's adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation
Long Duration Fixed Income	12.50 %
High Yield Fixed Income	10.00
Credit Opportunities	2.00
TIPS	8.00
Domestic Equity	15.75
International Equity	12.50
Emerging Equity	3.25
Global Equity	3.50
Private Market	18.00
Global REITs	2.50
Commodities	4.00
Master Limited Partnerships	2.00
Cash	1.00
Hedge Funds	5.00
Total	100.00 %

The value of the securities and assets in the investment portfolio can change from year to year which can cause increases or decreases in the System Unfunded Actuarial Accrued Liability (UAAL). The actuarial assumed rate of return of System investments is currently 7.5%. The actual rate of return earned depends on the performance of the investment portfolio. The following table shows the annual rates of return for the System investments on a market and actuarial basis and the actuarial assumed rate of return.

System
Annual Rates of Return

Valuation Date (June 30)	Market Value*	Actuarial Value	Assumed Rate of Return
2014	17.66%	12.98%	7.50%

* Time-weighted returns

Additional Information

For additional information regarding the County employee retirement plans, see the County Employee Retirement Plans Comprehensive Annual Financial Report which can be found at
http://www.montgomerycountymd.gov/mcerp/ers/ers_reports.html

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Other Post Employment Benefits

The County administers a cost-sharing multiple-employer defined benefit healthcare plan. Substantially all retirees of the County and other participating employers are provided post-employment benefits such as medical, life, dental, vision, and prescription coverage under the plan. Retirees may also elect coverage for their eligible dependents. As of June 30, 2012, the most recent actuarial valuation, plan membership consisted of 16,735 members, consisting of 7,224 retirees and beneficiaries receiving benefits and 9,511 active plan members. The plan is a contributory plan in which the County and the plan members 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 and the County and other participating employers contributed $106,655,086.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions (GASB 45), which addresses how state and local governments should account for and report their costs and obligations related to other post employment benefits (OPEB). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The County implemented GASB 45 as required in FY08.

The County has retained the actuary Aon Hewitt to conduct actuarial valuations for the plan. As of June 30, 2014, the plan had an actuarial accrued liability of $1,093,214,000 and plan assets of $153,327,000 on an actuarial basis. The unfunded actuarial accrued liability of the plan was $939,887,000 on June 30, 2014.

Prior to the County's implementation of GASB 45 in FY08, the County contributed to the plan for benefits thereunder on a pay-as-you go basis. In FY08, the County determined to contribute to the plan based on annual required contributions but with an initial eight-year phase-in period. For fiscal year 2014, the annual OPEB cost was $103,418,000 and the County made total contributions of $106,655,086. Additional information regarding the plan's annual OPEB cost and net OPEB Obligation can be found in the notes to the County's financial statements contained at Appendix A.

The actuarial valuations are subject to a number of actuarial and economic assumptions similar to the assumptions used in evaluating the County's pension fund liabilities. The valuation uses a 30 year amortization period utilizing the project unit credit actuarial method. The assumed investment rate of return for the plan is 7.50%. The actual rate of return fluctuates depending upon market conditions.

Property Tax Information

The County levies real and personal property taxes on all taxable property within its boundaries. Annual payments of taxes are due in full on July 1 and become delinquent on the following October 1. Semi-annual payments are the standard in Maryland for residential property and small business owners only, with the semi-annual payments becoming delinquent after September 30 and December 31. Tax sales to recover delinquent real property taxes are held on the second Monday in June in the fiscal year that taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

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Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation (SDAT). Assessment rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value (full cash value) and assessed in each year at a percentage of market value. One-third of the real property base is reassessed every three years. An increase in full cash value arising from such reassessment is phased in over the ensuing three tax years in equal annual amounts. A decline in assessed valuation becomes fully effective in the first year.

As the level of new construction was less than $1.5 billion per year between FY08 and FY10, less than $1.0 billion in FY11, less than $0.6 billion in FY12, and less than $1.5 billion in FY13, coupled with a decline in the valuation of properties, the real property taxable base decreased at an average annual rate of 2.9 percent, measured from FY11 to FY13, compared to the average annual growth rate of 7.5 percent the previous five-year period (from FY07 to FY11). That two-year decline was attributed to the dramatic decreases in the reassessment rates in FY10, FY11, and FY12. As such real property taxable assessments declined 3.3 percent in FY12 and 2.4 percent in FY13. Due to a decline in business investment in personal property between FY04 and FY13, attributed to an adjustment by the SDAT to assessments of individual personal property, the personal property base decreased at an average annual rate of 1.0 percent during the ten-year period (from FY04 to FY13). For FY14, real property taxable assessment increased 1.0 percent and personal property taxable assessment increased 2.9 percent. The increase in real property taxable assessment is due to the increase in the triennial reassessment rates for residential and commercial properties in Group One.

Table 21

Assessed Value of All Taxable Property by Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Percent Change From Prior Year	Ratio of Assessment to Full Market Value
2014	$159,891,865,334	$3,709,327,508	$163,601,192,842	1.06%	91.77%
2013	158,272,830,848	3,604,478,750	161,877,309,598	-2.43	93.05
2012	162,197,149,758	3,718,945,710	165,916,095,468	-3.34	93.05
2011	167,790,792,529	3,856,191,952	171,646,984,481	0.25	88.63
2010	167,096,843,537	4,123,996,612	171,220,840,149	5.66	95.51

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports.

Tax-exempt properties are excluded from the above figures. In FY14, such exemptions for real property owned by Federal, State, County, and other governmental units, and certain non-profit organizations totaled $19.0 billion at the beginning of the fiscal year based on data from the State Department of Assessments and Taxation. Tax-exempt real property constitutes 10.6 percent of the total assessable base. The SDAT grants exemptions from property taxes, pursuant to State law. The ratio of total assessed value to total full market value is based on studies conducted by the SDAT.

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Table 22
Tax Levies and Revenue

Fiscal Year	General County Tax Levy	Revenue From Current Year Assessment	Ratio of Current Yr Revenue to Tax Levy	Revenue From Prior Year Assessment	Total Revenue	Ratio Of Total Revenue to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy
2014	$1,148,085,538	$1,126,029,910	98.08%	($18,755,733)	$1,107,274,177	96.45%	$14,453,739	1.26%
2013	1,081,306,701	1,056,688,995	97.72	(23,627,793)	1,033,061,202	95.54	18,400,655	1.70
2012	1,089,656,756	1,068,630,086	98.07	(26,293,427)	1,042,336,659	95.66	16,292,469	1.50
2011	1,104,184,153	1,088,633,177	98.59	(25,571,510)	1,063,061,667	96.28	15,259,381	1.38
2010	1,082,224,889	1,064,870,559	98.40	(16,618,444)	1,048,252,115	96.86	24,752,779	2.29

Table 23
Tax Rates and Tax Levies, by Purpose

Fiscal	General County		Transit		State		Total	
Year	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2014	$0.759	$1,148,085,538	$0.042	$63,303,304	$0.112	$179,561,927	$0.913	$1,390,950,769
2013	0.724	1,081,306,701	0.048	71,440,950	0.112	177,724,401	0.884	1,330,472,052
2012	0.713	1,089,656,756	0.038	57,868,221	0.112	182,298,673	0.863	1,329,823,650
2011	0.699	1,104,184,153	0.037	58,220,069	0.112	188,764,480	0.848	1,351,168,702
2010	0.683	1,082,224,889	0.037	58,460,427	0.112	187,999,760	0.832	1,328,685,076

Note: Rates are per $100 of assessed value. Tax rates shown are for real property only, and tax levies are based upon a 100% of full cash value assessment. The personal property rate for General County was $1.898 in FY14, $1.810 in FY2013, $1.783 in FY12, $1.747 in FY11, $1.707 in FY10; the personal property rate for Transit was $0.105 in FY14, $0.120 in FY13, $0.095 in FY12, $0.092 in FY11, $0.092 in FY10. (the State does not tax personal property).

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Table 24
Ten Highest Commercial Property Taxpayers' Assessable Base
As of June 30, 2014

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
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
WMATA	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 Shop 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
Total	$3,218,213,365	$1,731,355,965	$1,486,857,400	1.96%
Assessable Base (June 30, 2014)	$163,601,192,842			

Sources: State of Maryland, Department of Assessments and Taxation, and Montgomery County Department of Finance, Division of Treasury.

Impact Tax

Development is occurring throughout Montgomery County, placing great demands on the County to provide for transportation improvements, public schools and other public facilities. Effective March 1, 2004, and pursuant to Articles VII and XII of Chapter 52 of the Montgomery County Code ("Development Impact Tax for Transportation Improvements," and "Development Impact Tax for Public School Improvements," respectively), most new residential development within Montgomery County is required to pay impact taxes. These impact taxes are a means of transferring a share of the costs of additional transportation improvements and additional classrooms in public schools to the new development that is primarily responsible for creating these needs. Prior to Bill 26-11, which became effective December 1, 2011, the tax was imposed prior to the issuance of a building permit. Under Bill 26-11 the payment of the tax is now due at the earlier of (A) the final inspection by the Department of Permitting Services; or either (B1) 6 months for single family residential; or (B2) 12 months for multi-family residential and non-residential.

The original impact tax law was enacted in 1990, and applied to transportation improvements only, and affected two outlying geographic areas of the County: Germantown, in the northern section of the County, and an eastern section of the County. The law was amended in 2001 to add another northern section of the County (Clarksburg), and again in 2002 to extend the impact tax for transportation improvements to the remainder of the County. Amendments in 2004 added the schools impact tax, and 2007 amendments (effective during FY08) substantially increased tax rates, and required the County to increase tax rates by the rate of construction inflation (for the two previous years) in every odd year, for a two year period. In December 2010 the law exempted properties within the White Flint Sector Plan area from paying impact taxes, and in December 2011 the law changed the timing of the payments (see paragraph above).

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The following table illustrates impact tax collections over the last 10 years.

Table 25
Impact Tax Collections

Fiscal Year	Transportation Impact Tax	Schools Impact Tax
2014	$20,274,781	$45,837,274
2013	13,179,898	27,907,753
2012	6,352,401	16,462,394
2011	6,191,216	14,480,846
2010	3,812,000	11,473,000
2009	2,398,000	7,925,000
2008	9,744,000	6,767,000
2007	11,501,000	9,563,000
2006	6,252,000	6,960,000
2005	8,471,000	7,695,000

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DEMOGRAPHIC INFORMATION

Population

The population of the County, according to the 2010 Census, was 971,777, an increase of 10.6 percent since the 2000 Census and exceeded 1 million in 2012. The Metropolitan Washington Council of Governments' (MWCOG) estimates the County's population to increase 0.3 percent from 2013 to 2015.

Table 26
Households and Population

	Households	Population	Population Percent Change from Prior Census
2015 (est.)	377,500	1,020,000	5.0%
2013	364,496	1,016,677	4.6
2012	361,116	1,004,709	3.4
2011	359,496	989,794	1.9
2010 (U.S. Census)	357,086	971,777	10.6
2009	345,301	959,013	9.1
2008	341,812	942,748	7.3
2007	343,540	931,694	6.0
2006	341,438	926,492	5.4
2005	339,628	921,531	4.9
2004	337,838	914,991	4.1
2000 (U.S. Census)	324,565	878,683	15.7
1990 (U.S. Census)	283,400	759,600	31.2
1980 (U.S. Census)	207,195	579,053	--

Note: Data for total population from 2004 to 2013 from the Census Bureau, U.S. Department of Commerce and population estimate for 2015 from Metropolitan Washington Council of Government (MWCOG), Round 8.3. Data for households from 2004 to 2013 from the Census Bureau and data for households in 2015 from MWCOG (Round 8.3).

