Montgomery County, Maryland

ANNUAL INFORMATION STATEMENT

In Connection With Bonds and Other Obligations

Department of Finance

January 15, 2016

MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS

COUNTY EXECUTIVE

Isiah Leggett

COUNTY COUNCIL

Nancy Floreen	*President*
Roger Berliner	*Vice-President*
Marc Elrich	
Tom Hucker	
Sidney Katz	
George L. Leventhal	
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, 2016 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 2011-2015, 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, 2015

General Obligation Bonds and Notes Outstanding	$2,644,750,000
Total Assessed Value	$167,311,891,416
Direct Debt (incl. Revenue Bonds)	$3,332,525,000
Ratio of Direct Debt to Assessed Value	1.99%
Net Direct Debt	$3,144,750,000
Ratio of Net Direct Debt to Assessed Value	1.88%

Budgets

Approved FY16 Operating Budget	$5.1 billion
Approved FY16 General Fund Unassigned Surplus	$127.8 million
FY15 General Fund Unassigned Balance	$156.5 million
FY15 Revenue Stabilization Fund Balance	$230.6 million
FY15-20 Capital Improvements Program	$4.6 billion

FY15 Major Revenues

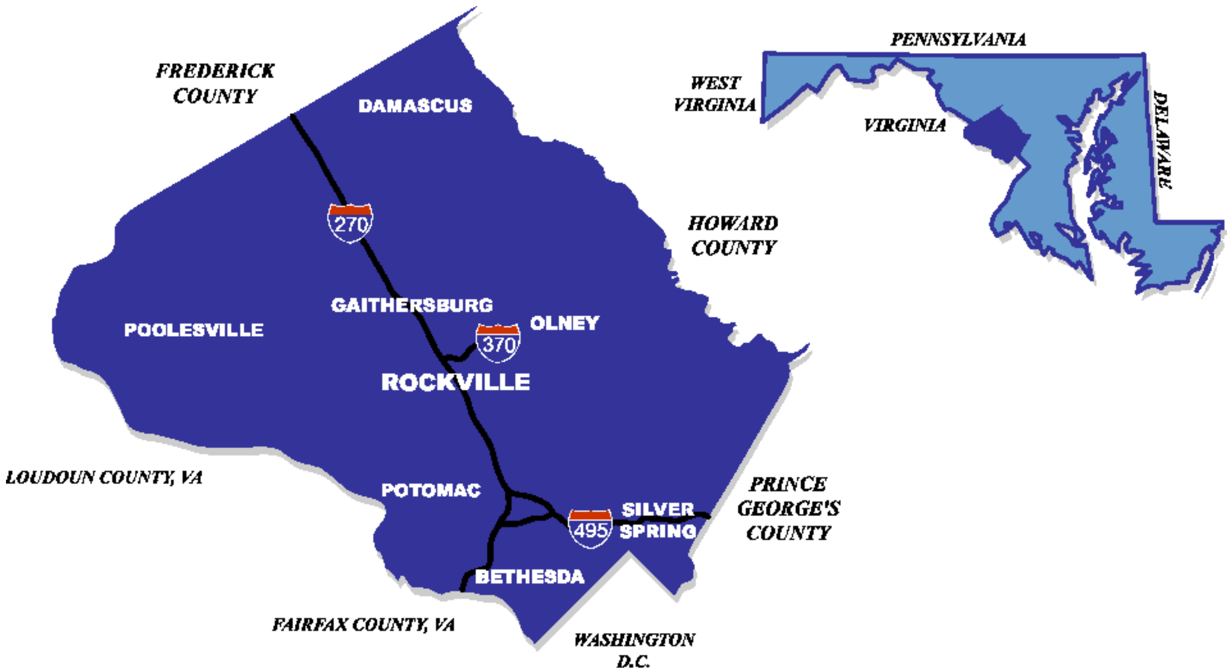
Income Tax	$1,310.8 million
Property Tax (General Fund)	$1,088.4 million
Transfer and Recordation Tax	$147.6 million
Other Taxes	$284.8 million

Demographics

Population 2014	1,030,447
Households 2014	364,854
Median Age 2014	38.6 years

Employment

Private Sector 2014	365,763
Public Sector 2014	89,580
Unemployment Rate 2014	4.4%
Personal Income 2014	$75.7 billion
Per Capita Income 2014	$ 75,835
Average Household Income 2014	$212,339
MCPS K-12 Projected FY16 Enrollment	156,514
MCPS Per Pupil Operating Expenditures (FY16)	$14,810
Montgomery College Enrollment (Fall 2014)	25,517



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 – Nancy Floreen

Since 2002, Nancy Floreen has been serving as an at-large Democratic member of the Montgomery County Council, serving as Council President in 2010. She chaired the Council's Transportation, Infrastructure, Energy and Environment Committee (T&E) until 2010 when she became Chair of the Planning, Housing and Economic Development Committee (PHED). She brings to the Council a wealth of experience and expertise based on more than three decades of service in local, state and federal government, including her leadership as Mayor of the Town of Garrett Park.

Council President Floreen has been a tireless advocate for better transportation and transit options, expanded affordable housing, enhanced environmental protections, and improved access to jobs and economic development throughout her tenure on the County Council. She has earned a Bachelor of Arts from Smith College and a law degree from Rutgers University. She is married to attorney/writer David O. Stewart and has three adult children as well as a beautiful red-headed granddaughter.

Chief Administrative Officer – Timothy L. Firestine

Timothy L. Firestine has worked in public sector management for over 36 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 former 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 on the Government Finance Officers Association's Budget Committee, as an ex officio member of the County's Board of Investment Trustees and as the Chair of the Bethesda North Conference Center Management Committee.

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. Ms. Hughes serves on the Board of Investment Trustees as an ex-officio member and was elected as a fellow to the National Academy of Public Administration in 2014.

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 Chair of the Ethics 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 November 2015, the County government employed approximately 8,319 full time and 847 part-time employees. Seven thousand three hundred ninety-three (7,393) 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 Government Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Service, Labor & Trades (MCGEO)	1,452	June 30, 2016
Office, Professional & Technical (MCGEO)	3,630	June 30, 2016
Police Officers (FOP)	1,186	June 30, 2016
Firefighters/Rescuers (IAFF)	1,125	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 2015, the Board employs approximately 21,126 full-time equivalent (FTE) employees. This number includes 80 non-represented employees and 21,046 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)	12,449	June 30, 2017
Administrative & Supervisory (MCAAP/MCBOA)	760	June 30, 2017
Support Services (SEIU Local 500)	7,837	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, children and toddler, teen, senior citizen, and therapeutic programs. The Department operates 20 community recreation centers that facilitate leisure activity, social interaction, family participation, and neighborhood civic involvement. Its newest community center, the North Potomac Community Center, will open the summer of 2016. The Ross Boddy Neighborhood Recreation Center in Sandy Spring will re-open the fall of 2016 after a large renovation. 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.

For many years the County's economic development functions have been performed by DED. County Executive Ike Leggett has decided to establish a new 501(c)3 as a public-private partnership to replace DED as the lead economic development organization (EDO) for Montgomery County. The County Executive continues to work with County leadership and the business community to finalize the new structure and expects to have a Board of Directors appointed and approved by January 2016 and the organization operational by late spring of 2016. DED will continue its critical mission until the new EDO is able to assume these functions.

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 for early-stage technology companies. 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.

As of November 30 2015, 196 offers for grants and loans totaling $89 million were accepted under the Economic Development Fund Grant and Loan Program. The economic impact of these transactions is estimated to include: over 41,000 jobs retained, attracted, and projected to be created, over $1.77 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 five 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, 45 small businesses have received loans totaling $2.54 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 FY15, a total of $500,000 was awarded to 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 was 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. It is expected that the regulation governing this program will be adopted in December 2015 and funding will begin late-2016.
- The MOVE Program was added in FY14 to attract cybersecurity, green technology, IT, and life science businesses to the County. The program was expanded in FY15 to include more industry sectors and provide additional assistance. Through the program, businesses receive financial assistance based on the amount of space that they sign in their lease, which works as a de facto rent reduction program. As of 11/30/2015, a total of $700,992 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 $2.318 billion for FY16, a 1.8 percent increase over the prior year, and the approved FY15-20 Capital Improvement Program is $1.544 billion, an increase of $15.7 million over the previously approved CIP. The emphasis that County residents place on education is reflected in budgeted per pupil operating expenditures of $14,810 in FY16, and in the high percentage of high school graduates who continue formal education. In FY16, projected enrollment is 156,514 students.

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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 FY15, the County managed an average of $705.2 million in its pooled consolidated investment portfolio. During FY15 the County earned investment income of $1,293,621 with an average rate of return of 0.18%.

Libraries

Montgomery County Public Libraries (MCPL) is a key resource in the community. The system has 21 library branches, visited over 4.6 million times in FY15, each providing 32 to 68 hours of service per week. Thirteen of these branches are open seven days per week. The County has made substantial capital investments in library branches, opening three new or completely renovated facilities in the past two years at Silver Spring, Gaithersburg, and Olney. The County has begun a building refresh program that will improve every library branch every seven years, and a 21st Century Library Enhancements program that will modernize system wide technology resources, such as public Wi-Fi network access, power outlets for customers to use, and technologies customers can borrow. The County is about to begin construction of a new combined Wheaton Library and Community Recreation Center that will replace two older separate Wheaton Library and Wheaton Community Center buildings on the same campus.

Customers can use computer resources, attend or conduct small and large meetings, collaborate with others in multipurpose rooms, enjoy cultural and educational programming, and create content at MCPL branches that have Digital Media Labs. MCPL also offers Discovery Rooms, Early Literacy digital learning stations, and study rooms (which are bookable on-line). Library materials are available in many formats, including books, DVDs, e-books, e-audiobooks, e-magazines, databases, and web-pages. One of MCPL's newest formats is the Go!Kit, which combines a tablet device, books, and an educational toy into fifteen different Science, Technology, Engineering, and Math themed backpacks targeted to young learners. More than 10 million items were borrowed in FY15.

MCPL has a robust web presence and social media following. Our online portal provides customers with 24/7 access to resources, such as e-books and e-audio books, online courses and databases. In FY15, residents visited our website more than 9,000 times a day, downloaded almost one million e-book titles, signed up for more than 3,000 online courses, and retrieved more than 800,000 database articles.

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 1,040 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 (FY11 through FY15) the Department transferred $141.03 million to the General Fund.

Parks

The Maryland-National Capital Park and Planning Commission administers 37,076 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 417 parks in the Montgomery Parks system, 337 smaller park and open space areas serve as urban, local, neighborhood, and conservation 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 continues on a replacement for the first station in Glenmont. In future years, a station will be built in Clarksburg and another will be rebuilt in White Flint. An addition to the Kensington station is also 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 1,255 sworn officers and 724 civilian staff for a total complement of 1,979 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 in design to be replaced. The 3rd district station was replaced two years ago. 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 under construction and will 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, is in operation. 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 divert 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 214,053 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 FY15, the County collected $3.947 million in material sales revenue, net of expenses, from both the Materials Recovery Facility (MRF) and Transfer Station's, recycling operations. The total material revenue collected includes $1.372 million in plastics sales revenue, $2.549 million in metal sales revenue, $50,068 in battery recycling sales revenue, $20,200 in recycled textiles sales revenue, and $27,200 in recycled electronic sales revenue. Additionally, the MRF incurred a deficit in glass recycling revenue of $71,460. The MRF 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 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.

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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 FY15, approximately 26 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 15.4 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. Through FY15, a special ad valorem tax was levied on certain commercial and residential properties located within each district to pay for debt service used to finance parking facilities within the district, maintenance and operation of such facilities, and capital construction projects within each district. In May 2015, the County Council set the ad valorem tax rate to zero for FY16 and subsequent years. Current 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 FY15, the four districts collectively had in service 21 garages with approximately 16,912 parking spaces, 22 surface lots with 1,558 spaces, and 2,406 on-street metered spaces.

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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 2014 the airport served approximately 20.8 million passengers on commercial, general aviation and commuter flights, a 1.9 percent increase from 2013. 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 21.6 million passengers in 2014, a 1.7 percent decrease from 2013. This decrease is attributable to the capacity adjustments resulting from additional flight slots given in recent years to Reagan National as well as a shifting domestic service from Dulles International to Reagan National, which has consequently had record passenger levels for the fifth consecutive year.

Baltimore-Washington International Thurgood Marshall Airport (BWI) is located in Anne Arundel County, Maryland. Approximately 22.3 million passengers used the airport in 2014, a decrease of 0.8% percent from 2013. On March 4th, 2015, Governor Hogan announced a $105 million construction procurement to improve passenger services and accommodate growing international service with a new security checkpoint to serve domestic and international travelers, including a new secure connector between Concourse D and Concourse E. This multi-phase project was unanimously approved by the Maryland Board of Public Works and is expected to be completed in 2017.

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 FY16 approved operating budget for WSSC totals $715.2 million; the approved capital budget totals $684.6 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 Water Filtration Plant, which WSSC expects to complete during FY19, will increase normal capacity there from 56 MGD to 72 MGD, and emergency capacity up 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 (aka DC Water), 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. The expansion of WSSC's Seneca Wastewater Treatment Plant to 26 MGD was substantially completed in August 2015 providing additional treatment capacity in the Seneca basin, serving the communities of Gaithersburg, Germantown, and Clarksburg. WSSC also operates two smaller wastewater treatment plants in the County which serve the communities of Damascus and Hyattstown and through an Intergovernmental Agreement with the Town of Poolesville, WSSC has 0.02 MGD capacity allocation at the Poolesville wastewater treatment plant to serve two sewer service areas surrounding the incorporated limits of the Town. DC Water and WSSC are completing significant Enhanced Nutrient Removal projects at the Blue Plains, Seneca, and Damascus Wastewater Plants to meet Chesapeake Bay environmental quality goals.

City of Rockville

Approximately 80% of the geographic area of the City receives water and sewer services from the City of Rockville. The remaining 20% receives water and sewer services from the Washington Suburban Sanitary Commission (WSSC). The approved FY2016 Operating Budget for Rockville totals $13.0 million for the water enterprise fund and $11.9 million for the sewer enterprise fund.

Rockville owns and operates an 8.0 million gallons per day (MGD) water treatment plant which is located in Potomac, MD. Rockville has an appropriation permit issued by the Maryland Department of Environment to withdraw an average of 7.1 MGD of Potomac River water and a maximum not-to-exceed amount of 12.1 MGD. Consistent with regional and national trends in the water industry, the average daily production has declined from 4.88 MGD in 2011 to 4.58 MGD in 2014 and the average maximum daily production has declined from 7.5 MGD in 2011 to 6.2 MGD in 2014. Rockville's planning projections predict an average daily demand of 6.55 MGD by the year 2040 which can be accommodated by the existing Potomac River allocation. Rockville has 12 MG of potable water storage in the following tanks: Hunting Hill, Carr Avenue and Talbott Street. The water distribution system consists of 170 miles of water lines.