Table 27
Median Age

	1950	1960	1970	1980	1990	2000	2010
Median Age	29.5	28.1	27.9	32.1	33.9	36.8	38.5

Sources: U.S. Bureau of the Census and M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center.

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Employment

The County's economic structure reveals a diversified economy with a strong service sector. The total private sector (trade, information services, financial activities, professional services, education and health, and hospitality) employed 80.4 percent of the total workforce in 2013, the latest available annual data. The following tables present the County's employment by industrial sector.

Table 28
Payroll Employment

	2000	2012	2013
TOTAL PRIVATE SECTOR	365,022	362,899	363,126
PUBLIC SECTOR EMPLOYMENT:			
Federal	39,615	47,080	46,854
State	1,100	1,232	1,122
Local	33,084	39,669	40,707
TOTAL PUBLIC SECTOR	73,799	87,981	88,683
GRAND TOTAL	438,821	450,880	451,809

Notes: The following groups are excluded from the payroll count: Federal military, self-employed, railroad workers, and domestic employees.

Payroll employment represents the total number of jobs covered by the Maryland Unemployment Insurance Program.

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Table 29
Payroll Employment Shares by Industry

	2012	2013
TOTAL PRIVATE SECTOR	80.5%	80.4%
PUBLIC SECTOR EMPLOYMENT:		
Federal	10.4	10.4
State	0.3	0.2
Local	8.8	9.0
TOTAL PUBLIC SECTOR	19.5	19.6
GRAND TOTAL	100.0%	100.0%

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Table 30 provides a comparison of the payroll employment data for 2012 and 2013 based on the new classification system which shows that the County had a slight overall percentage gain in employment in 2013.

Table 30
Payroll Employment
(NAICS Series)*

	2012	2013	Difference	Percent Change
TOTAL PRIVATE SECTOR	362,899	363,126	227	0.1%
GOODS-PRODUCING	35,091	34,840	(251)	-0.7%
Natural Resources and Mining	393	258	(135)	-34.4%
Construction	23,263	23,363	100	0.4%
Manufacturing	11,435	11,219	(216)	-1.9%
SERVICE PROVIDING	327,802	328,286	484	0.1%
Trade, Transportation, and Utilities	58,193	57,607	(586)	-1.0%
Information	12,232	12,359	127	1.0%
Financial Activities	30,586	30,479	(107)	-0.3%
Professional and Business Services	99,317	98,510	(807)	-0.8%
Education and Health Services	65,780	66,767	987	1.5%
Leisure and Hospitality	39,115	40,257	1,142	2.9%
Other Services	22,579	22,307	(272)	-1.2%
UNCLASSIFIED	6	0	(6)	-100.0%
PUBLIC SECTOR EMPLOYMENT	87,981	88,683	702	0.8%
Federal Government	47,080	46,854	(226)	-0.5%
State Government	1,232	1,122	(110)	-8.9%
Local Government	39,669	40,707	1,038	2.6%
GRAND TOTAL	450,880	451,809	929	0.2%

* North American Industrial Classification System.

During calendar year 2013 the County's unemployment rate averaged 5.1 percent. Table 31 presents the County's labor force, employment and unemployment for the calendar years 2005 through 2014.

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Table 31
Montgomery County's Resident Labor Force
Employment & Unemployment

	Labor Force	Employment	Unemployment	Unemployment
2014*	529,482	506,937	22,545	4.3%
2013**	535,271	508,190	27,081	5.1%
2012**	535,371	507,381	27,990	5.2%
2011**	530,699	502,229	28,470	5.4%
2010**	525,908	495,187	30,721	5.8%
2009**	522,704	493,400	29,304	5.6%
2008	519,330	502,802	16,528	3.2%
2007	512,934	499,536	13,398	2.6%
2006	518,142	503,476	14,666	2.8%
2005	508,251	492,431	15,820	3.1%

Source: State of Maryland, Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics (BLS).

* Estimated based on the rate of change in the averages of the first half of 2013 and 2014.
** Data for 2009 through 2013 were revised by DLLR and BLS to incorporate intercensal population controls for 2010.

Federal Government Employment

The County is home to 18 Federal agencies in which over 45,000 civilians are employed. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's premier centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment in 2014.

Department of Health and Human Services (HHS)	28,000
National Institutes of Health	
Food and Drug Administration	
Department of Defense	13,000
Walter Reed National Military Center	
Carderock Naval Surface Warfare Center	
U.S. Army Research Laboratory	
Department of Commerce	5,500
National Oceanic & Atmospheric Administration	
National Institute of Standards & Technology	
Nuclear Regulatory Commission	2,700
Department of Energy	1,800

Source: Maryland Department of Business & Economic Development.

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Private Sector Employment

There are several thousand private sector employers in Montgomery County. Below is a listing of some of the County's largest employers.

Name of Firm	Est. No. of Employees
Marriott International, Inc. (Headquarters)	5,800
Adventist Hospital	5,300
Lockheed Martin	4,700
Holy Cross Hospital	3,200
Giant Food Corporation	3,000
Kaiser Permanente of the Mid-Atlantic States	2,900
Verizon	2,900
MedImmune/Astra Zeneca	2,300
Government Employee Insurance Company (GEICO)	2,300
Westat, Inc.	2,300
Henry M. Jackson Foundation	1,800
Suburban Hospital	1,700
Red Coats/Admiral Security Services	1,600

Source: Maryland Department of Business and Economic Development.

Personal Income

Actual personal income of County residents reached $74.0 billion in calendar year 2013 which is an increase over the 2012 amount of $73.5 billion. The County's total personal income experienced an increase of 0.7 percent in 2013, less than the nation's increase of 2.0 percent, and lower than the State's rate of 1.1 percent. The County's total personal income increase of 0.7 percent is less than the ten-year (2003-2012) annual average growth rate of 4.3 percent.

The County accounts for 23.2 percent of the State's personal income in 2013, which is a percentage that has ranged from a high of 23.8 percent in 2008 to a low of 23.2 percent.

Table 32
Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2013	$73,959	$319,125	$14,151,427	23.2 %
2012	73,467	315,776	13,873,161	23.3
2011	71,082	304,808	13,189,935	23.3
2010	67,090	289,560	12,417,659	23.2
2009	65,858	282,425	12,080,223	23.3
2008	67,280	282,984	12,429,234	23.8
2007	64,365	272,798	11,990,104	23.6
2006	62,145	260,939	11,376,405	23.8
2005	57,834	244,909	10,605,595	23.6
2004	54,124	231,901	10,043,231	23.3

Notes: Data for 2004 to 2013 from U.S. Department of Commerce, Bureau of Economic Analysis, revised November 2014 (County, State, and U.S.).

Average Household and Per Capita Personal Income

According the Bureau of Economic Analysis, U.S. Department of Commerce, the County's total personal income reached $74.0 billion in calendar year 2013, up from $73.5 billion in 2012, while per capita income reached $72,746 in 2013, down from $73,140 in 2012. Average household income decreased from $203,445 in 2012 to $202,770 in 2013.

Table 33
Per Capita and Average Household Income, 2013

County	Per Capita Income	County	Average Household Income
Marin, CA	$97,124	Marin, CA	$243,988
Arlington, VA	82,736	Fairfield, CT	234,956
Fairfield, CT	82,009	San Mateo, CA	230,726
Westchester. NY	80,363	Westchester, NY	227,811
San Mateo, CA	79,893	Somerset, NJ	227,323
Somerset, NJ	77,685	Nassau, NY	223,664
Douglas, CO	75,747	Douglas, CO	216,852
Morris, NJ	75,054	Fairfax, VA	213,984
Montgomery, MD	**72,746**	Santa Clara, CA	210,910
Nassau, NY	72,549	Morris, NJ	209,454
Fairfax, VA	71,752	**Montgomery, MD**	**202,770**
Howard, MD	70,876	Howard, MD	199,537
Norfolk, MA	70,456	Bergen, NJ	190,219
Santa Clara, CA	70,151	Arlington, VA	188,010
Montgomery, PA	70,050	Norfolk, MA	187,100
Bergen, NJ	69,495	Montgomery, PA	186,082
Middlesex, MA	66,498	Contra Costa, CA	181,443
Chester, PA	66,136	Chester, PA	180,734
Collier, FL	64,872	Middlesex, MA	176,770
Contra Costa, CA	63,403	Collier, FL	

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 200,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, November 20, 2014, for total personal income and per capita data; the Department of Finance used data from the American Community Survey, U.S. Census Bureau.

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ECONOMY

Agriculture

Agriculture in Montgomery County is a diverse industry that occupies about one-quarter of the County land area. The County's agriculture industry contributes over $287 million to the local economy. Over $85 million comes from the County's thriving equine industry, about $154 million from horticulture, and $48 million from traditional agriculture. There are more than 540 farms and 350 horticultural enterprises in the County. Forty-two (42) percent of the County's 540 farms are farmed as a primary occupation. Cash grain farms are the predominant agricultural use in the County covering over 48,000 acres. There are 219 farms, or forty (40) percent, that produce table food crops-products for direct human consumption. The majority of farms are family-run operations, most having been in the same family for several generations. The industry as a whole employs more than 10,000 residents.

Preservation of rural land for agricultural use is a high priority in the County. Farmland preservation efforts consist of a variety of strategic programs offered by the County and State. The County received a total of $19.7 million in Rural Legacy Program grant awards.

Since its creation in 1980, the 93,000 acre Agricultural Reserve controlled farmland development in the County. There are approximately 70,000 acres of farmland in the Reserve, and another 20,000 acres within the Reserve are publicly owned (parkland) or previously developed land (rural villages). Currently, Montgomery County is ranked second nationally in acres of farmland protected through easements (72,479 acres), and has the highest percentage of land in farms preserved in the nation (94 percent).

In 1980, sixty (60) percent of the farmland in the Agricultural Reserve was owned by speculators. Through farmland preservation programs, this trend was significantly reduced as more farms are now owned and operated by farmers. Farmers and landowners can choose from seven separate agricultural land preservation programs. Each of these programs places an easement on the property that prevents future commercial, residential or industrial development of the land.

The Department of Economic Development-Agricultural Services Division supports retail and wholesale agricultural marketing programs, such as the County-sponsored farmer's markets and annual farm tour, and promotion of wholesale and cooperative marketing. The Division also provides programs and technical assistance for farmers; these initiatives include Fuel-Energy Tax Relief, Deer Donation Program, Weed Control Services, Agricultural Product and Farm Logo Program, and many more.

Major capital assets acquired during the current fiscal year included approximately $2,006,430 for purchasing preservation easements on farmland in agricultural zones. These assets enhance the preservation of farmland protected by Transferable Development Rights easements (TDRs) including other agricultural lands not protected by agricultural easements. An additional $3.1 million dollars is earmarked for pending FY15 easement settlements in association with the County and State Agricultural Easement Programs.

New Construction

Between FY13 and FY14, the number of new construction projects increased 18.6 percent. At the same time, the value of new construction added to the real property tax base decreased 7.0 percent to $1.309 billion. Over the prior nine-year period (from FY05 to FY13), the number of projects, both residential and non-residential decreased from over 2,077 to 1,497. However, during that same period, the value of new construction averaged $1.3 billion between FY05 and FY13 and ranging from a high of $1.668 billion in FY05 to a low of $0.586 billion in FY12. The decline in the construction of residential properties beginning in FY08 and ending in FY12 reached its lowest level in ten fiscal years. Because of the depressed housing market beginning in late 2005, the value of new residential construction declined 76.8 percent between the peak in 2007 and 2012.

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Table 34
New Construction Added to Real Property Tax Base
Montgomery County
($ millions)

Fiscal Year	Construction Starts	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2014	1,775	$649.2	$78.5	$ 59.0	$515.9	$6.8	$1,309.4
2013	1,497	537.2	91.9	123.8	651.8	3.0	1,407.7
2012	839	241.5	39.0	60.7	241.3	3.1	585.6
2011	863	540.2	20.6	56.6	226.9	75.5	919.8
2010	833	599.4	19.7	180.3	354.7	226.6	1,380.7
2009	738	724.1	5.8	455.4	229.5	0.0	1,414.8
2008	952	882.7	25.8	318.5	256.6	0.0	1,483.6
2007	985	1,040.1	22.0	211.4	312.6	19.5	1,605.6
2006	1,580	978.3	41.2	132.9	384.6	4.8	1,541.8
2005	2,077	874.2	82.5	121.2	588.4	1.7	1,668.0
10-Year Summary		$ 7,066.9	$427.0	$1,719.8	$3,762.3	$341.0	$13,317.0
Categories as Percent of Total		53.1%	3.2%	12.9%	28.2%	2.6%	100.0%

Source: Dodge Analytics, McGraw-Hill Construction, and Maryland State Department of Assessments and Taxation.

Development Districts

In 1994, the County Council enacted the Development District Act, which allows the County to create development districts and to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or acquisition of infrastructure improvements. The proceeds of development district bonds are used to fund certain road, park, and sewer infrastructure improvements supporting development within the districts.

As a result of a petition by property owners and the subsequent review and analysis of the feasibility of the proposed development district, the County Council, in January 1998, created the County's first development district, West Germantown. A second district, Kingsview Village Center, was created on July 28, 1998.

In separate actions in September 2000 and October 2001, the County Council approved resolutions initiating evaluation of three proposed new development districts located in Clarksburg: Clarksburg Town Center, Clarksburg Village and Clarksburg Skylark (currently marketed as Arora Hills). The Clarksburg Town Center development district was created on March 4, 2003. However, in October 2010, the Council adopted Resolution 16-1544 which effectively terminated the Clarksburg Town Center development district.

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Economic Development Initiatives

In an effort to stimulate employment growth and new investment, the County initiates programs and promotes the strengths of each of its local employment centers.

Overview of Montgomery County

The County is divided into two major commercial real estate areas: the core and non-core markets. The core markets include the Bethesda/Chevy Chase and Silver Spring submarkets. These two are characterized by high- density, mass transit-serviced areas. Historically, they are some of the most highly demanded areas in Suburban Maryland.

The non-core markets include all of the remaining submarkets in Montgomery County including the technology based I-270 corridor. Each of the submarkets is outside of the Capital Beltway and generally exhibits more suburban traits with a few pockets of dense development.

Technology Corridors

The I-270 Technology Corridor is an internationally recognized life sciences and advanced technology center. It is home to over 1,000 biotechnology and advanced technology companies, including GlaxoSmithKline (formerly Human Genome Sciences), Lockheed Martin, MedImmune/Astra-Zeneca, IBM and Hughes Communications. The corridor continues to grow with over 18 million square feet of additional commercial and industrial development in the pipeline. Some of the highlights of the Technology Corridor include the following:

- A new hospital, Holy Cross Germantown Hospital, brings much-needed health care services to the most rapidly growing and aging region in the county. The six-story, 237,000 square-foot hospital that opened in 2014 offers medical, surgical, obstetric, emergency and psychiatric care and will create thousands of new jobs.

- The White Flint Sector Master Plan which targets future growth along Rockville Pike with development clustered around 430 acres near the White Flint Metro Station. This planned revitalized new urban neighborhood that is well underway will include residences, offices, service-oriented businesses, restaurants and entertainment venues. The redevelopment of the White Flint Mall will produce a street-grid town of several million square feet, with multiple office buildings, 2,500 new residences, a hotel and over a million square feet of retail. The design also includes nearly two dozen buildings, a two acre square, and an elementary school site.

- The U.S. Route 29 Corridor in eastern Montgomery County continues its steady transformation into the County's other major technology and business center, with more than 100 major employers, most notably the FDA Headquarters campus that will include over 2.1 million square feet of office, lab and support facilities.

Central Business Districts

The County is committed to promoting new investment in its Central Business Districts (CBD). The County's four CBDs are Silver Spring, Wheaton, Bethesda, and Friendship Heights, and are served by the region's longest extensions of the Metrorail system. The CBDs are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations. A summary of the four CBDs are as follow:

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Downtown Silver Spring

Since 1998, the State and Montgomery County invested a total of approximately $200 million in the redevelopment of downtown Silver Spring. Downtown Silver Spring transformed into a vibrant business, retail and entertainment hub with the American Film Institute (AFI) and Discovery Communications leading the way. Other prominent locations in this district are:

- The Fillmore Silver Spring has been a huge success and brings the tradition of legendary and diverse lineups of performers across many genres of music to the 23,000 square foot venue that can host 2,000 patrons.

- The Silver Spring Civic Building and Veterans Plaza add a new dimension to the arts & entertainment economy in the area. The facility has transformed what it means to be in a public space in Silver Spring and is an economic engine for the nearby retail community.

- The new Silver Spring Library that is currently under design will be 63,000 square feet, almost four times bigger than the current Silver Spring Library and is designed to allow for a Purple Line station.

- Public transportation is being bolstered with the planned Purple Line light rail, which will add new transit options to the region, with two stations in downtown Silver Spring – and nine in the Silver Spring Regional Area.

Wheaton

The limited size of Wheaton's Central Business District (CBD), 76 acres, combined with the number of small commercial property parcels and multiple property owners, presents a challenge in redeveloping Wheaton, given the cost of land aggregation necessary for larger-scale development. The County recognized that it and other public entities held enough real estate assets in Wheaton that were capable of accommodating larger development projects. The County determined that some of these assets might be used to stimulate redevelopment in Wheaton as listed below:

- The Wheaton CBD and Vicinity Sector Plan, promotes transit-oriented, "smart growth" development in downtown Wheaton. Such development will enhance Wheaton's strong retail base, which includes a newly renovated Westfield Wheaton regional shopping mall and over 300 locally owned and operated small businesses, including more than 80 restaurants. A 148,000 square foot Costco Wholesale opened alongside the Westfield shopping mall in 2013.

- Patriot Realty Co., Foulger-Pratt Construction and Safeway, Inc. are currently constructing an 800,000 square foot mixed-use residential/retail project – The Exchange at Wheaton Station – directly across from the WMATA Red Line subway station.

- Centex Homes is in the final phase of its residential project "Leesborough." The project, approximately one-half mile due north of the Wheaton subway station, is comprised of 143 townhomes, 45 condominiums and 6 single-family homes. The single-family homes are under construction while all other units have been built and sold.

Bethesda

Downtown Bethesda is one of the County's major urban business and entertainment centers, with nearly 200 restaurants along with the density of both high-rise office and residential buildings. Downtown Bethesda is a thriving destination offering residents, visitors and its workforce multi-cultural dining, live theater, cinema, unique shops and numerous special events and festivals.

- Residents and visitors alike continue to enjoy the artistic and enriching performances provided at the Bethesda Round House Theatre, Imagination Stage, Bethesda Row Landmark Theatre, and Bethesda Blues and Jazz Super Club. These marquee entertainment organizations highlight classical plays, children's theatre, live music and independent and foreign films.

- Bethesda has a workforce of nearly 44,000 and includes employees who work for some of the region's most notable employers, including Capital One (formerly Chevy Chase Bank), Clark Construction Group, Development Alternatives and American Capital Strategies.

- In the popular Bethesda Row section of downtown Bethesda, StonebridgeCarras has broken ground on the redevelopment of County Parking Lot 31. The development, which will add 250 residential units in two buildings and a new 940-space underground County parking garage, is a joint venture with PN Hoffman. Across the street from Lot 31, JBG has plans to break ground on a 230-room boutique hotel, 25,000 square feet of shops and cafes, and nearly 270,000 square feet of office space.

- The National Capital Planning Commission has approved final details of the first phase of a $300 million intelligence campus being developed at the former National Geospatial-Intelligence Agency headquarters in Bethesda. The Army Corps of Engineers is working with the Defense Intelligence Agency on the large-scale $300 million, 40-acre overhaul, which will be developed in two phases. When complete, the site will be home to roughly 3,000 employees from the federal government's intelligence gathering agencies, including the Office of the Director of National Intelligence. As proposed, the military wants to keep all but one of the five buildings at the site, which now has about 700,000 square feet. In addition, it plans to add 170,000 square feet and create connections so the complex would be turned into one large facility rather than a cluster of separate buildings.

Friendship Heights

The Friendship Heights CBD is located at the Montgomery County-Washington, D.C. border with the Metrorail station at Wisconsin and Western Avenues at its center. Adjacent to the Friendship Heights CBD are multiple smaller jurisdictions and developments, including the Village of Friendship Heights special taxing district, the Town of Somerset, the Brookdale neighborhood, and the Somerset House complex.

- The Friendship Heights area has the first top-tier luxury shopping center on the east coast outside of New York City. The Collection at Chevy Chase, part of the Chevy Chase Center mixed-used development, is a 112,000 square foot project facing Wisconsin Avenue.

- The second and third components of Chevy Chase Center consist of 100,000 square feet of neighborhood-oriented retail, and a 200,000 square foot office tower.

- The final project in Friendship Heights, completed in 2009, is Wisconsin Place, a one million square foot mixed-used development on Wisconsin Avenue. Wisconsin Place consists of 305,000 square feet of retail (Bloomingdale's and Whole Foods are the anchor tenants), 432 luxury apartments, 295,000 square feet of office space, a 20,500 square foot community center and a 1,765 space underground parking garage.

Existing Office/R&D/Commercial Space

As of October 2014, Montgomery County has over 145 million square feet of commercial real estate space (office, flex, R&D, industrial and retail).

Most of Montgomery County's office space is located along two "Technology Corridors", the I-270 corridor and the Route 29 corridor. The I-270 corridor includes the Bethesda, Rockville, Gaithersburg and Germantown markets and features over 109 million square feet of commercial space. Notable buildings along the I-270 corridor include the 1.2 million square foot MedImmune building in Gaithersburg, 800,000 square foot Marriott headquarters in North Bethesda, and 700,000 square foot Capital One Bank headquarters in Bethesda. The Route 29 corridor connects Silver Spring to Burtonsville and includes over 14 million square feet of commercial space. Discovery Communications' 550,000 square foot corporate headquarters in downtown Silver Spring is the signature building in the corridor. Also featured along Route 29 is the Westech Business Park, which includes over three million square feet of office, R&D, light industrial and retail development.

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Table 35
Office/Flex/Industrial/Retail Space Availability by Major Submarkets
as of October 2014

Montgomery County Market	Total Inventory (Square Feet)	Direct Vacant (Square Feet)	Direct Vacancy Rate	Vacancy Rate w/Sublet
Bethesda/Chevy Chase	18,058,682	1,307,636	7.2%	7.9%
Gaithersburg	21,886,906	1,727,722	7.9	8.2
Germantown	8,008,968	674,086	8.4	8.7
Kensington/Wheaton	8,251,526	671,253	8.1	8.1
North Bethesda/Potomac	17,083,829	2,493,853	14.6	15.0
North Rockville	24,376,680	2,813,656	11.5	12.7
North Silver Spring/Rt 29	9,306,332	634,705	6.8	7.6
Rockville	19,885,451	1,930,088	9.7	9.9
Silver Spring	12,255,807	840,684	6.9	7.2
Other Markets*	6,933,603	969,482	14.0	14.0
Total County	146,047,784	14,063,165	9.5	10.3

Note: CoStar Property, the County's source for commercial real estate information.
*Other Markets include I-270 North, Outlying Montgomery County East, and Outlying Montgomery County West submarkets.