In FY2009, Rockville initiated a program to renew the aging water lines on a 100-year cycle. This ongoing water main rehabilitation project accounts for $3.0 million of the total $10.1 million FY2016 Capital Improvement Program for the water enterprise fund.

Rockville provides wastewater collection services through 148-miles of City-owned and maintained sewer lines in three sewer sheds: Watts Branch, Cabin John and Rock Creek. Rockville does not have any combined sewers. The wastewater is conveyed through WSSC and District of Columbia Water and Sewer Authority (DC Water) facilities for treatment at the Blue Plains advanced wastewater treatment plant. The average daily wastewater flow for 2014 was 6.1 MGD. Rockville's planning projections predict an average of 7.4 MGD by the year 2040 which is well within the City's existing 9.31 MGD allotment of Blue Plains regional treatment capacity.

Rockville has an aggressive preventative maintenance, pipe-lining and dig-and-replace plan for the wastewater 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. The ongoing sewer main rehabilitation project accounts for $4.9 million of the total $9.2 million FY2016 Capital Improvement Program for the sewer enterprise fund.

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 2016. 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 FY16 is just over $1 million, while the planned CIP budget is $272,500.

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 thirty suppliers to reduce costs or stabilize utility budgets. The County is an active participant in these markets and leverages them to reduce operating costs for its facilities and operations. Montgomery County, also separately contracts for renewable energy credits (RECs) to meet its voluntary climate protection goals. RECs are a tradable commodity representing the environmental benefits of clean sources of electricity. The County competitively procures RECs separately from electricity to reduce overall costs.

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 also benefits 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. Recently, these programs were also expanded to include Washington Gas, providing incentives for reduced natural gas consumption. These programs collectively provide incentives for a wide array of energy efficiency improvements allowing customers to limit exposure to utility costs by reducing consumption. Montgomery County’s Energy Performance Contacting Initiative, and other efforts to reduce consumption, are leveraging these programs to install cost-effective improvements that reduce energy consumption and cost.

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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 (CON) 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. A Commissioner of the Maryland Health Care Commission (MHCC) recommended approval of the CON on November 18, 2015.

Higher Education

In the most recent American Community Survey taken in 2013, the 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	13,061	
Catholic University, Washington, DC	6,699	
George Washington University, Washington, DC	25,000	*
Georgetown University, Washington, DC	17,849	
Hood College, Frederick, MD	2,365	
Howard University, Washington, DC	10,297	
Johns Hopkins University, Baltimore, MD	20,918	
Montgomery College, 3 Campuses in County (2-year)	25,320	**
Universities at Shady Grove, Montgomery County	4,000	*
University of Maryland, College Park, MD	37,272	

* 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

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Travel and Tourism

According to the most recent report released (2014) by Tourism Economics, an Oxford Economics Company, the tourism industry in Montgomery County generated $1.75 billion in expenditures in 2014 up from $1.69 billion in 2013. Local room rental transient tax (7% levied) collections generated $19,216,040 in FY15, up over 6% from FY14. Lodging occupancy as reported by Smith Travel Research for 2014 was 66.6% up from 64.1% in 2013. The hotel average daily rate was $122.52 in 2014, up 2.4% from 2013. Montgomery County welcomed 8 million visitors in 2014 up 6.1% from 2013.

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. Visit Montgomery is recognized by the MD Office of Tourism as the designated destination marketing organization for Montgomery County.

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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, 2015

Direct Debt:		
General Obligation Bonds Outstanding	$2,544,750,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding	500,000,000	
Revenue Bonds Outstanding	187,775,000	
Total Direct Debt		$3,332,525,000
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission	1,560,982,000	
Applicable to Montgomery County		
Housing Opportunities Commission	748,333,387	
Montgomery County Revenue Authority	96,930,097	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	41,330,000	
Kingsview Village Center Development District	1,296,958	
West Germantown Development District	12,025,000	
Towns, Cities and Villages within Montgomery County	144,473,252	
Total Overlapping Debt		2,605,370,694
Total Direct and Overlapping Debt		5,937,895,694
Less Self-Supporting Debt:		
County Government Revenue Bonds	187,775,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,560,982,000	
Housing Opportunities Commission	748,333,387	
Montgomery County Revenue Authority	96,930,097	
Total Self-Supporting Debt		(2,594,020,484)
Net Direct and Overlapping Debt		$3,343,875,210
Ratio of Debt to June 30, 2015 Assessed Valuation of (100% Assessment):		$167,311,891,416
Direct Debt		1.99%
Net Direct Debt *		1.88%
Direct and Overlapping Debt		3.55%
Net Direct and Overlapping Debt		2.00%
Ratio of Debt to June 30, 2015 Market Value		$180,772,836,896
Direct Debt		1.84%
Net Direct Debt *		1.74%
Direct and Overlapping Debt		3.28%
Net Direct and Overlapping Debt		1.85%

*Net Direct Debt of $3,144,750,000 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, 2015
And Including 2015 General Obligation Bonds*

Direct Debt:		
General Obligation Bonds Outstanding	$2,544,750,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding**	200,000,000	
2015 General Obligation Bonds	300,000,000	
Revenue Bonds Outstanding	187,775,000	
Total Direct Debt		$3,332,525,000
Overlapping Debt as of June 30, 2015		
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,560,982,000	
Housing Opportunities Commission	748,333,387	
Montgomery County Revenue Authority	96,930,097	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	41,330,000	
Kingsview Village Center Development District	1,296,958	
West Germantown Development District	12,025,000	
Towns, Cities and Villages within Montgomery County	144,473,252	
Total Overlapping Debt		2,605,370,694
Total Direct and Overlapping Debt		5,937,895,694
Less Self-Supporting Debt as of June 30, 2015		
County Government Revenue Bonds	187,775,000	
Washington Suburban Sanitary Commission Applicable to Montgomery County	1,560,982,000	
Housing Opportunities Commission	748,333,387	
Montgomery County Revenue Authority	96,930,097	
Total Self-Supporting Debt		(2,594,020,484)
Net Direct and Overlapping Debt		$3,343,875,210
Ratio of Debt to June 30, 2015 Assessed Valuation of (100% Assessment):		$167,311,891,416
Direct Debt		1.99%
Net Direct Debt ***		1.88%
Direct and Overlapping Debt		3.55%
Net Direct and Overlapping Debt		2.00%
Ratio of Debt to June 30, 2015 Market Value of:		$180,772,836,896
Direct Debt		1.84%
Net Direct Debt ***		1.74%
Direct and Overlapping Debt		3.28%
Net Direct and Overlapping Debt		1.85%

* On November 18, 2015, the County issued General Obligation Bonds (Tax-Exempt Series A) in the amount of $300,000,000.

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

*** Net Direct Debt of $3,144,750,000 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, 2015

June 30, 2015 Assessed Valuation – Real Property		$163,656,758,206
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		$ 9,819,405,492
June 30, 2015 Assessed Valuation – Personal Property		$ 3,655,133,210
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		$ 548,269,982
Total Assessed Valuation – Real and Personal Property		$167,311,891,416
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$10,367,675,474
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$2,544,750,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper	500,000,000	
Net Direct Debt		3,144,750,000
Legal Debt Margin		$7,222,925,474
Net Direct Debt as a Percentage of Assessed Valuation		1.88%

Table 5A
Statement of Legal Debt Margin
As of June 30, 2015
And Including 2015 General Obligation Bonds*

June 30, 2015 Assessed Valuation – Real Property		$163,656,758,206
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		$ 9,819,405,492
June 30, 2015 Assessed Valuation – Personal Property		$ 3,655,133,210
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		$ 548,269,982
Total Assessed Valuation – Real and Personal Property		$167,311,891,416
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$10,367,675,474
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$2,544,750,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
2015 General Obligation Bonds	300,000,000	
Short-Term BANs/Commercial Paper	200,000,000	
Net Direct Debt		3,144,750,000
Legal Debt Margin		$7,222,925,474
Net Direct Debt as a Percentage of Assessed Valuation		1.88%

* On November 18, 2015, the County issued General Obligation Bonds (Tax-Exempt Series A) in the amount of $500,000,000.

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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
2006 – 2015

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
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
2015	1.57	9.62	2,761	3.76	67.41

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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, 2015. Also see Subsequent Events, Note 3 on page 29.

Table 7
General Obligation Debt of the County
As of June 30, 2015

Issue	Dated Date	Original Issue Size	Original Coupon Rates	TIC*	Maturity	Principal Outstanding June 30, 2015
GO Refunding Bonds	06/01/05	120,355,000	5.00	3.7817	2011-21	34,605,000
GO Bonds	05/01/06	100,000,000	4.25-5.00	3.8711	2007-16	10,000,000
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	25,000,000
GO Bonds	07/15/08	250,000,000	3.00-5.00	4.1809	2009-29	61,100,000
GO Bonds***	11/03/09	232,000,000	3.75-5.50	3.1774	2015-29	232,000,000
GO Refunding Bonds	11/03/09	161,755,000	2.00-5.00	2.6487	2011-20	108,325,000
GO Bonds	07/08/10	195,000,000	2.00-5.00	2.2596	2011-22	130,000,000
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	176,000,000
GO Refunding Bonds	08/11/11	237,655,000	2.00-5.00	1.9896	2012-22	199,985,000
GO Bonds	10/24/12	295,000,000	2.50-5.00	2.2599	2013-32	265,500,000
GO Refunding Bonds	10/24/12	23,360,000	2.50-5.00	0.3812	2013-16	10,560,000
GO Bonds	11/26/13	295,000,000	3.00-5.00	3.1270	2014-33	280,250,000
GO Refunding Bonds	11/26/13	24,915,000	5.00	2.7745	2023-24	24,915,000
GO Bonds	11/19/14	500,000,000	4.00-5.00	2.7448	2015-35	500,000,000
GO Refunding Bonds	11/19/14	297,990,000	5.00	2.3437	2016-28	297,990,000
GO Refunding Bonds	03/26/15	58,520,000	5.00	1.2264	2018-21	58,520,000
Total						$2,644,750,000

* 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, 2014 and June 30, 2015
And Including 2015 General Obligation Bonds (1)

Issue	Dated Date	Original Issue Size	Coupon Rates	TIC[2]	Maturity	Outstanding June 30, 2014	Outstanding June 30, 2015
GO Refunding	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	06/01/05	120,355,000	5.00	3.7817	2011-21	107,515,000	34,605,000
GO Bonds	05/01/06	100,000,000	4.25-5.00	3.8711	2007-16	20,000,000	10,000,000
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	100,000,000	25,000,000
GO Refunding	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	2009-29	187,500,000	61,100,000
GO Bonds[4]	11/03/09	232,000,000	3.75-5.50	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	132,150,000	108,325,000
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	130,000,000
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	288,000,000	176,000,000
GO Refunding	08/11/11	237,655,000	2.00-5.00	1.9896	2012-22	217,920,000	199,985,000
GO Bonds	10/24/12	295,000,000	2.50-5.00	2.2599	2013-32	280,250,000	265,500,000
GO Refunding	10/24/12	23,360,000	2.50-5.00	0.3812	2013-16	15,570,000	10,560,000
GO Bonds	11/26/13	295,000,000	3.00-5.00	3.1270	2014-33	295,000,000	280,250,000
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	2.7448	2015-35	-	500,000,000
GO Refunding	11/19/14	297,990,000	5.00	2.3437	2016-28	-	297,990,000
GO Refunding	03/26/15	58,520,000	5.00	1.2264	2018-21	-	58,520,000
GO Bonds	12/01/15	300,000,000	3.00-5.00	2.8036	2016-35	-	300,000,000
Total						$2,370,500,000	$2,944,750,000

(1) Principal Outstanding as of June 30, 2015 includes the 2015 General Obligation Bonds, Series B issued and delivered by the County. The balance excluding the December 2015 issuance is $2,644,750,000.
(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, 2015

	General Obligation Bonds		
Fiscal Year	Principal	Interest*	Total
2016	$ 187,460,000	$ 114,542,250	$ 302,002,250
2017	203,025,000	105,857,911	308,882,911
2018	195,930,000	96,233,919	292,163,919
2019	190,230,000	87,187,134	277,417,134
2020	184,295,000	78,451,563	262,746,563
2021	177,640,000	70,145,647	247,785,647
2022	170,590,000	61,545,816	232,135,816
2023	163,120,000	55,367,144	218,487,144
2024	153,695,000	47,757,913	201,452,913
2025	145,825,000	41,138,350	186,963,350
2026	137,400,000	35,014,931	172,414,931
2027	127,445,000	29,065,425	156,510,425
2028	114,675,000	23,404,706	138,079,706
2029	114,700,000	18,180,775	132,880,775
2030	102,220,000	13,202,300	115,422,300
2031	86,750,000	9,070,000	95,820,000
2032	70,500,000	5,958,750	76,458,750
2033	54,500,000	3,606,250	58,106,250
2034	39,750,000	1,795,000	41,545,000
2035	25,000,000	500,000	25,500,000
Totals	$ 2,644,750,000	$ 898,025,784	$ 3,542,775,784

*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, 2015

Purpose	Chapter	Act	Authorized Amount	Amount Unissued
General County, Parks, and	54	2010	$ 341,600,000	$ 187,954,000
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
	31	2014	167,400,000	167,400,000
			919,900,000	766,254,000
Road & Storm Drainage	54	2010	192,000,000	40,980,000
	19	2012	38,700,000	38,700,000
	26	2013	86,800,000	86,800,000
	31	2014	49,300,000	49,300,000
			366,800,000	215,780,000
Public Schools and	24	2011	214,300,000	32,299,000
Community College	19	2012	187,400,000	187,400,000
	26	2013	15,100,000	15,100,000
	31	2014	162,000,000	162,000,000
			578,800,000	396,799,000
Mass Transit	24	2011	103,200,000	31,270,000
	31	2014	9,400,000	9,400,000
			112,600,000	40,670,000
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			$ 2,069,860,000	$ 1,486,396,000

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 eleven years, and planned for substitution over the five years beginning FY16, are displayed below.

Table 10
PAYGO Substitutions
(Actual FY05-15, Budgeted FY16-20)

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	34,000,000
2009	5,406,000	2017	34,000,000
2010	1,316,000	2018	34,000,000
2011	-	2019	34,000,000
2012	31,000,000	2020	34,000,000

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, 2014 through June 30, 2015 are presented in Table 11 below. Also see Subsequent Events Note 2 on page 31.

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Table 11
Bond Anticipation Notes Outstanding
As of June 30, 2015

Issue	Balance July 1, 2014	BANs Retired	BANs Issued	Balance June 30, 2015
BAN 2009-A	$100,000,000	$100,000,000	$100,000,000	$100,000,000
BAN 2009-B	100,000,000	100,000,000	100,000,000	100,000,000
BAN 2010-A	150,000,000	150,000,000	150,000,000	150,000,000
BAN 2010-B	150,000,000	150,000,000	150,000,000	150,000,000
Total	$500,000,000	$500,000,000	$500,000,000	$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, Solid Waste and storm water management 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.

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, 2015.

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Table 12
Revenue Bond Debt of the County
As of June 30, 2015

Issue Date	Dated	Original Issue Size	Original Coupon Rates	TIC*	Maturity	Principal Outstanding June 30, 2015
Parking Revenue Bonds (Bethesda PLD)	08/31/05	$16,495,000	3.62%-5.00%	4.0471%	2007-25	$ 11,045,000
Parking Revenue Bonds (Bethesda PLD)	05/16/12	24,190,000	3.00%-5.00%	2.8367%	2015-23	23,240,000
Parking Revenue Refunding Bonds (Bethesda PLD)	05/16/12	13,750,000	1.25%-1.93%	2.8367%	2013-17	9,725,000
Liquor Control Revenue Bonds	05/12/09	46,765,000	3.00%-5.00%	4.1195%	2010-29	36,640,000
Liquor Control Revenue Bonds	04/28/11	34,360,000	2.00%-5.00%	4.2826%	2012-31	29,605,000
Liquor Control Revenue Bonds	07/30/13	46,645,000	3.125%-5.00%	3.9326%	2014-33	43,250,000
Water Quality Protection Revenue Bonds	07/18/12	37,835,000	0.25%-5.00%	3.3148%	2013-32	34,270,000
Total						$ 187,775,000

* True Interest Cost.

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Table 13
Summary of Revenue Bond Debt Service Requirements by Fiscal Year
As of June 30, 2015

Fiscal Year	Principal	Interest	Total
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	$187,775,000	$75,138,238	$262,913,238

Table 14
Revenue Bonds Authorized – Unissued
As of June 30, 2015

			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, 2015.

Table 15
Conduit Debt of the County
As of June 30, 2015

Purpose	Issuer	Principal Outstanding June 30, 2015
Montgomery County Conference Center	Montgomery County Revenue Authority	$ 7,130,000
Human Services Headquarters	Montgomery County Revenue Authority	775,310
Aquatic Centers	Montgomery County Revenue Authority	5,912,600
Solid Waste Disposal System	Northeast Maryland Waste Disposal Authority	37,280,000
TOTAL		$ 51,097,910

Subsequent to June 30, 2015 Events

1. On October 19, 2015, the County issued $9.2 million of Bethesda Parking Lot District (PLD) bonds via direct bank placement to refund the outstanding 2005 Bethesda PLD bonds for debt service savings. .

2. On November 18, 2015, the County issued General Obligation Bonds (Tax-Exempt Series B) in the amount of $300,000,000.

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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 mortgage receipts 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, Montgomery County guarantees a relatively small portion of its debt (up to $50,000,000). Any projects financed from bond proceeds and guaranteed by the County's general obligation pledge are evaluated and approved on a project basis, by the County Council. 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 $28.6 million for FY15. 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 FY15:

Payee	Location	Use	Total Rent For FY15
Eldridge, Inc.	255 Rockville Pike, Rockville	Various Agencies	$5,851,626
Montgomery County Revenue Authority	Indoor Swim Centers	Recreation	1,522,159
Montgomery County Revenue Authority	5701 Marinelli Drive, Rockville	Conference Center	981,134
F.S. Peoples Realty Co.	14935 Southlawn Lane, Rockville	Fire & Rescue/Liquor Control	1,862,869
FP Gude LLC	7300 Calhoun Drive, Derwood	Juvenile Assessment Center	1,688,710
Alexandria Real Estate	1300 Quince Orchard Blvd., Gaithersburg	Emergency Communications Center	1,101,938
Washington Real Estate Investment Trust	600 East Jefferson St., Rockville	Community Use of Public facilities/Family Justice Center	1,075,866
Washington Real Estate Investment Trust	51 Monroe Street, Rockville	Various Agencies	951,620
Felland Limited Partnership	4901-43 Nicholson Ct., Kensington	DOT/Transit Services	860,644
Seneca Center II, LLC	18753 N. Frederick Ave.	Board of Elections	897,058
Fanaroff & Steppa c/o HBW Group	981 Rollins Avenue, Rockville	HHS-OAS Clinic	725,734
1335 Piccard LLC, c/o Wellstone Corp.	1335 Piccard Drive, Rockville	Health Center	720,298
Montgomery County Revenue Authority	1301 Piccard Drive, Rockville	Health & Human Services	391,106
Investment Properties, Inc.	701-C Dover Road, Rockville	Fire & Rescue Warehouse	551,450
The Gudelsky Company	8630 Fenton Street, Silver Spring	Health Center	528,085
Williamson, Harry E. and Helga R.	12500 Ardennes Avenue, Rockville	Corrections	615,962
Rockville Metro Plaza I, LLP	111 Rockville Pike, Rockville	Economic Development	516,463
Investment Properties, Inc.	11 North Washington St. 4th Floor Rockville	HHS Community Support Network	416,312
C-W Gaither, LLC	9121-25 Gaither Road, Rockville	Public Safety	372,412
ARE 25/35/45 W. Watkins Corp.	45 West Watkins Mill Rd, Gaithersburg	Public Safety	437,995
Betty B. Casey Trust	8516-40 Anniversary Circle, Rockville	Records Center/Warehouse	343,782
Halcyon Associates	8300-8434 Helgerman Court, Gaithersbg.	Public Safety	163,342
Halcyon Associates	8663-73 Grovemont Circle, Gaithersbg.	Fire & Rescue	48,637
Green Squad LLC	11435 Grandview Ave	Fire & Rescue	252,617

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 FY14 and for more times than any other county in the nation. Since 1951, the County received the award 45 times and in 43 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 FY15 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, 2015).

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 FY16 Capital Budget and the Amended FY15-20 CIP is $14.4 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 21, 2015 the County Council approved the FY16 operating budget comprising the County Government, MCPS, the College, and M-NCPPC aggregating $5.083 billion. This budgetary level represents an increase of 1.7 percent over the adopted budget for FY15.

The FY16 operating budget provides the greatest share (49.2 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 funds critical services in public safety and services to vulnerable populations.

The approved FY16 budget provided for an unassigned surplus of $127.8 million in the General Fund and $136.5 million across all tax supported funds. For FY16, the estimated weighted real property tax rate for the County is $0.987 per $100 of assessed value.

Capital Budget/Capital Improvements Program

The County Council approved the FY16 Capital Budget and FY15-20 Amended Capital Improvements Program (CIP) for the County government and the required agencies, except for WSSC, aggregating $4.580 billion for the Amended FY15-20. The Amended FY15-20 program provided for County bond funding aggregating $2.032 billion over the FY15-20 six-year period. The Council approved a Capital Improvements Program for WSSC totaling $1.652 billion for FY16-21. (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 $2,943.3 million and were 1.1 percent below the budget estimate for the fiscal year and 2.9 percent below actual tax revenues for FY14. The three largest contributors to the variance in dollars between the budget estimate and actual revenues were the income tax which decreased $29.8 million, recordation tax which decreased $7.3 million, followed by the transfer tax which decreased $5.8 million. Revenues from the property tax amounted to $1,088.4 million, which was down $521,966, or 0.05 percent below the budget estimate and 1.8 percent below actual tax revenues from FY14. The decline in actual revenues from FY14 to FY15 is attributed to the cut in the tax rate for the General Fund from $0.759 per $100 assessed value to $0.732 per $100 assessed value. Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and admissions taxes, were $278.1 million in FY15. That amount was $391,227 or 0.1 percent above the budget estimate and was driven by the hotel-motel tax, an increase of $1.5 million or 8.7%, and telephone taxes, an increase of $1.0 million or 2.1%, which was partially offset by a $2.0 million or 0.9% shortfall in fuel/energy taxes. Investment income was $164,112 below the budget estimate. Licenses and permits came in below the budget estimate by 10.2 percent, while charges for services came in above the budget estimate by 4.8 percent. Intergovernmental revenues were $6.6 million or 11.6 percent above the budget estimate. This increase was attributed to federal and other (non-state) reimbursements, which came in 32.0 percent and 105.6 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 $1,310.8 million and represented 46.4 percent of actual tax revenues in FY15 and 44.5 percent of total actual revenues. Property taxes amounted to $1,088.4 million in FY15, which were 0.5 percent below the budget estimate and 1.8 percent below actual revenues in FY14. The decline in actual revenues from FY14 to FY15 is attributed to the rate cut in the General Fund from $0.759 per $100 assessed value to $0.732 per $100 assessed value. The combined tax receipts from the County's real property transfer and recordation tax were $147.6 million in FY15, which were 8.1 percent below the budget estimate but 2.2 percent above FY14. The remaining tax sources – consisting of fuel/energy, telephone, hotel/motel, and other taxes – totaled 278.1 million in FY15 and were $391,227 or 0.1 percent above the budget estimate but 2.4 percent below actual revenues in FY14. The decline in actual revenues from FY14 was attributed to reductions in both the residential and non-residential tax rates by the County Council in FY15.

General Fund Expenditures and Transfers

Expenditure savings in FY15 amounted to $9.360 million. Savings occurred in both departmental expenditures ($6.830 million) and non-departmental expenditures ($2.530 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 Police ($3.084 million), Health and Human Services ($3.380 million), and Libraries ($1.722 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				Fiscal Year Budget
	2012	2013	2014	2015	2016
Taxes:					
Property, including interest & penalty	$1,042,924,958	$1,036,227,629	$1,108,735,671	$1,088,396,848	$1,116,715,944
Transfer tax and recordation tax	127,296,778	142,027,055	144,458,634	147,599,257	153,833,411
County income tax	1,255,089,822	1,317,533,090	1,376,763,653	1,310,821,061	1,433,417,237
Other taxes	293,532,105	292,007,596	284,844,756	278,098,839	280,319,433
Total Taxes	2,718,843,663	2,787,795,370	2,914,802,714	2,824,916,005	2,984,286,025
Licenses and permits	9,877,007	9,703,745	10,585,333	10,315,894	11,902,075
Intergovernmental revenue	41,873,345	51,799,202	65,386,079	62,972,046	59,972,342
Charges for services	8,387,285	10,552,028	8,911,416	27,338,198	9,609,257
Fines and forfeitures	18,742,899	23,160,668	23,993,497	27,538,162	23,893,361
Investment income	12,224	66,215	5,572	105,948	1,083,490
Miscellaneous	16,061,866	14,449,088	14,406,470	13,994,838	9,935,220
Total Revenues	2,813,798,289	2,897,526,316	3,038,091,081	2,967,181,091	3,100,681,770
Expenditures (including encumbrances):					
General County:					
General government	276,824,927	348,045,120	403,689,920	418,808,265	450,122,739
Public safety	342,225,124	367,638,180	386,799,315	395,772,952	368,015,051
Transportation and public works	51,076,683	68,700,317	82,090,135	76,675,794	46,099,835
Health and human services	184,255,411	196,376,879	216,191,464	225,280,973	209,253,900
Culture and recreation	33,615,205	35,568,206	38,749,757	41,713,019	40,707,935
Housing and community development	3,374,938	4,439,750	4,699,773	12,364,542	16,842,118
Environment	2,414,241	2,371,515	2,247,029	1,778,768	2,200,860
Total Expenditures	893,786,529	1,023,139,967	1,134,467,393	1,172,394,313	1,133,242,438
Transfers In (Out) :					
Transfers In:					
Special Revenue Funds	25,557,670	24,504,717	26,552,919	24,313,710	30,255,644
Enterprise Funds	30,993,350	28,400,910	28,253,518	36,201,147	34,601,000
Internal Service Funds	--	19,034,302	8,682,636	10,745,911	--
Component Units	240,075	232,538	--	--	--
Total Operating Transfers In (Out)	56,791,095	72,172,467	63,489,073	71,260,768	64,856,644
Transfers Out:					
Special Revenue Funds	(78,066,365)	(57,842,563)	(49,557,407)	(45,240,340)	(48,708,982)
Debt Service Fund	(235,553,941)	(252,311,377)	(256,222,429)	(281,282,150)	(284,497,255)
Capital Projects Fund	(40,384,588)	(45,695,781)	(42,493,960)	(54,521,679)	(47,134,000)
Enterprise Funds	(3,389,630)	(2,873,089)	(2,608,209)	(25,000)	(1,617,930)
Internal Service Funds	(884,147)	(1,597,958)	(1,143,657)	(576,813)	--
Component Units	(1,484,536,407)	(1,547,788,358)	(1,576,615,732)	(1,615,305,046)	(1,670,075,333)
Total Transfers Out	(1,842,815,078)	(1,908,109,126)	(1,928,641,394)	(1,996,951,028)	(2,052,033,500)
Net Transfers In (Out)	(1,786,023,983)	(1,835,936,659)	(1,865,152,321)	(1,925,690,260)	(1,987,176,856)
Excess of revenues and operating transfers in over/ (under) expenditures, encumbrances and operating transfers out	133,987,777	38,449,690	38,471,367	(130,903,482)	(19,737,524)
Fund Balances, July 1 as previously stated	93,078,794	235,497,305	289,598,811	352,940,120	228,809,810
Adjustment for previous year encumbrances	8,430,734	15,651,816	24,869,942	6,773,172	--
Fund Balances, July 1 restated	101,509,528	251,149,121	314,468,753	359,713,292	228,809,810
Equity transfers in (out)	--	--	--	--	--
Budgetary Fund Balance, June 30	$ 235,497,305	$ 289,598,811	$ 352,940,120	$ 228,809,810	$ 209,072,286

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

	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above (2)	$ 235,497,305	$ 289,598,811	$ 352,940,120	$ 228,809,810
Encumbrances outstanding	20,382,922	29,344,177	33,293,736	26,575,194
Cumulative Marriot Conference Center	4,332,672	4,719,357	5,578,374	6,451,379
Unrealized investment gain (loss) (1)	(277,552)	(301,087)	(326,213)	(300,987)
Net differences between beginning fund balances	263,911	274,877	271,653	(449,973)
GAAP Fund Balance as Reported	$ 260,199,258	$ 323,636,135	$ 391,757,670	$ 261,085,423
Elements of GAAP Fund Balance:				
Nonspendable	$ 5 ,635,580	$ 5 ,649,319	$ 6,159,553	$ 6,799,926
Restricted	--	--	14,500	585,905
Committed	41,243,696	49,695,245	68,078,344	70,586,279
Assigned	20,382,922	29,344,177	33,293,736	26,575,194
Unassigned	192,937,060	238,947,394	284,211,537	156,538,119
Total Fund Balance	$ 260,199,258	$ 323,636,135	$ 391,757,670	$ 261,085,423

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 annual fluctuations beyond a certain baseline.