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Office/Industrial Projects

Summary

A few large commercial projects continued in Montgomery County in 2014. Construction is nearing completion on NIH's National Institute of Allergy and Infectious Diseases (NIAID). Additionally, Montgomery County continued to make significant progress developing two strategic Science and Technology Centers. Details on these projects appear below.

Developers and local government officials broke ground on the Crown project in October 2012. The 182-acre tract is now the construction site for 320,000 square feet of retail and commercial space, plus 2,250 residential units, being built by Buzzuto Group and called "Cadence at Crown". Part of the project has already been completed and the ribbon cutting ceremony took place in November 2014. JBG won the retail rights and restaurants and shops include Harris Teeter, La Madeleine, Asia Nine and Roti Mediterranean Grill.

Public/Private Projects

East County Center for Science and Technology (ECCST)

The White Oak Science Gateway Master Plan is also being developed, which will provide a unique opportunity to capitalize on the presence of FDA, and transform this region of the County into a vibrant hub for technological advancement.

The proposed 300-acre Site II development is envisioned as a public-private partnership between the County and Percontee, Inc. The goal is to create a world-class life sciences, education and research campus that will be an economic engine in the eastern portion of the County, and complement nearby Federal agencies, most notably the consolidated U.S. Food and Drug Administration (FDA) headquarters. The County took the property through the State's Voluntary Clean-Up Program; environmental remediation was completed in late 2014.

Montgomery College-Germantown Science and Technology Park

In early 2003, Montgomery College settled on the purchase of a 20-acre site adjacent to the College's Germantown campus. This property was combined with 20 acres of existing undeveloped land on the campus to form a 40-acre site on which a one million square foot Science and Technology Park will be constructed. The purchase of the 20-acre site was made possible by a total of $6.1 million in funding appropriations to the College from the State and County. The preliminary plan for the Science and Technology Park calls for primarily high technology research and development space, with a focus on the life sciences, which will complement the biotechnology programs and curriculum already offered at the Germantown Campus. Once built out, the Science and Technology Park would be home to nearly 4,000 employees. As the anchor tenant of the Montgomery College Science & Technology Park, Holy Cross Germantown will serve as a valuable educational resource for aspiring health care workers. To complement the Science and Technology Park, the College provided space for a 35,000 square foot County-operated business incubator on campus, which is fully occupied with science and technology early stage companies. To complete this three part science and technology project, the 127,000 square foot Bioscience Education Center has begun construction and opened to students in September of 2014.

Montgomery County Business Innovation Network

The Montgomery County Business Innovation Network is a program of four business incubator facilities that has successfully assisted start-up technology and professional services companies to grow and expand in the County. To date, over 150 companies graduated from the County's incubators. The Maryland Technology Development Center opened its doors in 1998. After helping over 100 start-up companies to grow, the center is now being converted into the coveted National Cybersecurity Center of Excellence. The County opened a second incubator in 2004, called the Silver Spring Innovation Center (SSIC). The SSIC is nearly fully leased to start-up information technology companies. The success of and demand for the incubator program spurred the County to develop three additional incubators since the opening of the SSIC. The Wheaton Business Innovation Center (WBIC) opened in 2006, and the Rockville Innovation Center (RIC) opened in 2007. The latest addition to the incubator program is the Germantown Innovation Center (GIC), which opened in October 2008.

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Commercial Projects Continuing in 2014

National Institute of Allergy and Infectious Diseases (NIAID)

The National Institute of Allergy and Infectious Diseases will bring a projected 2,000 workers to a new 491,000 square-foot building on Fishers Lane in Twinbrook, under a lease signed by the U.S. General Services Administration. Chevy Chase-based JBG Companies will construct and lease the 10-story office at 5601 Fishers Lane, near where NIAID already has 150,000 square feet of laboratory space. There is also a 5-story, concrete parking garage located adjacent to the building. NIAID signed a 15-year lease for its new quarters, which was completed in 2014.

Construction began in 2013 on a new mixed-use development project in Rockville Town Center. The $100 million development will include approximately 40,000 square feet of retail space, 465 apartments, a 140-room Cambria Suites Hotel and 1,000 parking spaces. The project is expected to generate $10.18 million in revenue for the county and nearly $3.8 million for the city during the next 15 years. The property is across the street from Choice Hotels International's new headquarters thus realizing the long-time vision for the headquarters and the flagship hotel brand to be located in close proximity.

New Business Additions and Expansions

Montgomery County's Department of Economic Development continues to work with companies interested in starting-up, expanding, or relocating to the County.

Highlights of this activity include:

- **M Luis Construction Company** – the company has committed to moving its headquarters with about 250 employees from Baltimore to Montgomery County.
- **Mobile System 7 Company** - located its headquarters in Bethesda creating 40 new jobs.
- **SunEdison -** signed a 10 year lease for 33,000 square feet of space in the newly renovated Bethesda building and will create 85 new jobs.
- **LSoft** - was the first company to benefit from the MOVE program. It has relocated 25 jobs to Bethesda and plans to create another 10 new jobs in the next 2 years
- **Cobrain -** a data analytics based e-commerce platform is planning to expand to 200 FTE in 3 years.
- **Emergent Biosolutions** - was retained in the county and is planning to expand by 130 employees.
- **Precision for Medicine** - was retained in the county and is planning to expand by 60 jobs.

Retail Sales

Retail sales, measured by sales tax data collected for the first nine months of 2014, increased in Maryland and in Montgomery County. Compared to the prior year, when retail sales in the County decreased 0.5 percent during the first nine months of 2013, sales increased 2.0 percent during the first nine months of 2014. The increase was attributed to purchases of general merchandise which increased 5.6%, furniture and appliances up 4.0%, purchases of building and industrial supplies which increased 0.5% , hardware, machinery, and equipment which were up 2.8%, automotive up 4.7%, and utilities and transportation up 5.6%. Those increases were partially offset by decreases in purchases of apparel down 1.2% and general merchandise down 1.7%

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Major Retail Centers

Montgomery County is served by four regional shopping malls. They are Lakeforest Mall in Gaithersburg, Westfield Montgomery Shopping Mall in Bethesda, Westfield Wheaton Shopping Mall in Silver Spring, and White Flint Mall in North Bethesda.

Lakeforest Mall, located along Maryland Route 355 and Montgomery Village Avenue near I-270, opened in 1978. This 1.1 million square foot mall features over 160 stores, including four major department stores: Macy's, JC Penney, Lord & Taylor, and Sears Roebuck & Co.

Westfield Montgomery Shopping Mall opened in 1968, and covers 1.6 million square feet of space. It features Nordstrom, Macy's, Macy's Furniture Gallery, Sears Roebuck & Co., 211 other stores, and three parking garages. Expansion plans were approved in 2007 to enlarge the Macy's, move the Sears Automotive Center and add a promenade with shops and restaurants with outdoor seating. The expansion will also include a Montgomery County Transit Center.

Westfield Wheaton Shopping Mall is located adjacent to the Wheaton Metro Center at the intersection of Georgia Avenue and Veirs Mill Road in the Wheaton Central Business District. This was the County's first shopping mall (opened in 1960) and was enclosed and remodeled in 1987. JC Penney, Macy's, and Target anchor the mall, which includes 195 stores, with an expansion that includes Costco, which opened in 2013.

White Flint Mall, which is located east of Rockville Pike in North Bethesda close to the White Flint Metro Station, opened in 1977. In 2012, the Montgomery County Planning Board approved a sketch plan for a new mixed use development project on the mall site that will include millions of square feet of residential, office, retail, and other public uses. The demolition of the mall has started.

APPENDIX A

BASIC FINANCIAL STATEMENTS

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TABLE OF CONTENTS

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CliftonLarsonAllen LLP
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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 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

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

Independent Auditors' Report
Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

Management's Discussion and Analysis
This supplementary information is required for state and local government financial statements, and is intended to provide a narrative introduction, overview, and analysis.
Pages 3 to 25.

Government-Wide Financial Statements
Provides information on governmental and business-type activities of the primary government.
Pages 29 to 31.

Fund Financial Statements
Provides information on the financial position of specific funds of the primary government.
Pages 32 to 41.

Component Units
Provides information on the County's component units.
Pages 42 to 43.

Notes to Financial Statements
Provides a summary of significant accounting policies and related disclosures.
Pages 45 to 120.

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)	(1,1247,964,983)	(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:

Summary of Changes in Net Position *
For the Fiscal Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
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
Total Revenues	3,734,657,608	3,658,596,140	473,654,576	465,990,973	4,208,312,184	4,124,587,113
EXPENSES						
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
Total Expenses	3,682,722,447	3,631,825,256	437,375,366	399,078,204	4,120,097,813	4,030,903,460
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	$ 1,180,792,839	$ 1,081,999,170	$ 316,062,227	$ 326,641,525	$ 1,496,855,066	$ 1,408,640,695

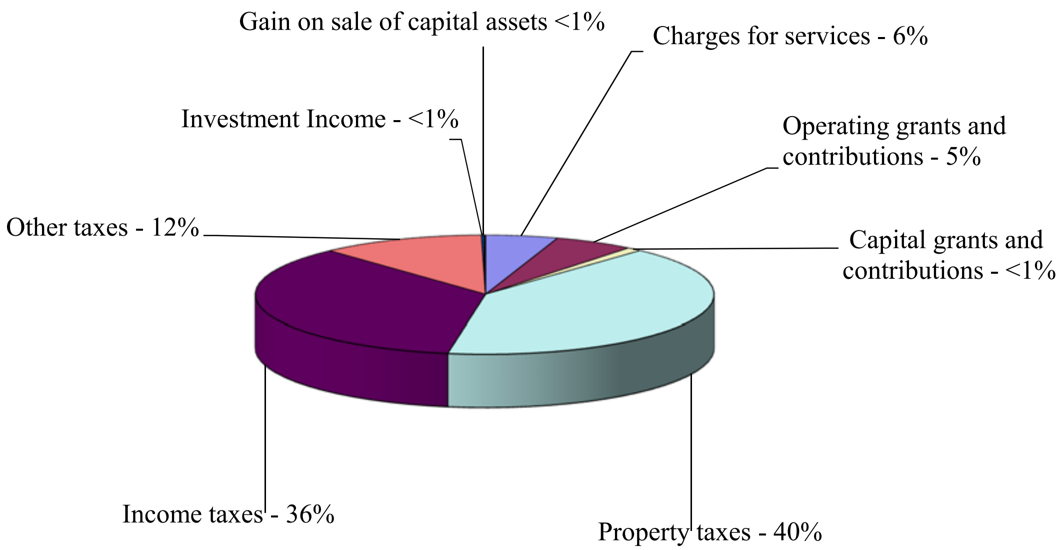
* Primary Government

Note: 2013 balances have been reclassified to conform with current year presentation and restated for the adoption of 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

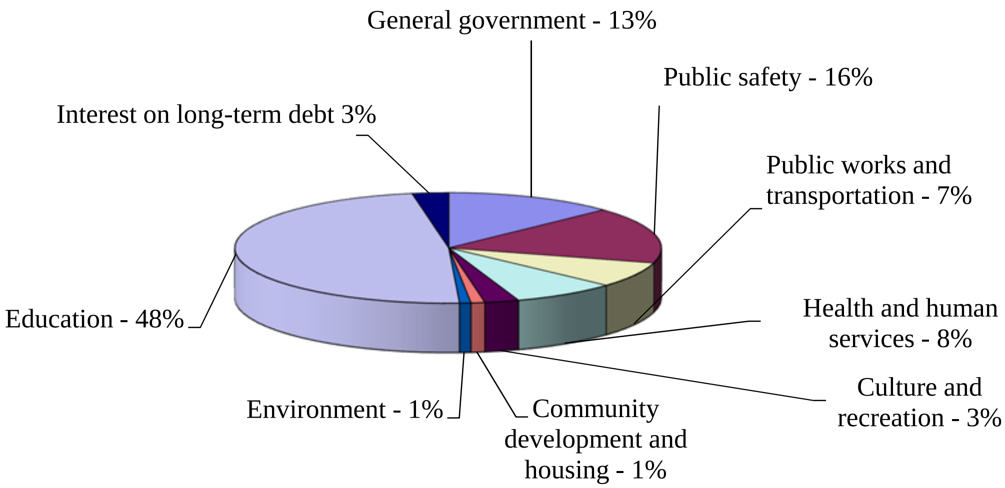


- Taxes constitute the largest source of County revenues, amounting to $3,290.6 million for FY14.
- Property and local income tax combined comprise 76.5 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate 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
Total	$ 3,682,722,447	$ 3,631,825,256	$ 440,554,938	$ 436,825,355	$ 3,242,167,509	$ 3,194,152,177