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 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.

In FY15, the required mandatory contribution for FY15 was $22,392,996; accordingly, the required amount was transferred to the RSF. As of June 30, 2015, the ending fund balance in the Revenue Stabilization Fund was $230,647,665. This amount is reported as restricted fund balance in the General Fund for FY 15. 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)
2001	$ 8.9	$ 79.5
2002	7.7	87.2
2003	--	87.2
2004	8.8	95.9
2005	5.2	101.2
2006	6.6	107.8
2007	11.9	119.6
2008	--	119.6
2009	--	119.6
2010	(44.8)	74.9
2011	19.6	94.5
2012	60.7	155.2
2013	29.6	184.9
2014	23.0	208.0
2015	22.4	230.6

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 2011 – 2015 are shown in the table below.

Table 19
Enterprise Funds Paying Debt Service
Results of Operations

Fund	Fiscal Year				
	2011	2012	2013	2014	2015
Liquor Control					
Operating Revenues	$ 242,609,273	$ 252,325,417	$ 258,876,654	$ 268,655,339	$ 278,622,540
Operating Expenses	214,184,399	218,758,812	224,306,626	237,434,727	247,294,727
Operating Income	$ 28,424,874	$ 33,566,605	$ 34,570,028	$ 31,220,612	$ 31,327,944
Solid Waste Activities					
Operating Revenues	$ 105,997,778	$ 107,772,792	$ 108,248,910	$ 109,211,815	$ 111,530,484
Operating Expenses	100,372,622	98,781,876	105,868,485	129,648,505	109,371,699
Operating Income (Loss)	$ 5,625,156	$ 8,990,916	$ 2 ,380,425	$ (20,436,690)	$ 2,158,785
Parking Lot Districts					
Operating Revenues	$ 16,257,449	$ 28,916,500	$ 31,054,372	$ 30,896,632	$ 33,903,942
Operating Expenses	12,755,410	28,436,826	28,750,317	28,774,524	35,753,524
Operating Income (Loss)	$ 3,502,039	$ 479,674	$ 2,304,055	$ 2 ,122,108	$ (1,849,582)

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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 FY15 operations of the program is outlined below:

		($000's)
Revenues:		
Contributions from participating agencies	$	68,629
Interest on investments		193
Recovered losses		542
Other income		504
Total Revenues		69,868
Expenses:		
Claims expense		37,905
Claims administration, loss control, external insurance, and other administrative expenses		14,281
Total Expenses		52,186
Net Gain		17,682
Net Position, July 1, 2014		(4,781)
Net Position, June 30, 2015	$	12,901

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 FY15 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, 2015, 5,541 active members, 6,380 retirees and beneficiaries receiving benefits and 402 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, 2015, the balance of amounts held by the System pursuant to DROP was $11,439,991.

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, 2015, 3,756 active members and 853 inactive plan members were participating in the RSP with a net position of $315,300,916. 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, 2015, the DCP had a net position of $352,646,852. 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. Beginning with the actuarial valuation as of July 1, 2015, the unfunded liability is amortized over an initial period of 20 years. For Public Safety and the GRIP, a single closed amortization period of 20 years will be used. For non-Public Safety groups, a single closed amortization period of 9 years will be used. The average amortization period for the total ERS is 11.7 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, 2015, the aggregate market value of net assets of the System was $3,661,661,244 and the aggregate actuarial value of net assets of the System was $3,630,075,610.

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, 2015 was $151,301,867 and was based on the actuarial valuation as of June 30, 2013. 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, 2015 and the projected funded status for the System for the five year period ending June 30, 2015.

Table 20
Historical Funded Status

Valuation Date (June 30)	Net Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
2006	$ 2,307,679,562	$ 2,222,724,295	$ 2,918,336,073	$ 695,611,788	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
2015	3,661,661,244	3,630,075,610	4,050,736,852	420,661,242	89.6

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, 2015:

Asset Class	Target Allocation	
Long Duration Fixed Income	12.50	%
High Yield Fixed Income	8.00	
Credit Opportunities	2.00	
TIPS	10.00	
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
2015	2.82%	10.74%	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, 2014, the most recent actuarial valuation, plan membership consisted of 17,505 members, consisting of 7,563 retirees and beneficiaries receiving benefits and 9,942 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 FY15, plan members and beneficiaries receiving benefits contributed $21,916,187 and the County and other participating employers contributed $99,731,321.

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, 2015, the plan had an actuarial accrued liability of $1,241,304,000 and plan assets of $239,399,000 on an actuarial basis. The unfunded actuarial accrued liability of the plan was $1,001,905,000 on June 30, 2015.

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 2015, the annual OPEB cost was $114,370,000 and the County made total contributions of $99,731,321. 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, with the semi-annual payments becoming delinquent after September 30 and December 31. Tax lien 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 in 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 modest growth rate of 0.4 percent from FY10 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. However, in FY14, the real property taxable assessment increased 1.0 percent. Due to a decline in business investment in personal property between FY10 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 4.4 percent during the four-year period (from FY10 to FY13). For FY14, personal property taxable assessment increased 2.9 percent. In FY15, real property taxable assessment increased 2.4 percent but personal property taxable assessment decreased 1.5 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 Two.

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
2015	$163,656,758,206	$3,655,133,210	$167,311,891,416	2.27%	92.55%
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

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

Tax-exempt properties are excluded from the above figures. In FY15, such exemptions for real property owned by Federal, State, County, and other governmental units, and certain non-profit organizations totaled $18.7 billion at the beginning of the fiscal year based on data from the State Department of Assessments and Taxation. Tax-exempt real property constitutes 9.4 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
2015	$1,133,030,658	$1,108,320,647	97.82%	($21,354,590)	$1,086,963,057	95.93%	$15,573,609	1.37%
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

Table 23
Tax Rates and Tax Levies, by Purpose

Fiscal	General County		Transit		State		Total	
Year	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2015	$0.732	$1,133,030,658	$0.040	$61,702,899	$0.112	$183,907,978	$0.884	$1,378,641,535
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

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 $1.830 in FY15, $1.898 in FY14, $1.810 in FY2013, $1.783 in FY12, $1.747 in FY11; the personal property rate for Transit was $0.1 in FY15, $0.105 in FY14, $0.120 in FY13, $0.095 in FY12, $0.092 in FY11. (the State does not tax personal property).

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Table 24
Ten Highest Commercial Property Taxpayers' Assessable Base
As of June 30, 2015

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co	$840,291,615	$25,931,735	$814,359,880	0.50%
Federal Realty Investment Trust	457,777,107	455,381,667	2,395,440	0.27
Verizon-Maryland	403,670,743	46,038,233	357,632,510	0.24
Montgomery Mall LLC	361,099,693	359,049,933	2,049,760	0.22
WMATA	347,692,200	347,692,200	--	0.21
Street Retail Inc.	266,755,357	266,755,357	--	0.16
Washington Gas Light Co.	259,010,920	--	259,010,920	0.15
Chevy Chase Land Co	225,743,666	225,743,666	--	0.13
Wheaton Plaza Reg Shop Center	222,998,837	221,801,267	1,197,570	0.13
WP Project Developer LLC	214,089,411	214,089,411	--	0.13
Total	$3,599,129,549	$2,162,483,469	$1,436,646,080	2.14%
Assessable Base (June 30, 2015)	$167,311,891,416			

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
2015	$16,643,380	$32,676,773
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

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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.

Table 26
Households and Population

	Households	Population	Population Percent Change from Prior Census
2015 (est.)	377,500	1,040,751	7.1%
2014	364,854	1,030,447	6.0
2013	364,743	1,019,767	4.9
2012	361,116	1,006,547	3.6
2011	359,496	992,738	2.1
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

Note: Data for total population from 2004 to 2014 from the Bureau of Economic Analysis, U.S. Department of Commerce. Data from 2004 to 2009 are Census Bureau midyear population estimates. Data from 2010 to 2014 are estimates that reflect County population estimates available as of March 2015 and population estimate for 2015 derived from average annual rate from Metropolitan Washington Council of Government (MWCOG), Round 8.4. Data for households from 2004 to 2013 from the Census Bureau and American Community Survey (2011 to 2014) and defined as occupied housing units. The estimate of households in 2015 derived from using average annual rate from 2010 to 2015 from MWCOG (Round 8.4).

Table 27
Median Age

	1960	1970	1980	1990	2000	2010	2014
Median Age	28.1	27.9	32.1	33.9	36.8	38.5	38.6

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 80.3 percent of the total workforce in 2014, the latest available annual data. The following tables present the County's employment by industrial sector.

Table 28
Payroll Employment

	2010	2013	2014
TOTAL PRIVATE SECTOR	358,172	363,126	365,763
PUBLIC SECTOR EMPLOYMENT:			
Federal	45,072	46,854	46,678
State	1,199	1,122	1,207
Local	37,140	40,707	41,695
TOTAL PUBLIC SECTOR	83,411	88,683	89,580
GRAND TOTAL	441,583	451,809	455,343

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

	2013	2014
TOTAL PRIVATE SECTOR	80.4%	80.3%
PUBLIC SECTOR EMPLOYMENT:		
Federal	10.4	10.3
State	0.2	0.2
Local	9.0	9.2
TOTAL PUBLIC SECTOR	19.6	19.7
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 2013 and 2014 based on the new classification system which shows that the County had a slight overall percentage gain in employment in 2014.

Table 30
Payroll Employment
(NAICS Series)*

	2013	2014	Difference	Percent Change
TOTAL PRIVATE SECTOR	363,126	365,763	2,637	0.7%
GOODS-PRODUCING	34,840	35,270	430	1.2%
Natural Resources and Mining	258	304	46	17.8%
Construction	23,363	23,662	299	1.3%
Manufacturing	11,219	11,304	85	0.8%
SERVICE PROVIDING	328,286	330,493	2,207	0.7%
Trade, Transportation, and Utilities	57,607	57,824	217	0.4%
Information	12,359	12,608	249	2.0%
Financial Activities	30,479	30,040	(439)	-1.4%
Professional and Business Services	98,510	98,782	272	0.3%
Education and Health Services	66,767	67,618	851	1.3%
Leisure and Hospitality	40,257	41,005	748	1.9%
Other Services	22,307	22,616	309	1.4%
PUBLIC SECTOR EMPLOYMENT	88,683	89,580	897	1.0%
Federal Government	46,854	46,678	(176)	-0.4%
State Government	1,122	1,207	85	7.6%
Local Government	40,707	41,695	988	2.4%
GRAND TOTAL	451,809	455,343	3,534	0.8%

* North American Industrial Classification System.

During calendar year 2014 the County's unemployment rate averaged 4.4 percent. Table 31 presents the County's labor force, employment and unemployment for the calendar years 2006 through 2015.

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

	Labor Force	Employment	Unemployment	Unemployment
2015*	544,313	522,426	21,888	4.0%
2014**	540,128	516,420	23,708	4.4%
2013**	542,029	515,153	26,876	5.0%
2012**	540,444	512,589	27,885	5.2%
2011**	536,636	508,528	28,108	5.2%
2010**	532,549	502,710	29,839	5.6%
2009**	522,421	494,565	27,856	5.3%
2008**	515,987	499,705	16,282	3.2%
2007**	509,769	496,401	13,368	2.6%
2006**	510,593	495,926	14,667	2.9%

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

* Estimated by the Montgomery County Department of Finance.
** Data for 2006 through 2014 were revised by BLS.

Federal Government Employment

The County is home to 18 Federal agencies in which more than 55,500 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 2015.

Department of Health and Human Services (HHS)	30,430
National Institutes of Health	
Food and Drug Administration	
Department of Defense	13,270
Walter Reed National Military Center	
Carderock Naval Surface Warfare Center	
Department of Commerce	7,330
National Oceanic & Atmospheric Administration	
National Institute of Standards & Technology	
Nuclear Regulatory Commission	2,700
Department of Energy	1,800

Source: Maryland Department of Commerce.

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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)	5,900
Adventist Hospital	5,300
Lockheed Martin	4,700
Holy Cross Hospital	3,200
Giant Food Corporation	3,200
Verizon	2,900
Kaiser Permanente of the Mid-Atlantic States	2,600
MedImmune/Astra Zeneca	2,300
Westat, Inc.	2,300
Government Employee Insurance Company (GEICO)	2,300
Henry M. Jackson Foundation	1,800
Suburban Hospital	1,700
Red Coats/Admiral Security Services	1,600

Source: Maryland Department of Commerce.

Personal Income

Actual personal income of County residents reached $75.7 billion in calendar year 2014 which is an increase over the 2013 amount of $72.9 billion. The County's total personal income experienced an increase of 3.9 percent in 2014, less than the nation's increase of 4.4 percent, but slightly greater than the State's rate of 3.8 percent. The County's total personal income increase of 3.9 percent is greater than the ten-year (2005-2014) annual average growth rate of 3.1 percent.

The County accounts for 23.4 percent of the State's personal income in 2015, which is a percentage that has ranged from a high of 23.8 percent in 2006 and 2012 to a low of 23.3 percent in 2009.

Table 32
Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2014	$75,720	$323,778	$14,683,147	23.4 %
2013	72,887	312,054	14,064,468	23.4
2012	74,393	312,724	13,904,485	23.8
2011	71,162	302,712	13,233,436	23.5
2010	67,443	287,571	12,459,613	23.5
2009	64,973	279,294	12,079,444	23.3
2008	66,506	280,306	12,492,705	23.7
2007	63,582	269,714	11,995,419	23.6
2006	61,561	258,321	11,381,350	23.8
2005	57,151	242,155	10,610,320	23.6

Notes: Data for 2005 to 2014 from U.S. Department of Commerce, Bureau of Economic Analysis, revised November 2015 (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 $75.7 billion in calendar year 2014, up from $72.9 billion in 2013, while per capita income reached $75,835 in 2014, up from $72,746 in 2013. Average household income increased from $202,770 in 2013 to $212,339 in 2014.

Table 33
Per Capita and Average Household Income, 2014

County	Per Capita Income	County	Average Household Income
Fairfield, CT	$98,688	Fairfield, CT	$270,406
Marin, CA	98,626	San Mateo, CA	260,909
San Mateo, CA	89,659	Westchester, NY	242,264
Westchester, NY	87,777	Marin, CA	241,634
Somerset, NJ	83,731	Somerset, NJ	233,609
Arlington, VA	83,170	Morris, NJ	226,899
Morris, NJ	82,810	Santa Clara, CA	223,900
Montgomery, MD	**75,835**	Nassau, NY	223,799
Fairfax, VA	75,007	**Montgomery, MD**	**212,339**
Santa Clara, CA	74,883	Loudon, VA	206,870
Norfolk, VA	74,851	Bergen, NJ	200,754
Collier, FL	73,869	Fairfax, VA	194,118
Nassau, NY	73,536	Norfolk, VA	193,864
Bergen, NJ	73,536	Chester, PA	192,881
Montgomery, PA	73,483	Collier, FL	191,320
Chester, PA	71,971	Montgomery, PA	189,585
Middlesex, MA	69,337	Howard, MD	189,294
Howard, MD	67,605	Lake, IL	186,188
Loudon, VA	67,384	Arlington, VA	184,637
Palm Beach, FL	66,914	Contra Costa, CA	181,055

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.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, November, 2015, 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 45,000 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 $4,263,108 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 $472 thousand dollars is earmarked for pending FY16 easement settlements in association with the County and State Agricultural Easement Programs.

New Construction

Between FY14 and FY15, the number of new construction projects increased 5.1 percent. At the same time, the value of new construction added to the real property tax base increased 8.4 percent to $1.419 billion. Over the prior nine-year period (from FY06 to FY14), the number of projects, both residential and non-residential increased from 1,580 to 1,775. During that same period, the value of new construction averaged $1.294 billion between FY06 and FY14 and ranging from a high of $1.605 billion in FY07 to a low of $0.586 billion in FY12. The decline in the construction of residential properties beginning in FY07 and ending in FY12 reached its lowest level in seven 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, but since 2012, new residential construction increased nearly 174 percent.

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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
2015	1,866	$659.9	$30.9	$27.6	$696.5	$3.8	$1,418.7
2014	1,775	652.4	73.5	59.1	517.6	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
10-Year Summary		$6,855.8	$370.4	$1,626.3	$3,872.1	$343.1	$13,067.7
Categories as Percent of Total		52.5%	2.8%	12.4%	29.6%	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. Some of the highlights of the Technology Corridor include the following:

- A new hospital, Holy Cross Germantown Hospital, brought 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 created 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 revitalized, new urban neighborhood that is well underway includes 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 includes 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 (CBDs). 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 is 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. However, the County recognized that it and other public entities held enough real estate assets in Wheaton to accommodate 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. have constructed an 800,000 square foot mixed-use residential/retail project – The Exchange at Wheaton Station – directly across from the WMATA Red Line subway station.

__Bethesda__

Downtown Bethesda is one of the County's major urban business and entertainment centers, with nearly 200 restaurants combined 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, Calvert Investments, and Cohn Reznick.

- In the popular Bethesda Row section of downtown Bethesda, StonebridgeCarras completed the redevelopment of County Parking Lot 31. The development, which added 250 residential units in two buildings and a new 940-space underground County parking garage, was 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.

- In October 2015, the National Intelligence community unveiled its state-of-the-art campus in Bethesda, Maryland. The purpose of the state-of-the-art facility, which is located at 4600 Sangamore Road in Bethesda, is to develop a collaborative Intelligence Community campus for the relocation of up to 3,000 intelligence professionals in the Washington National Capital area. The campus which is conveniently located in the heart of the intelligence community, will host employees from the Office of the Director of National Intelligence's National Counterintelligence and Security Center, the National Intelligence University, and the Defense Intelligence Agency.

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 November 2015, Montgomery County has more than 138 million square feet of commercial real estate space (office, flex, 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 104 million square feet of commercial space. Notable buildings along the I-270 corridor include the 1.2 million square foot MedImmune building in Gaithersburg and 800,000 square foot Marriott headquarters in North 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 November 2015

Montgomery County Market	Total Inventory (Square Feet)	Direct Vacant (Square Feet)	Direct Vacancy Rate	Vacancy Rate w/Sublet
Bethesda/Chevy Chase	16,239,969	1,410,923	8.7%	11.4%
Gaithersburg	21,790,123	1,824,602	8.4	8.6
Germantown	7,866,933	755,141	9.6	10.2
Kensington/Wheaton	6,995,968	684,549	9.8	9.8
North Bethesda/Potomac	16,486,626	2,718,739	16.5	16.8
North Rockville	22,686,497	3,113,374	13.7	15.4
North Silver Spring/Rt 29	8,849,870	696,346	7.9	8.8
Rockville	19,205,033	1,960,152	10.2	10.6
Silver Spring	11,673,605	919,154	7.9	8.7
Other Markets*	6,236,481	875,641	12.9	22.5
Total County	138,031,105	14,958,621	10.8	12.2

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 2015. Construction was completed 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 site of 320,000 square feet of retail and commercial space, plus 2,250 residential units, being built by Buzzuto Group and called "Cadence at Crown". In June 2015, the retail portion of Downtown Crown was sold for $162.8 million

Public/Private Projects

LifSci Village

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

The proposed 300-acre development is 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 FDA headquarters. The County enrolled the property in the State's Voluntary Clean-Up Program; environmental remediation was completed in late 2014. Infrastructure planning is now underway.

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 will be home to nearly 4,000 employees. As the anchor tenant of the Montgomery College Science & Technology Park, Holy Cross Germantown serves 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 opened September 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 220 companies have graduated from the County's incubators, with over 85% of those graduates successfully transitioning to commercial spaces within Montgomery County. The Maryland Technology Development Center opened its doors in 1998. After helping over 100 start-up companies to grow, the center has been successfully converted into the coveted National Cybersecurity Center of Excellence, scheduled to have a grand opening in January 2016. 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. A part of the Rockville Innovation Center was converted to an Accelerator Program in August 2015 to expose early-stage companies to an intensive product-focused curriculum to "accelerate" their business, connect their founders with a strong support network, and help founders grow their company to be ready for pilot testing and investment by the end of the program.

National Institute of Allergy and Infectious Diseases (NIAID)

The National Institute of Allergy and Infectious Diseases brought 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 constructed and leased the 10-story office at 5601 Fishers Lane, near where NIAID already had 150,000 square feet of laboratory space. There is also a 5-story parking garage located adjacent to the building. NIAID signed a 15-year lease for its new quarters, which was completed in 2014.

Downtown Rockville

Construction was completed on a new mixed-use development project in Rockville Town Center. The $100 million development includes approximately 17,000 square feet of retail space, 465 apartments, a 140-room Cambria Suites Hotel and 600 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:

- **Rapid Financial Services** – headquarters retention and its current 87 jobs; the company plans to add 124 new jobs.
- **HedgeCheck** – attraction to the County with 21 new jobs projected.
- **TSC Advantage –** attraction to the County with 38 initial jobs and planning to add 18 new jobs.
- **Salsa Labs -** attraction to the County with 47 initial jobs and planning to add 27 new jobs.
- **Sucampo –** headquarters retention and its current 55 jobs; the company plans to add 100 new jobs.
- **VariQ** – headquarters retention and its current 17 jobs; the company plans to add 158 new jobs.
- **Teaching Strategy** – headquarters retention and its current 80 jobs; the company plans to add 48 new jobs.
- **innoScience –** attraction to the County with 3 initial jobs and planning to add 32 new jobs.

Retail Sales

Retail sales, measured by sales tax data collected for the first ten months of 2015, increased in Maryland and in Montgomery County. Compared to the prior year, when retail sales in the County increased 1.8 percent during the first ten months of 2014, sales increased 4.5 percent during the first ten months of 2015. The increase was attributed to purchases of food and beverage items which increased 6.9%, purchase of general merchandise which increased 4.4%, purchases of building and industrial supplies were up 9.4% , hardware, machinery, and equipment which were up 2.4%, and automotive was up 4.6%.

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Major Retail Centers

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

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. The Shopping Mall recently expanded by enlarging the Macy's, moving the Sears Automotive Center, adding a promenade with shops and restaurants with outdoor seating, and includes 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 in 2013 that includes Costco.

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APPENDIX A

BASIC FINANCIAL STATEMENTS

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TABLE OF CONTENTS

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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, 2015, 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, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

During the fiscal year ended June 30, 2015, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, the County reported a restatement for change in accounting principle (See Note I). Our auditors' opinion was not modified with respect to the restatement.

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, Employees' Retirement System, Maryland State Retirement and Pension System, and the notes to required supplementary information on pages 131 through 146 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 16, 2015, 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 16, 2015

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 and deferred inflows of resources at the close of FY15 by $1,001.7 million. That amount is net of a $1,825.3 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 $1,634.7 million at June 30, 2015. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of $190.6 million.
- The County's total government-wide net position increased by $21.2 million.
- As of the close of FY15, the County's governmental funds reported combined ending fund balances of $985.1 million; an increase of $113.7 million over the prior year's ending fund balances. Of the total ending fund balances, $156.4 million is available for spending at the County's discretion.
- At the end of FY15, unassigned fund balance for the General Fund was $156.5 million, or 5.6 percent of total General Fund expenditures.
- The County's government-wide long-term debt and obligations increased by $38.9 million during FY15. The key factors in this increase are:
  - The issuance of $856.5 million in general obligation (GO) bonds, used to refund $389.3 million in existing GO bonds. Proceeds were also used to refund $500 million in bond anticipation notes (BANS). Included in this issuance was an addition of $156.4 in GO premiums.
  - The issuance of an additional $500 million in BANS.
  - A reduction in the Net Pension Liability of $344.8 million
  - The retirement of $193 million in GO bond principal and amortization of related premiums of $37.9 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 28 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 127.

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 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 11 non-major 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, 2015 and 2014:

Summary of Net Position *

June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets and Deferred Outflows of Resources:						
Current and other assets	$ 1,696,582,643	$ 1,622,212,695	$ 220,135,223	$ 228,447,367	$ 1,916,717,866	$ 1,850,660,062
Capital assets, net	4,075,212,346	3,864,096,152	280,760,328	280,050,637	4,355,972,674	4,144,146,789
Deferred outflows of resources	188,194,999	20,284,009	6,369,148	151,134	194,564,147	20,435,143
Total Assets and Deferred Outflows of Resources	5,959,989,988	5,506,592,856	507,264,699	508,649,138	6,467,254,687	6,015,241,994
Liabilities and Deferred Inflows of Resources:						
Long-term liabilities outstanding	4,681,801,356	3,991,981,135	162,056,261	151,483,512	4,843,857,617	4,143,464,647
Other liabilities	343,067,659	333,818,882	43,564,919	41,103,399	386,632,578	374,922,281
Deferred inflows of resources	225,285,936	-	9,803,898	-	235,089,834	-
Total Liabilities and Deferred Inflows of Resources	5,250,154,951	4,325,800,017	215,425,078	192,586,911	5,465,580,029	4,518,386,928
Net position:						
Net investment in capital assets	2,099,290,326	2,112,879,507	186,001,533	181,965,592	2,285,291,859	2,294,845,099
Restricted	493,320,702	315,878,315	48,386,118	64,810,807	541,706,820	380,689,122
Unrestricted (deficit)	(1,882,775,991)	(1,247,964,983)	57,451,970	69,285,828	(1,825,324,021)	(1,178,679,155)
Total Net Position	$ 709,835,037	$ 1,180,792,839	$ 291,839,621	$ 316,062,227	$ 1,001,674,658	$ 1,496,855,066

* Primary Government

The County's current and other assets increased by $66.1 million or 3.6 percent from FY14. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of FY15 by $1,001.7 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 $1,634.7 million at June 30, 2015. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of $190.6 million. An additional portion of the County's net position ($541.7 million or 54.1 percent) represents resources that are subject to restrictions on how they may be used.

The County's total net position increased by $21.2 million for FY15 or 2.2 percent over FY14.

Additionally, the County implemented GASB Statement No. 68 during FY15. This change resulted in a reduction in beginning net position for FY15 as shown below. Additional information on the implementation of new accounting standards can be found in Notes to Financial Statements, Note I-E.

Restatement of Beginning Net Position*
For the Fiscal Year Ended June 30, 2015

	Governmental Activities	Business-type Activities
Net Position, June 30, 2014	$ 1,180,792,839	$ 316,062,227
Net Pension Liability	(634,472,966)	(26,981,609)
Deferred Outflow of Resources	139,109,961	6,002,847
Net Position, as restated	$ 685,429,834	$ 295,083,465

* Primary Government

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Statement of Activities

The following table summarizes the County's change in net position for the years ended June 30, 2015 and 2014:

Summary of Changes in Net Position *
For the Fiscal Years Ended June 30, 2015 and 2014

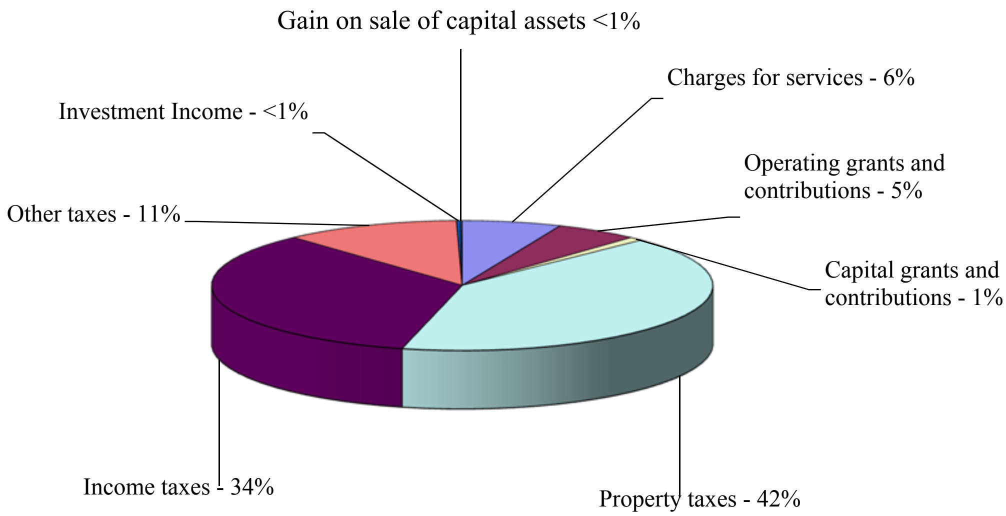
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues:						
Charges for services	$ 237,757,263	$ 189,491,439	$ 474,835,325	$ 464,403,897	$ 712,592,588	$ 653,895,336
Operating grants and contributions	201,925,033	211,052,724	-	-	201,925,033	211,052,724
Capital grants and contributions	34,370,853	40,010,775	-	-	34,370,853	40,010,775
General revenues:						
Property taxes	1,528,093,085	1,528,302,790	10,903,699	10,391,101	1,538,996,784	1,538,693,891
Income taxes	1,276,415,595	1,329,827,192	-	-	1,276,415,595	1,329,827,192
Other taxes	423,734,468	432,455,794	-	-	423,734,468	432,455,794
Investment income	6,787,434	6,457,962	215,823	100,857	7,003,257	6,558,819
Grants, contributions, and other revenues not restricted to specific programs	-	588,567	-	-	-	588,567
Gain/(loss) on sale of capital assets	3,882,648	(3,529,635)	175,100	(1,241,279)	4,057,748	(4,770,914)
Total Revenues	3,712,966,379	3,734,657,608	486,129,947	473,654,576	4,199,096,326	4,208,312,184
EXPENSES						
Governmental Activities:						
General government	470,405,790	474,084,799	-	-	470,405,790	474,084,799
Public safety	591,702,869	607,555,402	-	-	591,702,869	607,555,402
Public works and transportation	288,226,716	273,021,015	-	-	288,226,716	273,021,015
Health and human services	296,567,081	291,657,233	-	-	296,567,081	291,657,233
Culture and recreation	95,703,122	95,084,426	-	-	95,703,122	95,084,426
Community development and housing	32,001,034	38,160,065	-	-	32,001,034	38,160,065
Environment	30,905,863	31,590,141	-	-	30,905,863	31,590,141
Education	1,826,117,289	1,770,301,285	-	-	1,826,117,289	1,770,301,285
Interest on long-term debt	112,420,639	101,268,081	-	-	112,420,639	101,268,081
Business-type Activities:						
Liquor control	-	-	248,982,109	239,218,758	248,982,109	239,218,758
Solid waste activities	-	-	109,351,706	129,531,260	109,351,706	129,531,260
Parking lot districts	-	-	37,103,525	30,140,788	37,103,525	30,140,788
Permitting services	-	-	29,002,673	29,486,839	29,002,673	29,486,839
Community use of public facilities	-	-	9,444,551	8,997,721	9,444,551	8,997,721
Total Expenses	3,744,050,403	3,682,722,447	433,884,564	437,375,366	4,177,934,967	4,120,097,813
Net Position Before Transfers	(31,084,024)	51,935,161	52,245,383	36,279,210	21,161,359	88,214,371
Transfers	55,489,227	46,858,508	(55,489,227)	(46,858,508)	-	-
Change in Net Position	24,405,203	98,793,669	(3,243,844)	(10,579,298)	21,161,359	88,214,371
Net Position, beginning of year as restated	685,429,834	1,081,999,170	295,083,465	326,641,525	980,513,299	1,408,640,695
Net Position, end of year	$ 709,835,037	$ 1,180,792,839	$ 291,839,621	$ 316,062,227	$ 1,001,674,658	$ 1,496,855,066