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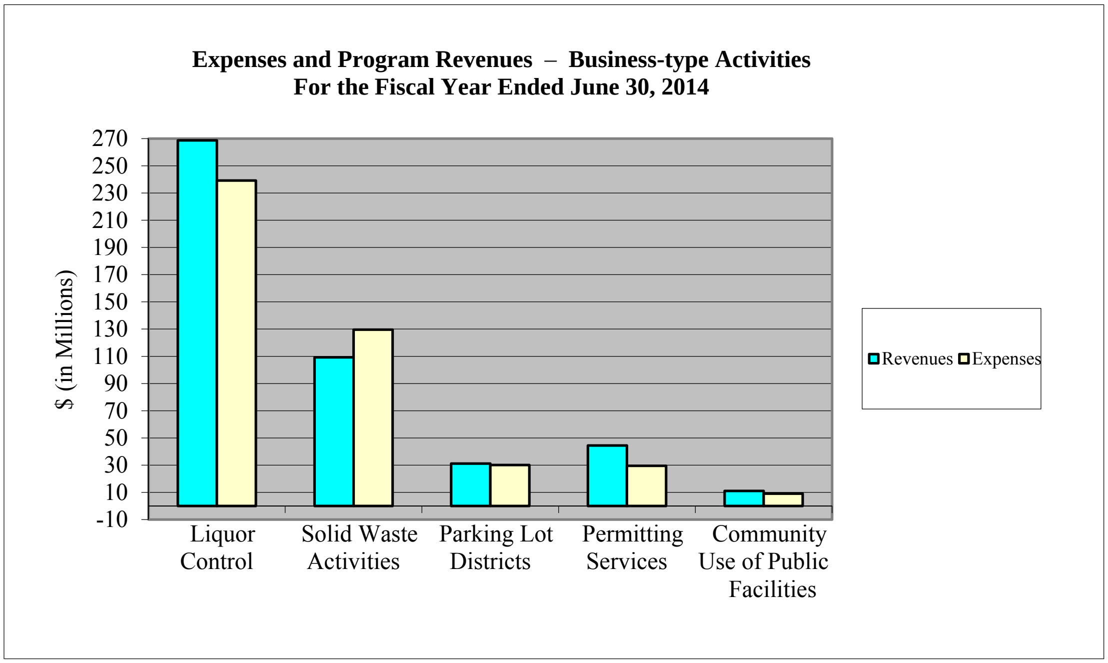
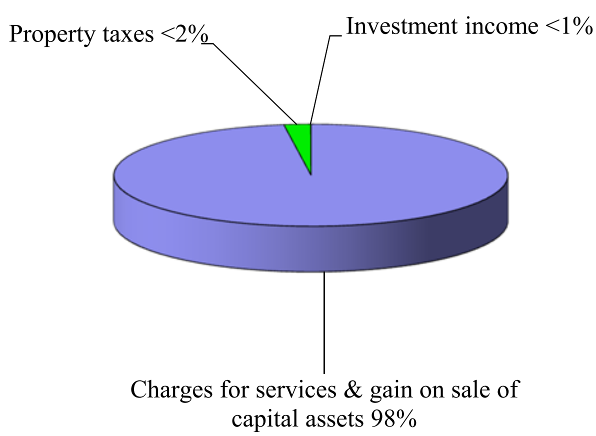
Business-type activities are shown below comparing costs to revenues generated by related services:



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

Revenues by Source - Business-type Activities
For the Fiscal Year Ended June 30, 2014



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.

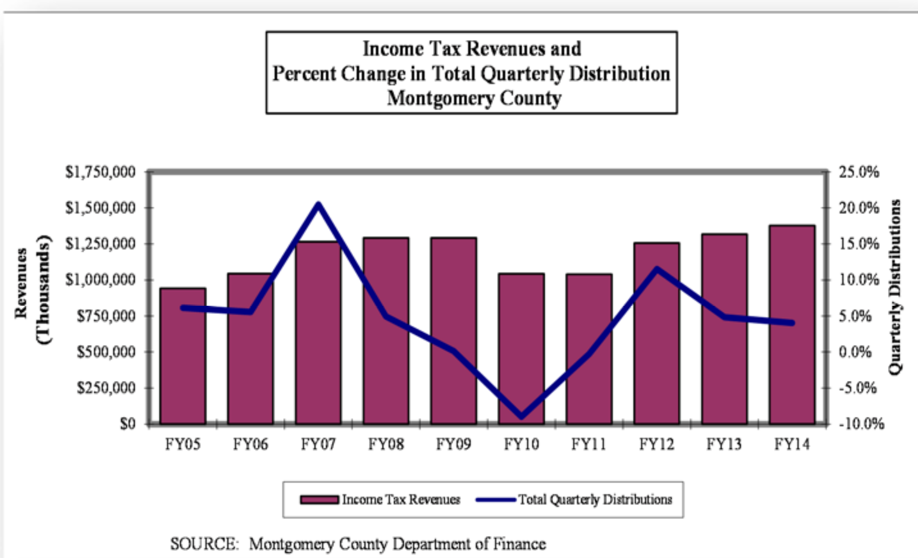
A more detailed comparison of final budget to actual figures for revenues is presented as follows:

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.

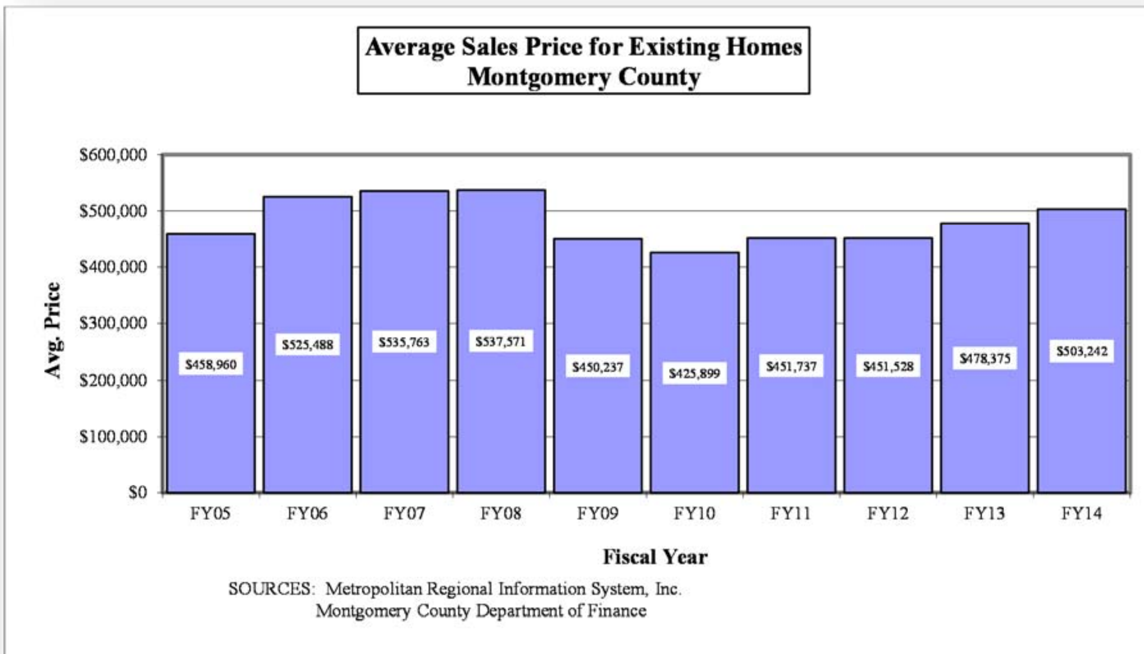


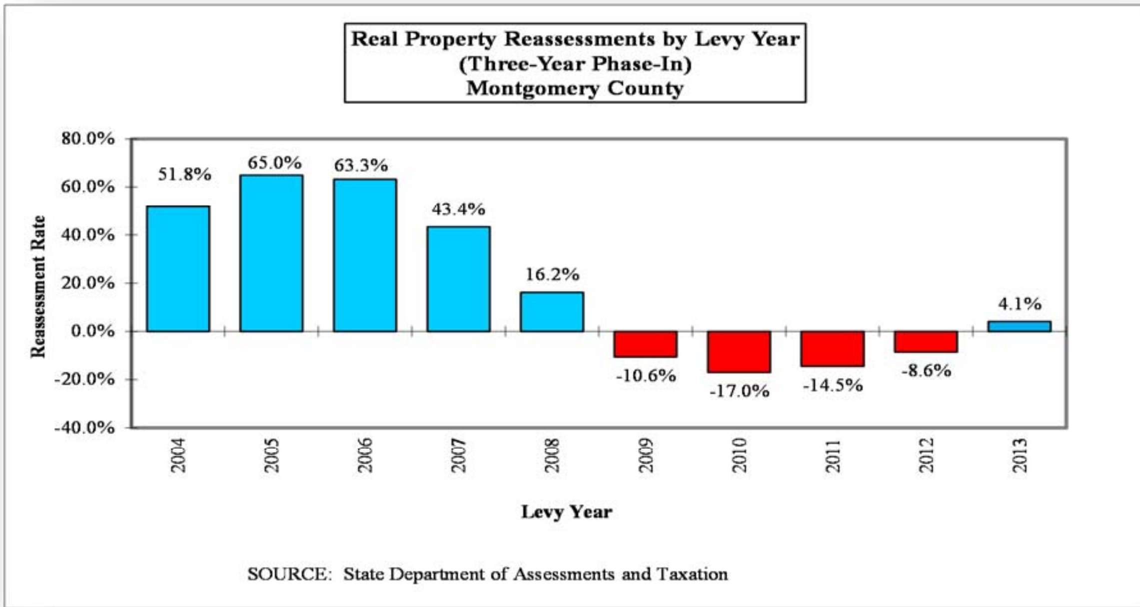
Property Taxes

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.