* Primary Government

Governmental Activities

Revenues for the County's governmental activities were $3,713.0 million for FY15. Sources of revenue are comprised of the following items:

Revenues by Source - Governmental Activities
For the Fiscal Year Ended June 30, 2015

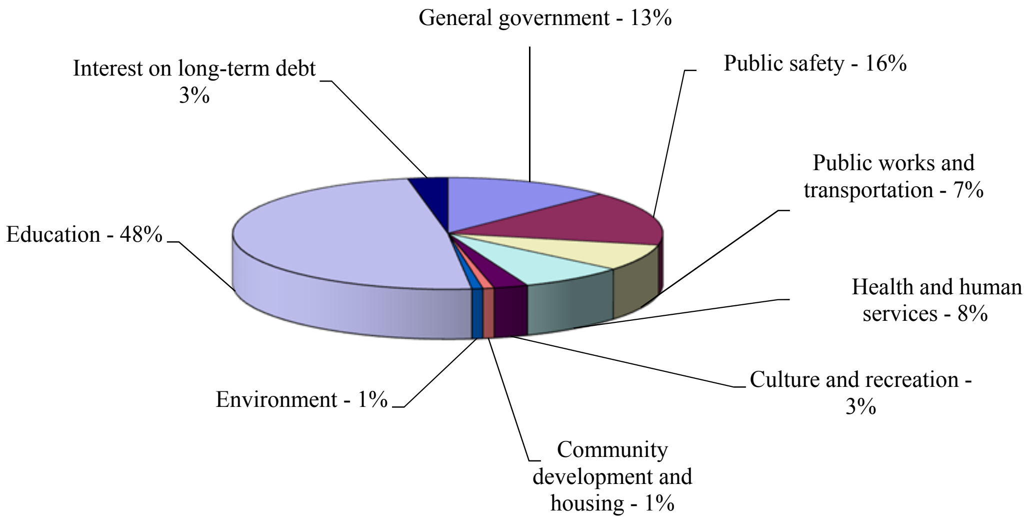


- Taxes constitute the largest source of County revenues, amounting to $3,228.2 million for FY15.
- Property and local income tax combined comprise 75.5 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 3.2 percent of the State taxable income for calendar years 2015 and 2014. 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 ($112.4 million or 56.3 percent), public works and transportation ($40.8 million or 20.4 percent) and public safety ($34.6 million or 17.3 percent).

A more detailed discussion of the County's revenue results for FY15 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 FY15 was $3,744.1 million. As the chart on the next page indicates, education constitutes the County's largest program and highest priority; education expenses totaled $1,826.1 million. Public safety expenses totaled $591.7 million, general government services totaled $470.4 million, and health and human services, the fourth largest expense for the County, totaled $296.6 million.

Expenses by Function - Governmental Activities
For the Fiscal Year Ended June 30, 2015



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, 2015 and 2014						
	Expenses		Revenues		Net Cost of Services	
	2015	2014	2015	2014	2015	2014
Education	$ 1,826,117,289	$ 1,770,301,285	$ -	$ -	$ 1,826,117,289	$ 1,770,301,285
Public safety	591,702,869	607,555,402	88,107,998	87,023,148	503,594,871	520,532,254
General government	470,405,790	474,084,799	89,903,682	49,785,788	380,502,108	424,299,011
Public works and transportation	288,226,716	273,021,015	91,011,178	103,397,968	197,215,538	169,623,047
Health and human services	296,567,081	291,657,233	117,357,408	116,947,500	179,209,673	174,709,733
Culture and recreation	95,703,122	95,084,426	49,774,679	45,360,701	45,928,443	49,723,725
Other	175,327,536	171,018,287	37,898,204	38,039,833	137,429,332	132,978,454
Total	$ 3,744,050,403	$ 3,682,722,447	$ 474,053,149	$ 440,554,938	$ 3,269,997,254	$ 3,242,167,509

Of the total cost of governmental activities of $3,744.1 million, $474.1 million was paid by those who directly benefited from the programs ($237.8 million) and other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($236.3 million). Of the $3,270.0 million net cost of services, our taxpayers paid for these activities through County taxes which totaled $3,228.2 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, including the effect of implementing GASB Statement No. 68, compared to last year are:

- Education:
  $55.8 million increase in resources spent on education
- Public Works and Transportation:
  $15.2 million increase in expenses primarily due to increased road maintenance
- Health and Human Services:
  $4.9 million increase in expenses including a significant increase in adult English literacy programs, Title XIX programs, and an increase in Earned Income Tax Credit refunds

Business-type Activities

Highlights of the County's business-type activities for FY15 are as follows:

- Business-type activities experienced a decrease in net position of $3.2 million for FY15. This amount is reported after total net transfers out of $55.5 million. The most significant components of the change include:
  - $4.6 million decrease in net position related to liquor control,
  - $5.6 million decrease in net position related to parking lot districts; and
  - $5.6 million increase related to permitting services.
- Charges for services to users comprise 97.7 percent of revenues, with $278.8 million (58.7 percent of charges for services revenue) attributable to liquor control operations and $111.6 million (23.5 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 $10.9 million is the second largest source of revenue at only 2.2 percent of total revenues.
- Investment income of $0.22 million reflects an increase of $0.12 million or 120 percent from FY14, primarily because of the increase in pooled cash and investments during the year.

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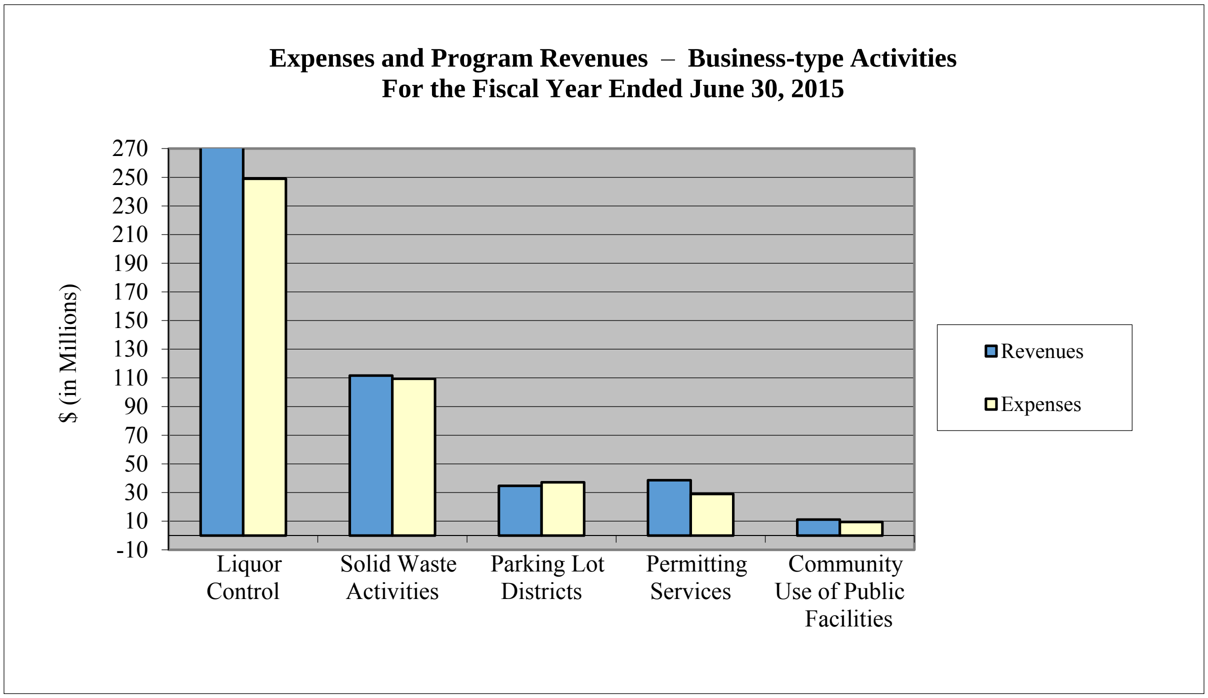
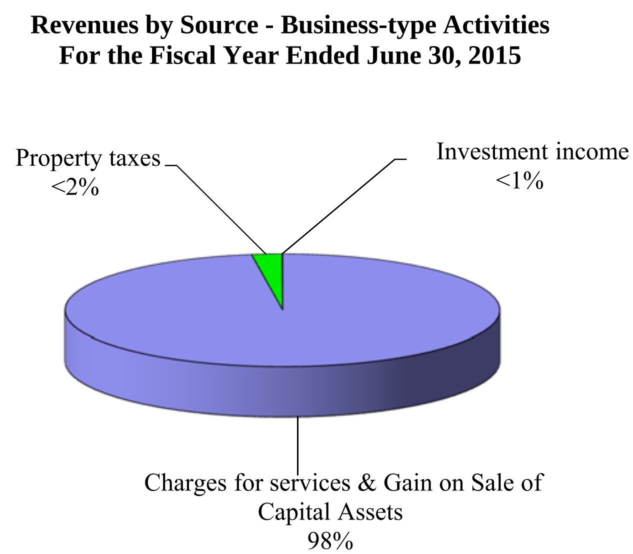
Business-type activities are shown below comparing costs to revenues generated by related services:



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



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is valuable in assessing the County's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of FY15, the County's governmental funds reported combined ending fund balances of $985.1 million, an increase of $113.7 million from the end of FY14. Of the total ending fund balances, $156.4 million constitutes the unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of $828.7 million is unavailable for new spending because it has been set aside 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 FY15, the General Fund had $156.5 million of unassigned fund balance and total fund balance was $491.7 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 17.6 percent of total General Fund expenditures.

The fund balance of the County's General Fund decreased by $108.0 million during FY15, primarily due to decreased income and property tax revenues, despite the consolidation of $230.6 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 FY15, HI had a fund balance of $243.7 million, which is entirely restricted for legal reasons. The HI fund balance represents an increase of $2.3 million over FY14. Mortgage Receivables for this fund, which is a measure of its financing activities, increased $9.3 million or 0.5 percent over FY14.

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. In FY15, there was an exception and the Grants Fund has a restricted fund balance of $216,033. This was due to a restricted donation for an agricultural easement that was deemed to be a grant. The Grants Fund received $107.7 million in revenues for FY15. This is a $4.5 million decrease from FY14.

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 $17.6 million represents a debt service reserve account.

Capital Projects Fund

The Capital Projects Fund (CIP) has a total fund balance of $150.2 million, an increase of $194.5 million from the end of FY14. The negative fund balance in FY14 had been 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 FY15 amounted to $17.0 million, and operating income was $31.3 million. After a subsidy transfer to the General Fund of $34.1 million, the fund ended FY15 with a decrease in net position of $4.6 million.

The Solid Waste Activities Fund total net position amounted to $52.6 million, of which the unrestricted net position was $14.1 million. Restricted net position of $38.5 million is attributable to the net investment of capital assets.

The Parking Lot Districts Fund decrease in net position amounted to $5.6 million in FY15, resulting in a total ending net position of $176.5 million. Of this amount, $142.1 million (80.6 percent) represents the net investment in capital assets; $8.7 million (4.9 percent) is restricted for debt service on revenue bonds; and $25.7 million (14.5 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 $50.0 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:

- $24.8 million increase for snow removal and wind and rain storm cleanup relating to 27 snow/ice events with a total accumulation of approximately 46.6 inches.
- $.4 million to establish a Network Operations Center (NOC) to monitor FiberNet, which provides critical County infrastructure and services to the six agencies (County Government, MCPS, Montgomery College, M-NCPPC, HOC, and WSSC) represented on the Interagency Technology Coordination and Policy Committee.
- $.3 million to engage Project Management, Strategy Development, and Economic Research consulting services for the Comprehensive Economic Strategy being developed by the Department of Economic Development.

Actual revenues were less than budget amounts by $32.9 million, while actual expenditures and net transfers out were less than final budget by $11.4 million and $43.2 million, respectively. Highlights of the comparison of final budget to actual figures for expenditures and net transfers for the fiscal year-ended June 30, 2015, include the following:

- Actual expenditures of $1,168.2 million were $11.4 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 $70.6 million. This is due both to the multi-year nature of capital projects, and to time delays that can be encountered for certain projects.