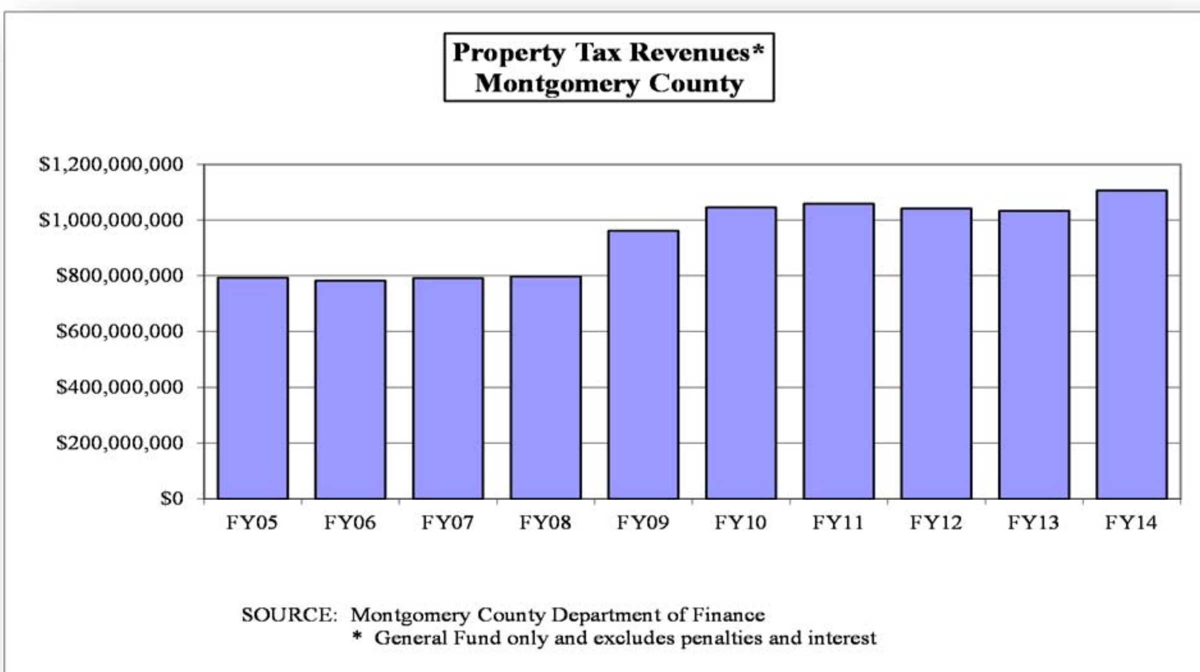
The taxable assessments for real property increased 1.0 percent from FY13 to FY14. This was the first increase since FY11 (↑0.4%). New construction, which added $1.309 billion to the base in FY14, was 7.0 percent lower than in FY13.

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.





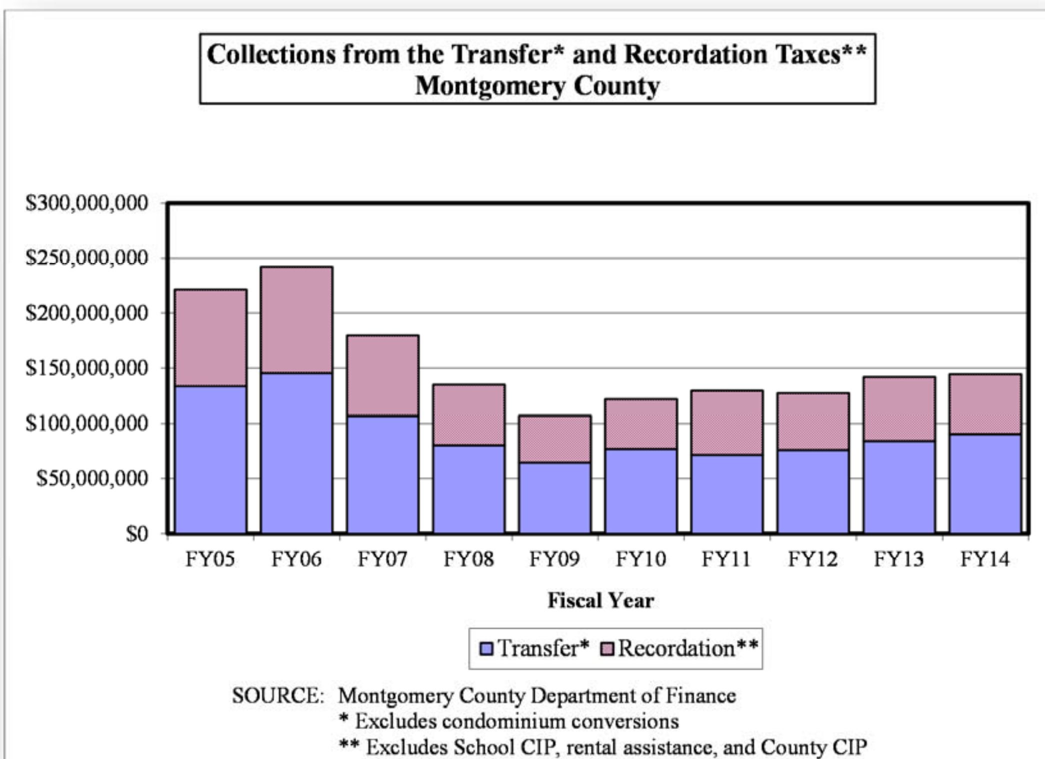
The homestead tax credit limits annual increases in homeowners' taxable assessments to 10 percent per year although other taxable assessments such as commercial and investment residential properties are not limited by this credit. While there was a dramatic decrease in the reassessment rates over the 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.



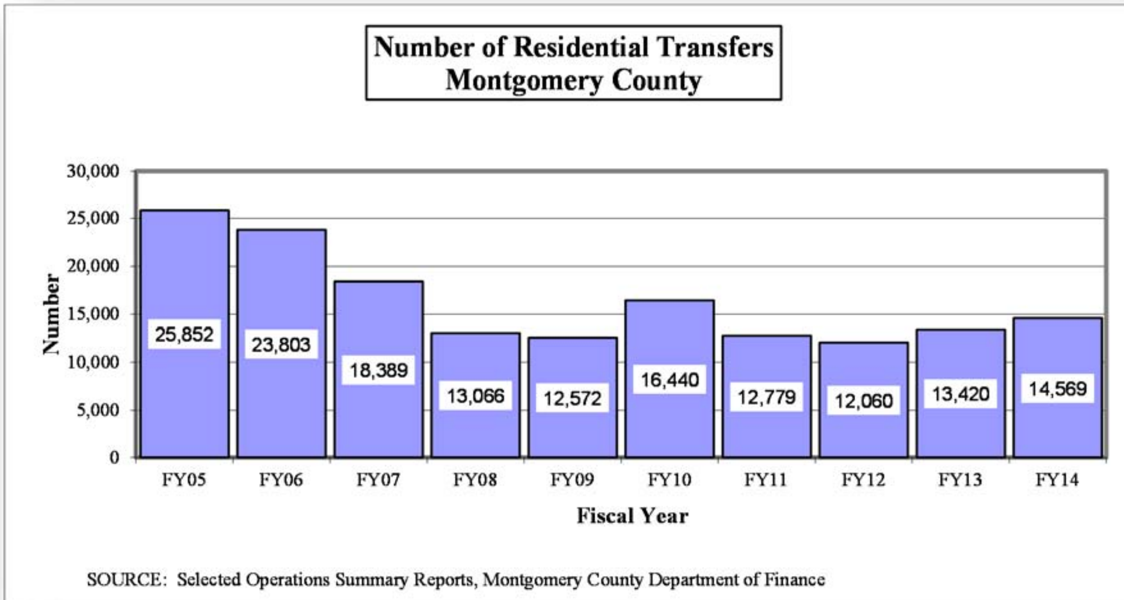
Assessments of personal property decreased 1.5 percent in FY05 and 1.8 percent in FY06 primarily due to weakness in all three categories: individual, public utility, and corporate. The declines in FY05 and FY06 were attributed to adjustments to individual personal property undertaken by the Maryland 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

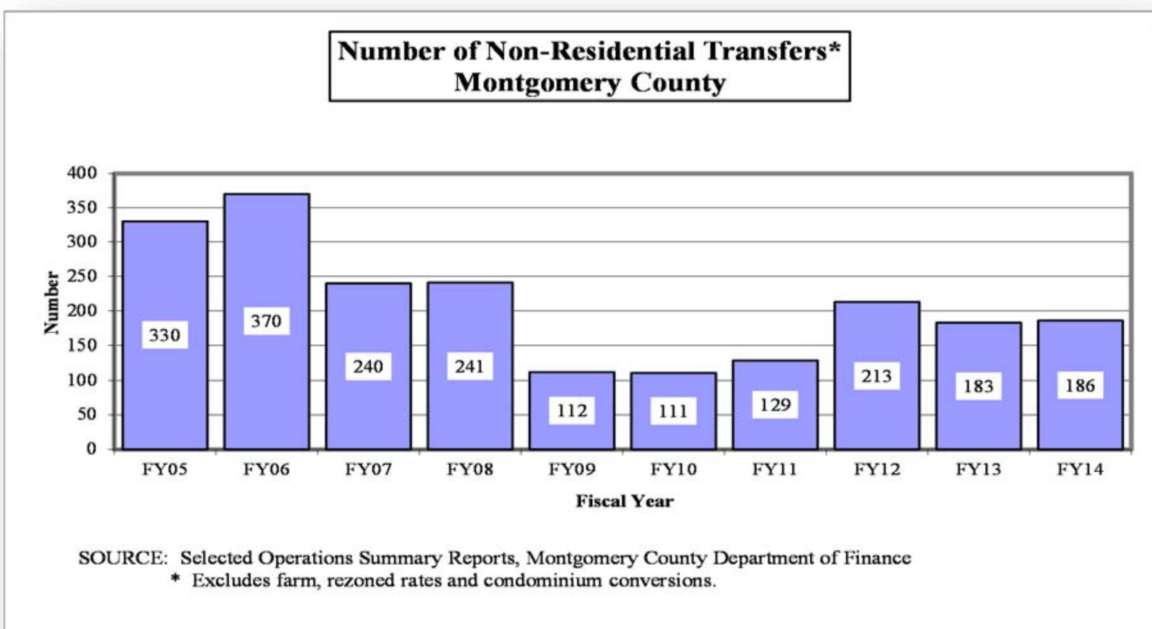
Another major tax revenue category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY14 were $144.5 million (excluding recordation tax revenues earmarked for CIP funding of school construction, rental assistance, and CIP 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:

Capital Assets, Net of Depreciation
June 30, 2014

	Governmental Activities	Business-type Activities	Total FY14	Total FY13
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
Total	$ 3,864,096,152	$ 280,050,637	$ 4,144,146,789	$ 3,829,857,962

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

Change in Capital Assets
For the Fiscal Year Ended June 30, 2014

	Governmental Activities	Business-type Activities	Total FY14	Total FY13
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	$ 3,864,096,152	$ 280,050,637	$ 4,144,146,789	$ 3,829,857,962

* 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 1st 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:

Long-Term Debt
June 30, 2014

	Governmental Activities	Business-type Activities	Total FY14	Total FY13
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	-
Total	$ 3,826,238,418	$ 146,739,954	$ 3,972,978,372	$ 3,760,409,104

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 Units
	Governmental Activities	Business-type Activities	Total	Total
ASSETS				
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
Prepaids	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	5,486,308,847	508,498,004	5,994,806,851	4,651,154,815
DEFERRED OUTFLOWS OF RESOURCES				
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	20,284,009	151,134	20,435,143	11,297,484
LIABILITIES				
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	4,325,800,017	192,586,911	4,518,386,928	2,017,975,551
NET POSITION				
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)	(1,247,964,983)	69,285,828	(1,178,679,155)	(411,915,085)
Total Net Position	$ 1,180,792,839	$ 316,062,227	$ 1,496,855,066	$ 2,644,476,748

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

		Program Revenues		
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
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	3,682,722,447	189,491,439	211,052,724	40,010,775
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	437,375,366	464,403,897	-	-
Total Primary Government	$ 4,120,097,813	$ 653,895,336	$ 211,052,724	$ 40,010,775
Component Units:				
General government (BUPI)	$ 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	$ 3,239,526,999	$ 240,753,403	$ 241,253,573	$ 68,905,144

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 contibutions not restricted to specific programs
- Investment income
- Gain (loss) on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Positon