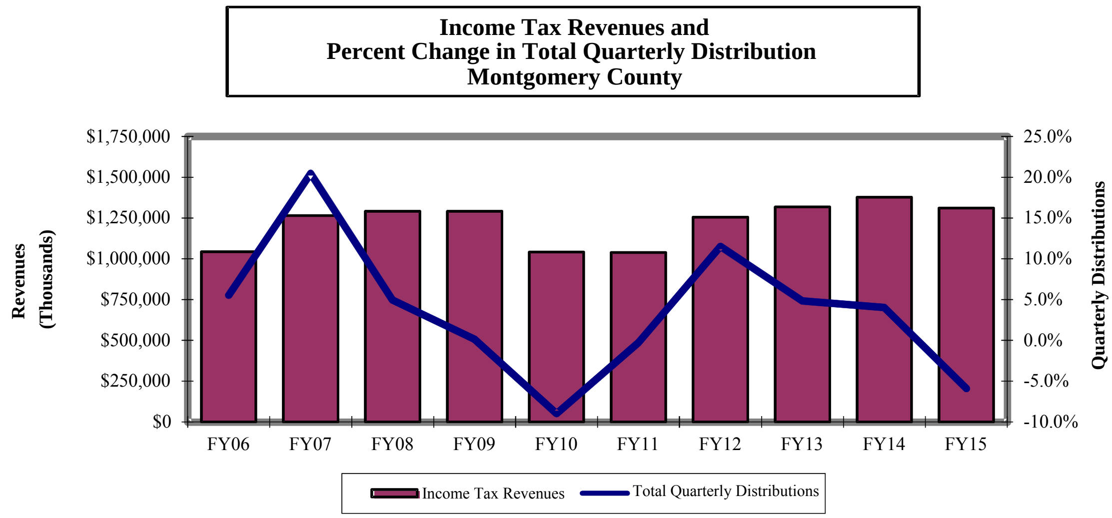
A more detailed comparison of final budget to actual figures for revenues is presented below:

Overview

Actual revenues for the General Fund totaled $2,942.3 million and were 1.1 percent below the budget estimate for the fiscal year and 2.9 percent below actual revenues for FY14. The three largest contributors to the variance in dollars between the budget estimate and actual revenues were the income tax (-$29.8 million), recordation tax (-$7.3 million), followed by the transfer tax (-$5.8 million). Revenues from the property tax amounted to $1,088.4 million (-$521,966), or 0.05 percent, below the budget estimate and 1.8 percent below actual tax revenues for FY14. The decline in actual revenues from FY14 to FY15 is attributed to the cut in the tax rate for the General Fund from $0.759 per $100 assessed value to $0.732 per $100 assessed value. Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and other taxes, were $278.1 million in FY15. That amount was $391,227 or 0.1 percent above the budget estimate and that increase was mostly driven by the hotel-motel tax (+$1.5 million or 8.7%) and telephone taxes (+$1.0 million or 2.1%) partially offset by a $2.0 million shortfall in fuel/energy taxes (-0.9%). Investment income was $164,112 below the budget estimate. Licenses and Permits came in below the budget estimate (10.2%), while Charges for Services came in above the budget estimate (4.8%). Intergovernmental revenues were $4.5 million (or 11.6%) above the budget estimate. This increase was attributed to federal and other (non-state) reimbursements, which came in 32.0 percent and 105.6 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 $1,310.8 million and represented 46.4 percent of actual tax revenues in FY15 and 44.5 percent of total actual revenues. The increased reliance on the income tax as a major source of revenue in recent years can be attributed to three factors: growth in the employment base as reflected in resident employment, steady increases in wage and salary income in the County, and growth in capital gains. This contrasts with the County’s second largest revenue source – property taxes – which is held at the Charter Limit and thus generally represents revenue growth limited to the rate of inflation. However, while capital gains, on average, increases over time, the Standard & Poor’s 500 index, representing a proxy for capital gains, experienced significant volatility over the past ten calendar years (2005 – 2014) - ranging from an increase of 29.6 percent in 2013, to a very slight decrease of 0.0032 percent in 2011, to a decrease of 38.5 percent in 2008. In addition, resident employment experienced volatility during this period - an average annual growth rate of 0.5 percent in the County’s resident employment during the 2005-2008 period and a decline of 1.0 percent in 2009, followed by an increase of 0.9 percent between 2009 and 2014. As the following chart illustrates, total quarterly distributions for withholding and estimated payments decreased 5.9 percent in FY15, which followed an increase of 4.1 percent in FY14, an increase of 4.9 percent in FY13, an increase of 11.5 percent in FY12, a decrease of 0.3 percent in FY11, another decrease of 9.0 percent in FY10, and an increase of 0.2 percent in FY09.



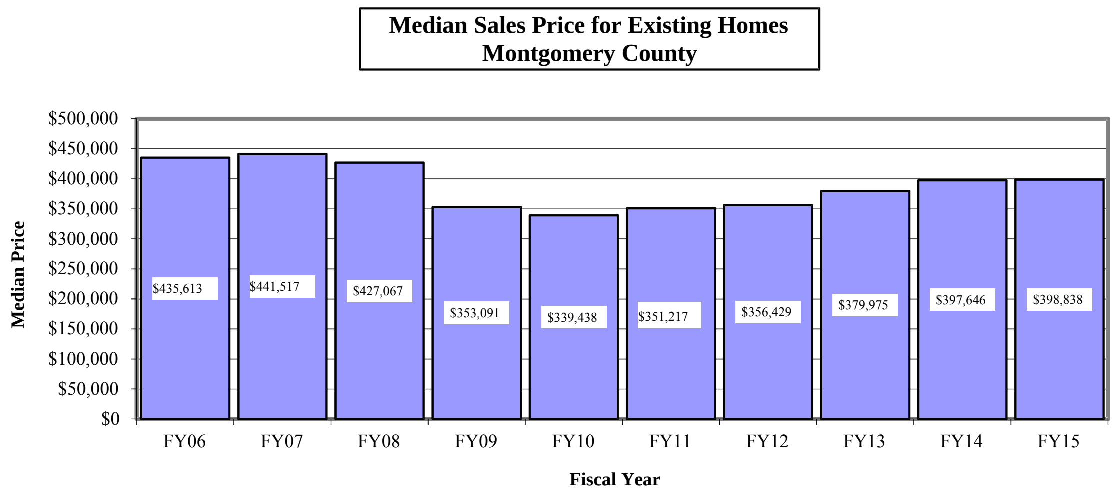
SOURCE: Montgomery County Department of Finance

On May 18, 2015, the U.S. Supreme Court made a final ruling in the long-standing court case of *Comptroller of the Treasury of Maryland v. Wynne et. ux*. The case involved a dispute over the credit a state taxpayer should get for taxes paid to other states for income earned in those states. The State of Maryland gave credit for the state portion of income taxes, but not for the local portion. The U.S. Supreme Court ruled in favor of the litigants. This means that the State of Maryland owes refunds to all taxpayers who filed amended returns requesting the additional credit. Based on preliminary protective claim data from the Comptroller for the State of Maryland (Comptroller), the County estimates that the total amount of income tax refunds for tax years 2007 through 2014, including interest, attributable to the Wynne case could be $135.7 million for Montgomery County. As the Comptroller issues refunds to eligible taxpayers, the refunds will be paid from the Local Reserve Account (Account), which is maintained by the State, and the State will replenish the fund through financial transactions with counties and municipalities. As it relates to Montgomery County, the Comptroller will replenish the Account by reducing distributions in nine (9) quarterly income tax distributions starting in November 2016 until the Account is fully reimbursed. The County estimates that the impact for Montgomery County from the reduction in four quarterly distributions in fiscal year 2017 (FY17) and four in FY18 will be $60.3 million in each fiscal year, and a single reduction of $15.1 million in FY19. In addition to refunds for prior tax years, there is an estimated annual impact of $16.4 million starting with tax year 2015 – and impacting FY17 - as eligible taxpayers reduce their income tax payment to the County to reflect the deductibility of out-of-state income taxes against the local income tax. This estimated annual impact will be a permanent reduction of County income tax collections going forward.

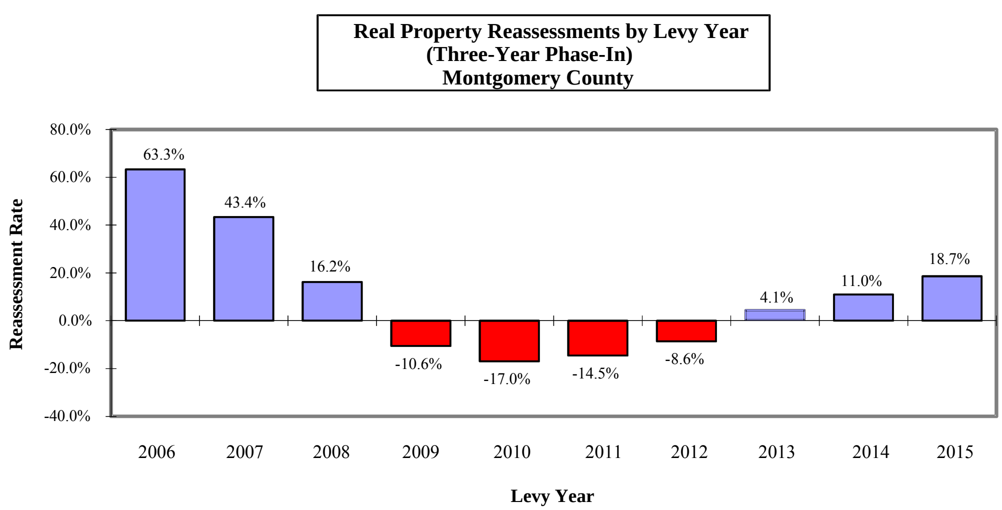
Property Taxes

Property tax collections, which represent another major contributor of actual tax revenues to the General Fund and the second largest in FY15, amounted to $1,088.4 million in FY15, which were only $521,966 (0.05%) below the budget estimate and 1.8 percent below actual revenues in FY14. The decline in actual revenues from FY14 to FY15 is attributed to the rate cut in the General Fund from $0.759 per $100 assessed value to $0.732 per $100 per assessed value. Actual property taxes, excluding penalties and interest and other items, were $1,086.8 million in FY15 – a decrease of 1.8 percent from the previous fiscal year. Collections from penalties and interest and other items were $1.6 million – a 23.0 percent decrease from FY14.

The taxable assessments for real property increased 2.4 percent from FY14 to FY15. This was the second consecutive increase since FY11 (0.4%). New construction, which added $1.409 billion to the base in FY15, was 7.6 percent higher than in FY14. Following the real estate market boom and bust cycle in the previous decade, the triennial reassessment rates experienced the same trend albeit with a lag. The recent residential and commercial real estate market recovery resulted also in a recovery of property assessments. After an unprecedented four-year decline in triennial reassessment rates (levy year LY09 - LY12), reassessments increased 4.1 percent (LY13 or FY14), 11.0 percent in LY14, and 18.7 percent in LY15.



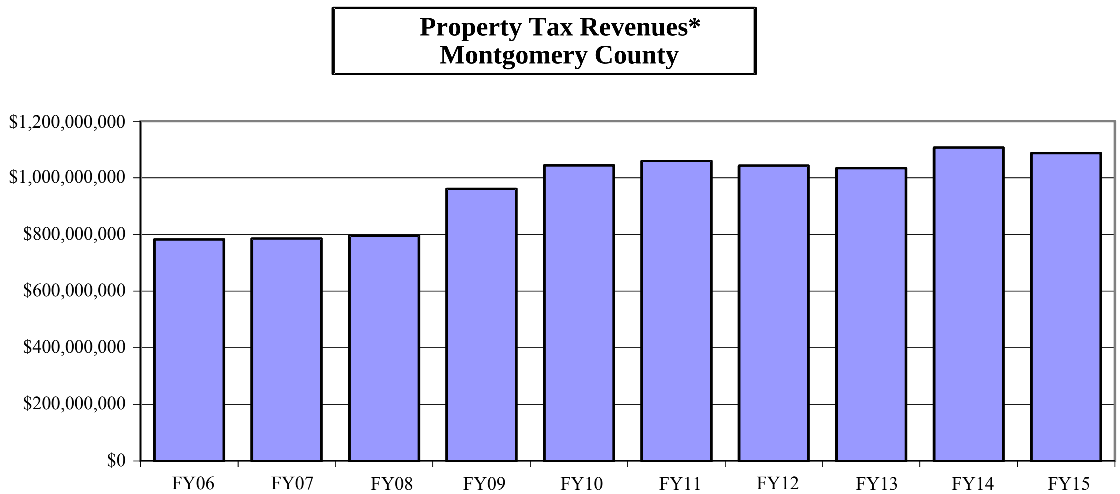
SOURCES: Metropolitan Regional Information System, Inc.
Montgomery County Department of Finance



SOURCE: State Department of Assessments and Taxation

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. The homestead credit is the amount of annual assessment growth above the 10 percent limit.

Following several years of declining reassessments, most properties that had built up a significant amount of homestead credit during the housing boom cycle, used up their homestead credit during the housing bust cycle. As a result, the remaining amount of the aggregate homestead credit added only $26.6 million to the assessable base in FY15 down from $106.2 million in FY14.