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

Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units
	$ (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
ASSETS							
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
Prepaids	286,050	-	-	-	2,500	-	288,550
Total Assets	$ 945,619,859	$ 247,797,942	$ 75,567,301	$ 38,597,305	$ 185,622,474	$ 91,310,570	$ 1,584,515,451
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
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	85,545,667	6,422,501	75,567,301	30,107,976	217,504,018	21,188,566	436,336,029
Deferred Inflows of Resources:							
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	260,329,581	-	-	-	12,432,807	4,108,460	276,870,848
Fund Balances:							
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	599,744,611	241,375,441	-	8,489,329	(44,314,351)	66,013,544	871,308,574
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 945,619,859	$ 247,797,942	$ 75,567,301	$ 38,597,305	$ 185,622,474	$ 91,310,570	$ 1,584,515,451

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 uses 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	5,183,507,842	
Less accumulated depreciation	(1,350,936,203)	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	(71,003,132)	(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	(20,284,009)	(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	(435,621)	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	11,181,625	280,989,005
Net position of governmental activities (See Exhibit A-1)		$ 1,180,792,839

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

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
REVENUES							
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	3,051,579,116	12,251,294	112,176,873	9,724,345	125,884,270	463,511,047	3,775,126,945
EXPENDITURES							
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	-	-	-	-	617,298,883	-	617,298,883
Total Expenditures	2,695,725,831	19,885,622	113,054,107	318,752,786	617,298,883	409,686,385	4,174,403,614
Excess (Deficiency) of Revenues over (under) Expenditures	355,853,285	(7,634,328)	(877,234)	(309,028,441)	(491,414,613)	53,824,662	(399,276,669)
OTHER FINANCING SOURCES (USES)							
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)	(264,624,190)	18,299,673	877,234	311,180,360	451,124,073	(47,327,803)	469,529,347
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	$ 599,744,611	$ 241,375,441	$ -	$ 8,489,329	$ (44,314,351)	$ 66,013,544	$ 871,308,574

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 are depreciation expense:		
Capital outlay	$ 372,613,877	
Depreciation expense	(80,430,246)	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	(35,437,797)	(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 governmenal funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and simmilar 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	4,111,482	(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, therfore, are not reported as expenditures in		
Accrued interest payable	(2,181,172)	
Compensated absences	(2,341,117)	
Other postemployment benefits	3,237,086	
Amortization	22,055,102	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

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

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

	Business-Type Activities - Enterprise Funds					Governmental
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	Activities- Internal Service Funds
ASSETS						
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
Prepaids	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
DEFERRED OUTFLOWS OF RESOURCES						
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					Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
LIABILITIES						
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	18,384,328	9,311,244	7,586,679	16,647,397	51,929,648	56,328,834
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	48,555,673	43,407,336	47,091,860	1,999,535	141,054,404	104,121,882
Total Liabilities	66,940,001	52,718,580	54,678,539	18,646,932	192,984,052	160,450,716
NET POSITION						
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	24,836,124	17,301,554	39,678,629	38,101,086	119,917,393	28,001,950
Total Net Position	$ 37,174,389	$ 56,289,032	$ 183,404,676	$ 38,758,509	315,626,606	$ 59,344,491

ADJUSTMENTS

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	435,621
Net position of business-type activities	$ 316,062,227

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					
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
OPERATING REVENUES						
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	268,655,339	109,211,815	30,896,632	55,380,759	464,144,545	279,925,174
OPERATING EXPENSES						
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	237,434,727	129,648,505	28,774,524	38,665,782	434,523,538	264,079,873
Operating Income (Loss)	31,220,612	(20,436,690)	2,122,108	16,714,977	29,621,007	15,845,301
NONOPERATING REVENUES (EXPENSES)						
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)	(2,959,638)	124,426	8,709,666	28,386	5,902,840	6,321,486
Income (Loss) Before Capital Contributions and Transfers	28,260,974	(20,312,264)	10,831,774	16,743,363	35,523,847	22,166,787
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)	(26,440,830)	(2,426,022)	(13,814,147)	(4,177,509)	(46,858,508)	(7,454,503)
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	35,354,245	79,027,318	186,387,049	26,192,655		44,632,207
Total Net Position - End of Year	$ 37,174,389	$ 56,289,032	$ 183,404,676	$ 38,758,509		$ 59,344,491

ADJUSTMENTS

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	755,363
Change in net position of business-type activities	$ (10,579,298)

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					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
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	25,160,508	8,632,480	44,648,144	16,511,386	94,952,518	29,141,074
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
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	(26,440,830)	(2,426,022)	(3,423,046)	(3,748,195)	(36,038,093)	(8,026,549)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
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	7,707,876	(428,288)	(27,308,439)	(19,151)	(20,048,002)	(15,322,664)
CASH FLOWS FROM INVESTING ACTIVITIES						
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	5,756	3,840,328	19,015	5,157	3,870,256	126,410
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	$ 13,816,054	$ 66,257,306	$ 45,701,199	$ 56,653,393	$ 182,427,952	$ 175,667,907
Reconciliation of operating income (loss) to net cash provided by operating activities:						
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	$ 25,160,508	$ 8,632,480	$ 44,648,144	$ 16,511,386	$ 94,952,518	$ 29,141,074
Noncash investing, capital, and financing activities:						
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
ASSETS				
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	4,973,912,671	-	-	-
Receivables (net of allowances for uncollectibles):				
Receivables and accured 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	4,995,490,556	13,191,965	180,538	35,026,626
Noncurrent Assets:				
Capital assets:				
Miscellaneous	900,043	-	-	-
Less: Accumulated depreciation	-	-	-	-
Total Capital Assets (net of accumulated depreciation)	900,043	-	-	-
Total Assets	4,996,390,599	13,191,965	180,538	$ 35,026,626
LIABILITIES				
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	246,942,744	-	44,585	35,026,626
Noncurrent Liabilities:				
Compensated absences	55,538	-	-	-
Total Liabilities	246,998,282	-	44,585	$ 35,026,626
NET POSITION				
Held in trust for pension and other postemployment benefits, external investment pool participants, and other purposes	$ 4,749,392,317	$ 13,191,965	$ 135,953	

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

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

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
ASSETS				
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
Prepaids	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	2,711,658,680	1,118,533,484	820,962,651	4,651,154,815
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	9,631,526	1,665,958	11,297,484
Total Assets and Deferred Outflow of Resources	2,711,658,680	1,128,165,010	822,628,609	4,662,452,299
LIABILITIES				
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	816,546,834	943,301,709	258,127,008	2,017,975,551
NET POSITION				
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)	(578,451,372)	92,605,523	73,930,764	(411,915,085)
Total Net Position	$ 1,895,111,846	$ 184,863,301	$ 564,501,601	$ 2,644,476,748

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	MCPS	HOC	Nonmajor Component Units	Total
Component Units:								
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	$3,239,526,999	$ 240,753,403	$ 241,253,573	$68,905,144	$(2,463,909,687)	$ (2,396,117)	$ (222,309,075)	$(2,688,614,879)

	MCPS	HOC	Nonmajor Component Units	Total
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	2,468,593,947	431,538	260,311,527	2,729,337,012
Change in net assets	4,684,260	(1,964,579)	38,002,452	40,722,133
Net position - beginning, as restated	1,890,427,586	186,827,880	526,499,149	2,603,754,615
Net position - ending	$ 1,895,111,846	$ 184,863,301	$ 564,501,601	$ 2,644,476,748

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

MONTGOMERY COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 4th 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.

Prepaids

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:

Assets	Years
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	$ 35,354,245	$ 186,387,049

	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	$ 1,081,999,170	$ 326,641,525

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	22,998,919
Balance – End of Year	$ 207,986,941

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	1,014
Balance – End of Year	$ 2,147,805

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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:

Statement of Net Position Amounts:	Primary Government	Component Units	Total Reporting Entity
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	$ 6,027,034,307	$ 495,694,474	$ 6,522,728,781
Deposit and Investment Summary:			
Deposits	$ 521,071,740	$ 109,131,738	$ 630,203,478
Investments	5,429,014,114	239,877,204	5,668,819,318
Cash on hand, fiscal agents, safe deposit escrow	76,948,453	146,685,532	223,633,985
Total	$ 6,027,034,307	$ 495,694,474	$ 6,522,728,781

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

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

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:

Balance Sheet Amounts:	Primary Government	Component Units	Total Reporting Entity
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	$ 971,857,753	$ 681,249	$ 972,539,002
Deposit and Investment Summary:			
Deposits	$ 521,071,740	$ -	$ 521,071,740
Investments, including accrued interest	450,786,013	681,249	451,467,262
Total	$ 971,857,753	$ 681,249	$ 972,539,002

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.

Investment Type:	Fair Value	Principal	Maturity Range	Interest Range
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	$ 451,298,628	$ 451,287,404		

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:

Investment Type:	Ratings Standard & Poor's	Fitch	Moody's
Repurchase agreements [1]	N/R	N/R	N/R
U.S. Government securities: [2]			
Agency discount notes	A-1+	F1+	P-1
Other U.S. Government securities	AAA	AAA	Aaa
Commercial paper [3]	A-1	F1	P-1
Bankers' acceptances [4]	N/R	N/R	N/R
Certificates of deposit [5]	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:

Diversification by Investment Type:	Maximum percent of Portfolio*
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

Diversification by Institution:	Maximum percent of Portfolio*
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		168,634
Total assets and net position	$	972,539,002
Net position consists of:		
Internal participants' units outstanding ($1.00 par)	$	959,347,037
External participants' units outstanding ($1.00 par)		13,191,965
Net position	$	972,539,002
Participants net position value, offering price and redemption price per share ($972,539,002 /972,862,786 units)	$	1.00

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		(323,460,487)		
Net increase (decrease) in net position and shares resulting from share transactions				40,439,718
Total increase (decrease) in net position				40,439,718
Net position, July 1, 2013				932,099,284
Net position, June 30, 2014			$	972,539,002

* 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	0.29
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
	Unrated	29,751,128	2.58
Fixed Income Pooled Funds	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		$ 1,152,916,624	100.00%

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	$ 460,947,498	$ 13,403,261	$ (51,044,426)	$ 423,306,333

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.

<u>Securities Lending</u>

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	-
Total	$ 339,938,314	$ 118,329,375	$ 232,431,419

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:

<u>Interest Rate Risk</u>

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.

<u>Credit Risk</u>

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:

Cash Equivalents	Fair Value	Rating
Cash Equivalents:		
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	66,665,070	N/A
Total cash equivalents	$ 139,797,992	
Short-term Investments:		
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	240,601	N/A
Total short-term investments	$ 8,447,990	

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Long-Term Investments	Fair Value	1-5 years	6-10 years	Greater than 10 years	Rating
Long-term Investments:					
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	61,706,990	$ -	$ 2,533,041	$ 59,173,949	
Cash balances	60,309,687				
Total Cash, Cash Equivalents and Investments	$ 270,262,659				

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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
Total Due to Primary Government	$ 58,117	$ 9,586,556	$ 155,077	$ 85,806,292	$ 18,306	$ 95,624,348

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
Total Due from Primary Government	$ 22,336,996	$ 7,008,870	$ -	$ 1,480,267	$ 826	$ 30,826,959

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
Total	$ 14,050,034	$ 31,528,082	$ 25,063,791	$ 171,334	$ 7,019,930	$ 307,015	$ 16,906	$ 78,157,092

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
Governmental Activities				
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	1,812,397,140	317,778,685	113,658,075	2,016,517,750
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	3,087,717,248	188,186,711	18,578,572	3,257,325,387
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	1,338,780,281	86,616,404	15,649,700	1,409,746,985
Total Depreciable Assets, net	1,748,936,967	101,570,307	2,928,872	1,847,578,402
Governmental Activities Capital Assets, net	$ 3,561,334,107	$ 419,348,992	$ 116,586,947	$ 3,864,096,152
Business-Type Activities				
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	93,456,480	24,053,002	15,007,185	102,502,297
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	442,480,679	17,459,208	10,085,313	449,854,574
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	267,413,304	14,161,113	9,268,183	272,306,234
Total Depreciable Assets, net	175,067,375	3,298,095	817,130	177,548,340
Business-Type Activities Capital Assets, net	$ 268,523,855	$ 27,351,097	$ 15,824,315	$ 280,050,637

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	180,391
Total depreciation expense for governmental activities	$ 86,604,863 *
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	3,529
Total depreciation expense for business-type activities	$ 14,161,115

* 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	27,166,745
Total	$ 247,865,453

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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
Governmental Activities				
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	122,974,630	121,532,973	63,002,569	181,505,034
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	3,333,805,586	134,843,061	45,455,351	3,423,193,296
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	1,052,197,831	88,323,118	32,847,275	1,107,673,674
Total depreciable capital assets, net	2,281,607,755	46,519,943	12,608,076	2,315,519,622
Government activities capital assets, net	$ 2,404,582,385	$ 168,052,916	$ 75,610,645	2,497,024,656
Business-Type Activities				
Depreciable capital assets:				
Vehicles and equipment	$ 17,503,501	$ 2,482,383	$ 477,391	$ 19,508,493
Total depreciable capital assets	17,503,501	2,482,383	477,391	19,508,493
Less accumulated depreciation for:				
Vehicles and equipment	14,214,291	728,707	468,091	14,474,907
Total accumulated depreciation	14,214,291	728,707	468,091	14,474,907
Business-type activities capital assets, net	$ 3,289,210	$ 1,753,676	$ 9,300	5,033,586
Educational Foundation capital assets net of accumulated depreciation	$ 44,237	$ -	$ 4,424	39,813
Total MCPS government-wide capital assets				$ 2,502,098,055

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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	$ 88,323,118
Business-type activities:	
Food services	$ 727,965
Real estate management	742
Total depreciation expense-business type activities	$ 728,707

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 From Fund					
Due To Fund	General	Capital Projects	Nonmajor Governmental	Internal Service	Fiduciary	Total
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	$ 142,693,012	$ 1,614,546	$ 2,408,292	$ 5,751,392	$ 13,216,884	$ 165,684,126

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
Total	$ 61,851,723	$ 25,975,076	$ 877,234	$ 306,133,014	$ 52,358,665	$ 99,604	$ 447,295,316

	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
Total	$ 21,272,864	$ 25,000	$ 1,228,133	$ 447,295,316	$ 469,821,313

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	16,723,017
Total	$ 169,845,985

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

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		1,134,600
Total minimum lease payments	$	38,714,613

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		159,291
Subtotal		69,065,126
Less accumulated depreciation		(28,397,548)
Total asset value under capital leases	$	40,667,578

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		3,962,057
Total minimum lease payments		17,697,743
Less: amount representing interest		(1,264,993)
Present value of minimum lease payments	$	16,432,750

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:

	Dated Date	Original Maturity	True Interest Cost	Originally Issued	Years Refunded	Amount Refunded
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	200,000,000	2024-25	20,000,000
Total				$ 354,600,000		$ 27,730,000

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	29,568,186	25,962,125	3,606,061
Total	$ 42,780,969	$ 37,710,240	$ 5,070,729

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	24,915,000	24,915,000	4,780,924	29,695,924
Total			$ 3,081,025,000	$ 2,270,500,000	$ 154,200,196	$ 2,424,700,196

* 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
Governmental Activities:					
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
Total	$ 2,149,825,000	$ 319,915,000	$ 171,510,000	$ 27,730,000	$ 2,270,500,000

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
Total	$ 2,270,500,000	$ 769,759,186	$ 3,040,259,186

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 Chapter	Authority Act	Authority Amount	Amount Unissued
General County, Parks, and	54	2010	$ 341,600,000	$ 317,390,000
Consolidated Fire Tax District	24	2011	65,400,000	65,400,000
	19	2012	13,900,000	13,900,000
	26	2013	331,600,000	331,600,000
			752,500,000	728,290,000
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
			317,500,000	237,840,000
Public Schools and	54	2010	108,700,000	73,068,000
Community College	24	2011	214,300,000	214,300,000
	19	2012	187,400,000	187,400,000
	26	2013	15,100,000	15,100,000
			525,500,000	489,868,000
Mass Transit	24	2011	103,200,000	75,405,000
			103,200,000	75,405,000
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
			53,030,000	52,270,000
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
			5,300,000	5,300,000
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
			24,280,000	4,458,000
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			9,150,000	4,865,000
Total Parking Districts			33,430,000	9,323,000
Total General Obligation Bonds			$ 1,790,460,000	$ 1,598,296,000

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:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2014
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			$ 100,000,000	$ 100,000,000

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:

	Balance June 30, 2014
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	$ 100,000,000

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	$ 100,000,000	$ 4,500,000	$ 104,500,000

* 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	165,534,675
Total		$ 280,666,378

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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	Debt Service Interest	Debt Service 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				$ 220,040,000	$ 196,875,000	$ 12,320,392	$ 209,195,392

* 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	$ 158,365,000	$ 46,645,000	$ 8,135,000	$ 196,875,000

* 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 Principal	Bethesda Parking Lot District Interest	Liquor Control Principal	Liquor Control 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	$ 47,130,000	$ 13,667,603	$ 114,135,000	$ 51,399,675

Fiscal Year Ending June 30	Water Quality Protection Principal	Water Quality Protection Interest	Total Revenue Bond Requirements Principal	Total Revenue Bond Requirements Interest	Total Revenue Bond Requirements 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	$ 35,610,000	$ 18,724,100	$ 196,875,000	$ 83,791,378	$ 280,666,378

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			$ 511,798,000	$ 220,053,000

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	$ 7,830,624	$ 31,654,984

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	$ 500,000,000	$ 295,000,000	$ 295,000,000	$ 500,000,000

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	Certificates of Participation		
June 30	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	$ 24,305,000	$ 1,723,500	$ 26,028,500

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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	1,130,237
Total minimum lease payments	18,323,481
Less: amount representing interest	(1,102,662)
Present value of minimum lease payments	$ 17,220,819

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	Equipment Notes Requirements		
June 30	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	259,796	3,777	263,573
Total	$ 3,230,761	$ 147,790	$ 3,378,551

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

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	3,508,155	87,941	3,596,096
Total	$ 11,692,551	$893,785	$12,586,336

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 15th 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	10,076,300	223,190	10,299,490
Total	$ 9,708,040	$ 4,591,460	$ 14,299,500

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%	$35,465,000	$29,285,000	$ 3,527,650	$ 32,812,650

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	1,070,000	64,600	1,134,600
Total	$ 29,285,000	$ 9,429,614	$ 38,714,614

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	Taxable Limited Obligation Requirements		
June 30	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	18,880,000	1,980,840	20,860,840
Total	$ 90,020,000	$ 43,235,693	$ 133,255,693

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	HUD Loan Requirements		
June 30	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	225,000	32,809	257,809
Total	$ 440,000	$ 123,941	$ 563,941

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	Energy Performance Lease		
June 30	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	1,404,737	202,480	1,607,217
Total	$ 4,164,250	$ 2,516,607	$ 6,680,857

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12) Changes in Long-Term Liabilities

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

Governmental Activities	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	3,015,016,451	684,488,469	(529,431,355)	3,170,073,565	699,118,558
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	155,267,594	62,394,330	(31,046,142)	186,615,782	25,114,141
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	637,551,966	289,616,235	(291,876,413)	635,291,788	92,707,642
Total Governmental Activities Liabilities	$ 3,807,836,011	$ 1,036,499,034	$ (852,353,910)	$ 3,991,981,135	$ 816,940,341
Business-Type Activities					
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	86,487,675	14,864,811	(4,717,809)	96,634,677	5,041,442
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	26,730,727	31,666,201	(5,249,197)	53,147,731	5,106,370
Total Business-Type Activities Liabilities	$ 115,194,750	$ 46,531,012	$ (10,242,250)	$ 151,483,512	$ 10,429,110

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 one year	Long-Term	Total
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	$ 42,316,982	$ 721,278,941	$ 763,595,923

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

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

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	3,640,000	477,478	4,117,478
Total	$ 8,715,000	$ 3,692,682	$ 12,407,682

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	1,652,247	-	1,652,247
Total	$ 579,609,553	$ 229,419,445	$ 809,028,998

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

Purpose	Balance July 1, 2013	Bonds Issued*	Bonds Retired	Balance 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	$ 610,041,971	$ 16,304	$ 30,448,722	$ 579,609,553

* 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	(6,402,549)
Bonds outstanding, June 30, 2014	$ 168,919,649

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

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

	Bethesda PLD
OPERATING REVENUES (EXPENSES):	
Operating Revenues:	
Charges for services	$ 12,448,043
Fines and penalties	4,064,809
Total Operating Revenues (pledged against bonds)	16,512,852
Depreciation	4,663,300
Other operating expenses	8,129,681
Operating Income (Loss)	3,719,871
NONOPERATING REVENUES (EXPENSES):	
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	(8,088,560)
Change in Net Position	(3,232,585)
Beginning Net Position	84,832,035
Ending Net Position	$ 81,599,450

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	7,189
Net Increase (Decrease)	8,948,419
Beginning Cash and Cash Equivalents	16,716,695
Ending Cash and Cash Equivalents	$ 25,665,114

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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
Nonspendable:						
Inventory	$ 5,873,503	$ -	$ -	$ -	$ -	$ -
Prepaids	286,050	-	-	-	-	-
Restricted for:						
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	-	-
Committed to:						
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	-	-	-	-	-
Assigned to:						
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	-	-	-	-	-
Unassigned:						
Culture and recreation	-	-	-	-	-	(729,555)
General government	284,211,537	-	-	-	(44,314,351)	-
Total fund balances	$ 599,744,611	$ 241,375,441	$ -	$ 8,489,329	$ (44,314,351)	$ 66,013,544
Summary of fund balances:						
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)
Total fund balances	$ 599,744,611	$ 241,375,441	$ -	$ 8,489,329	$ (44,314,351)	$ 66,013,544

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:

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

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

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

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	56,980,183
Total	$ 369,392,664

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I) 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	$ 1,556,736,336	$ 18,929,912	$ 1,575,666,248	$ 200,713,990	$ 1,776,380,238

* 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 [1]	(34,439,538)	(99,029,160)	(133,468,698)
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 [1]	(38,584,144)	(100,591,105)	(139,175,249)
Balance June 30, 2014 [2,3]	$ 127,960,926	$ 12,209,056	$ 140,169,982

1 Includes non-monetary settlements.

2 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.

3 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:

Enterprise Funds:	Operating	Capital	Inventory	Total
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	6,606,995	2,270,269	6,222,934	15,100,198
Nonmajor Funds:				
Permitting Services	830,223	-	-	830,223
Community Use of Public Facilities	34,740	-	-	34,740
Subtotal	864,963	-	-	864,963
Total Enterprise Funds	7,471,958	2,270,269	6,222,934	15,965,161
Internal Service Funds:				
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	5,067,723	-	3,191,255	8,258,978
Total Proprietary Funds	$ 12,539,681	$ 2,270,269	$ 9,414,189	$ 24,224,139

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	33,089,000
Total	$ 195,802,739

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	9,511
Total	16,735

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

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

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	(24,850,000)
Annual OPEB cost	103,418,000
Contributions made	(106,655,086)
Increase (Decrease) in net OPEB obligation	(3,237,086)
Net OPEB obligation - beginning of year	429,058,044
Net OPEB obligation - end of year	$ 425,820,958

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 June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed		Net OPEB Obligation
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			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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)

	Budget			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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 Commisions	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			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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			**Variance**
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
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:	Revenues	Expenditures and 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			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
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			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
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
Total Revenues	108,154,684	199,004,095	110,572,478	(88,431,617)
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			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
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
Total Expenditures	108,154,684	198,633,905	111,449,712	87,184,193
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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