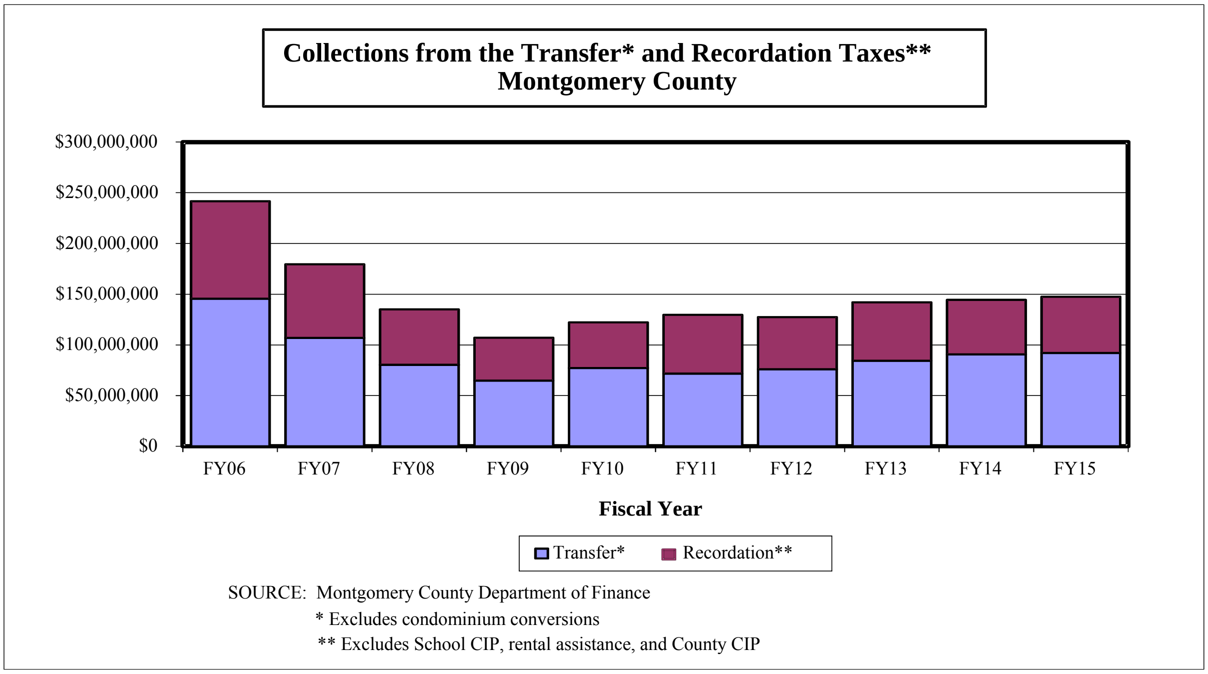


SOURCE: Montgomery County Department of Finance
* General Fund only and excludes penalties and interest

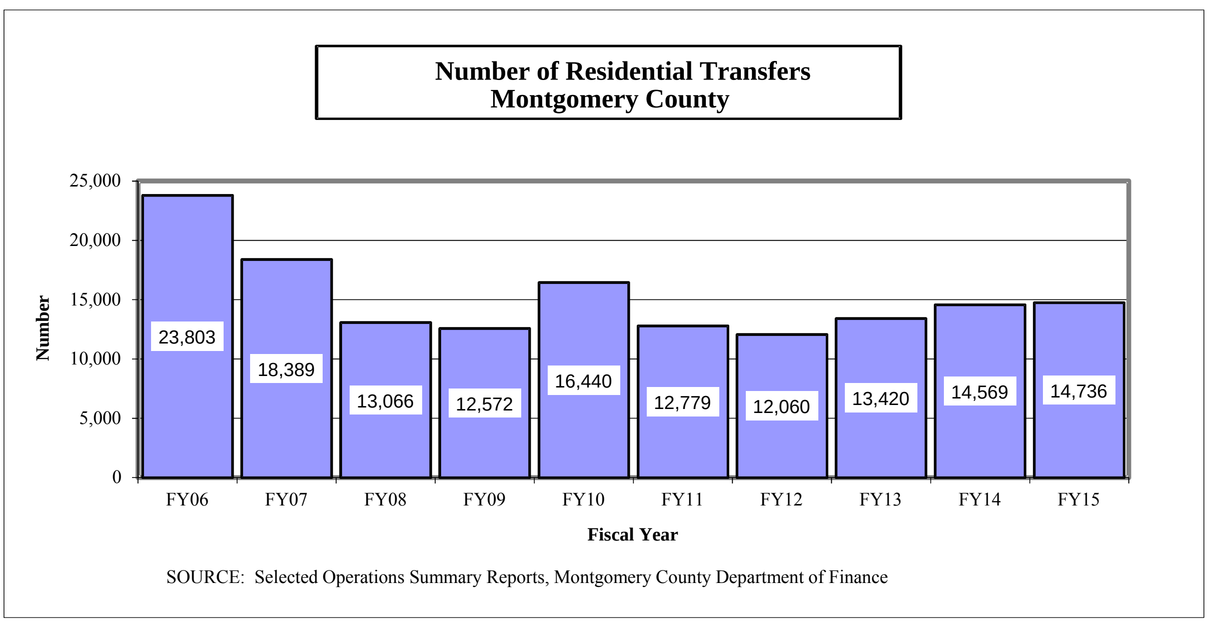
Assessments of personal property decreased 1.5 percent in FY15 due to weakness in all three tax categories: individual, public utility, and corporate. Personal property assessments increased 2.9 percent in FY14 attributed to increases in corporate personal property and public utility assessments. For the previous five fiscal years (FY10 - FY14), taxable assessments for personal property averaged $3.803 billion ranging from a low of $3.605 billion in FY13 to a high of $4.124 billion in FY10.

Transfer and Recordation Taxes

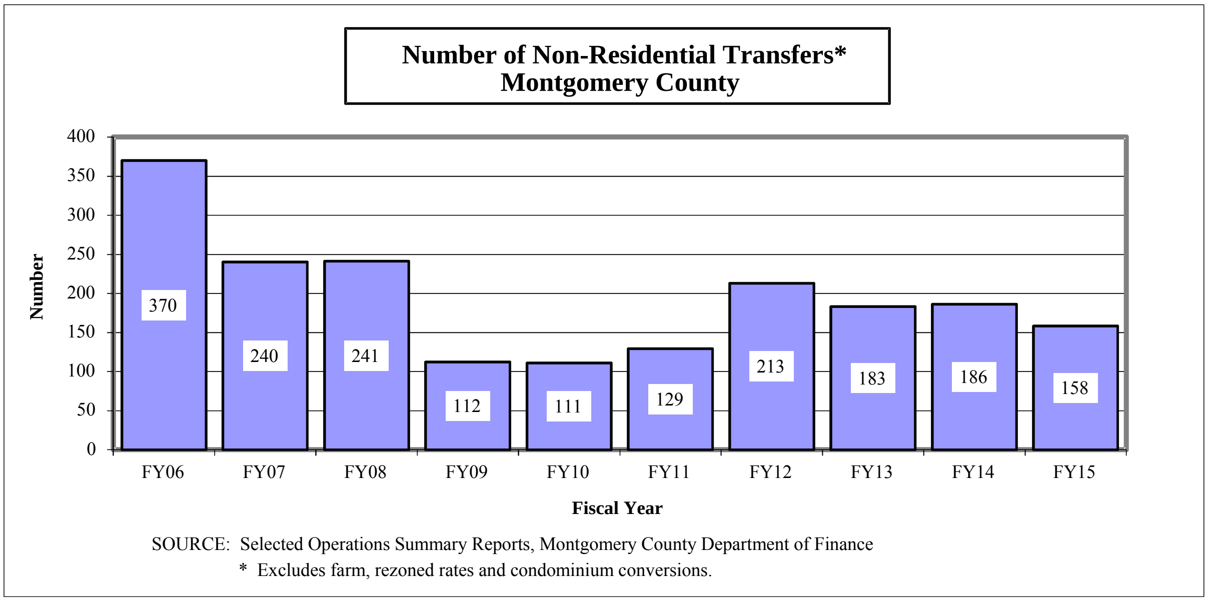
Another major tax revenue category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY15 were $147.6 million (excluding recordation tax revenues earmarked for CIP funding of school construction, rental assistance, and CIP funding for the County; and transfer tax revenues from condominium conversions). Although actual revenues increased in FY15, they were 10.1 percent below the budget estimate. As the accompanying chart illustrates, the total amount collected from these taxes increased 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 further to $129.5 million in FY11, declined to $127.3 million in FY12, and began a steady increase to $142.0 million in FY13, 144.5 million in FY14, and $147.6 million in FY15.



General Fund revenues from the transfer tax experienced an increase of 1.7 percent in FY15 and a 2.9 percent increase in the recordation tax. Because of the increase in existing home sales in FY15 (3.1%) and a modest increase in median sales prices (0.3%), revenues from the residential sector for both taxes were $105.4 million, an increase of 3.5 percent from FY14. The number of residential transfers increased to 14,736 (1.1%).



Based on the amount of revenues from the non-residential transfer tax, the commercial market increased 13.7 percent in FY15 from FY14 with revenues at $17.5 million. The increase in revenues from the commercial market was attributed to strong growth in the average transfer tax of $110,498 in FY15 compared to $82,535 in FY14 (33.9%) even though the number of transactions decreased from 186 in FY14 to 158 in FY15.



Other Revenues

The remaining tax sources – consisting of fuel/energy, telephone, hotel/motel, and other taxes – totaled $278.1 million and were $360,100, or 0.1 percent, above the budget estimate but 2.4 percent below actual revenues in FY14. Revenues from the fuel/energy tax were $207.2 million in FY15 and down from the budget estimate ($2.0 million) as well as a decrease of 1.7 percent from actual revenues in FY14. The decline in actual revenues from FY14 was attributed to reductions in both the residential and non-residential tax rates enacted by the County Council for FY15.

Revenues from the telephone tax were 2.1 percent above the budget estimate but 8.1 percent below actual revenues in FY14. The reason for the decline in actual revenues in FY15 compared to FY14 was a one-time payment by Verizon of $5.5 million that occurred in FY14. Excluding that one-time payment, actual revenues increased 2.5 percent between FY14 and FY15. Revenues from the hotel/motel industry of $19.0 million in FY15 were 8.7 percent above the budget estimate and 7.7 percent above actual revenues in FY14. Other tax revenues were 4.9 percent below the budget estimate and 8.2 percent below actual revenues in FY14.

In the General Fund, actual investment income increased from $5,572 in FY14 to $105,948 in FY15 (1,801.4%) but was approximately $164,112 lower than the budget estimate (60.8%). The shortfall in FY15 from the budget estimate was the result of an unexpected continued accommodative policy of the Federal Open Market Committee (FOMC) of the Federal Reserve. Between September 2007 and December 2008, the FOMC decreased the target interest rate for federal funds from 5.25 percent to a range of between 0.00 and 0.25 percent ─ a decline of 500-525 basis points and remained at that historic low level throughout FY15. The justification for such a low rate monetary policy has been the global economic and financial crises, the Great Recession from December 2007 to June 2009, and the FOMC’s monetary policy of stimulating investment and reducing the national unemployment rate. The expectation of many forecasters was that interest rates would steadily increase during FY15 with an associated increase in the County’s investment yield rates. That did not occur. Because of this low level of interest rates during FY15, short-term or money market rates remained at historic low levels as well, hence the average yield on cash equity for the County barely increased from a record low of 0.02 percent in FY12, to 0.19 percent in FY15. With the increase in actual investment income from FY14 coupled with a spending restraint, the average daily portfolio balance increased from $411.8 million in FY14 to $705.2 million in FY15 (71.2%).

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets at June 30, 2015, amounted to $4,356 million (net of accumulated depreciation and amortization), as summarized below:

Capital Assets, Net of Depreciation
June 30, 2015

	Governmental Activities	Business-type Activities	Total FY15	Total FY14
Land	$ 907,939,533	$ 59,158,993	$ 967,098,526	$ 947,359,029
Buildings	427,101,124	158,606,950	585,708,074	544,842,197
Improvements other than buildings	33,248,117	47,356,935	80,605,052	83,359,645
Furniture, fixtures, equipment and machinery	47,950,968	13,145,829	61,096,797	62,841,077
Leasehold improvements	5,046,547	-	5,046,547	5,604,816
Automobiles and trucks	124,110,284	653,864	124,764,148	124,513,583
Infrastructure	1,149,023,975	9,328	1,149,033,303	1,175,430,667
Other assets	24,506,321	-	24,506,321	28,534,757
Construction in progress	1,356,285,477	1,828,429	1,358,113,906	1,171,661,018
Total	$ 4,075,212,346	$ 280,760,328	$ 4,355,972,674	$ 4,144,146,789

Changes in the County's capital assets for FY15 are summarized as follows:

Change in Capital Assets
For the Fiscal Year Ended June 30, 2015

	Governmental Activities	Business-type Activities	Total FY15	Total FY14
Beginning Balance	$ 3,864,096,152	$ 280,050,637	$ 4,144,146,789	$ 3,829,857,962
Additions*	301,680,530	15,464,152	317,144,682	418,812,346
Retirements, net*	972,558	46,199	1,018,757	3,746,002
Depreciation expense	89,591,778	14,708,262	104,300,040	100,777,517
Ending Balance	$ 4,075,212,346	$ 280,760,328	$ 4,355,972,674	$ 4,144,146,789

* 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 $4.2 million were transferred to the County by various developers.
- The Judicial Center Annex project accumulated $10.0 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 $20.1 million in cost. This project is part of the Smart Growth Initiative and provides for land acquisition and site improvements on a site on Snouffer School Road known as the Webb Tract, or Centerpark.
- Montgomery County funded Montgomery County Public Schools $175.29 million, and Montgomery College $35.52 million for construction, renovations of school facilities, and other capital expenditures.

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

Long-Term Debt

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2015:

Long-Term Debt
June 30, 2015

	Governmental Activities	Business-type Activities	Total FY15	Total FY14
General obligation bonds	$ 2,544,750,000	$ -	$ 2,544,750,000	$ 2,270,500,000
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	100,925,323	86,849,677	187,775,000	196,875,000
Lease revenue bonds	27,225,000	-	27,225,000	29,285,000
HUD loan	397,000	-	397,000	440,000
WSSC promissory note	9,738,106	-	9,738,106	9,708,040
Equipment notes	46,413,987	4,655,348	51,069,335	42,808,811
Certificates of participation	17,685,000	-	17,685,000	24,305,000
Capital leases	13,817,910	-	13,817,910	16,432,750
Energy performance lease	3,950,019	-	3,950,019	4,164,250
Taxable ltd. obligation certificates	86,320,000	-	86,320,000	90,020,000
Compensated absences	76,771,177	6,058,928	82,830,105	78,865,457
Other postemployment benefits	436,494,415	3,965,222	440,459,637	425,820,960
Claims payable self-insurance	141,444,612	-	141,444,612	140,205,964
Claims and judgments	1,116,395	-	1,116,395	-
Net pension liability - county	286,187,949	12,563,335	298,751,284	-
Net pension liability - state	17,878,357	-	17,878,357	-
Landfill closure costs	-	15,405,918	15,405,918	15,047,140
Gude landfill remediation	-	28,500,000	28,500,000	28,500,000
Total	$ 4,411,115,250	$ 157,998,428	$ 4,569,113,678	$ 3,972,978,372

At June 30, 2015, the County had outstanding general obligation (GO) bonds of $2,544.7 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 13 'Triple AAA' rated counties in the nation with a population greater than 900,000.

In October 2014, the County received its annual credit ratings. Fitch cited "key rating drivers" of healthy financial fundamentals, solid operating performance, a balanced fiscal plan, a strong economic core and moderate debt ratios. Fitch also reported that the County has a sophisticated management team that uses conservative budgeting and has established debt and reserve policies that have resulted in healthy reserve and liquidity levels.

Moody's stated that their ratings rationale reflected the County's sizeable, strong and diverse tax base, affluent demographics, and manageable debt burden. Moody's also cited the County's recently improved healthier reserve position that resulted from the implementation of various new fiscal policies, and a multi-year plan to restore the County's financial flexibility.

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, demonstrated resilience to economic pressure and strong management conditions.

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 FY15 were:

- **General Obligation Bonds and Refunding Bonds –** In November 2014, the County's annual general obligation bond issue was in the amount of $500.0 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 $297.9 million of general obligation refunding bonds to refund outstanding County bonds for debt service savings. In March 2015, the County issued an additional $58.5 million of general obligation refunding bonds to refund outstanding County bonds for debt service savings.
- **Bond Anticipation Notes (BANs)** – Over the course of FY15, the County retired $500.0 million in BANs with general obligation bond proceeds and issued $500.0 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 FY16 budget with updates based on revised economic data subsequent to the approval of the County's budget:

- Montgomery County experienced positive economic performance during fiscal year FY15 compared to FY14. The major reasons for this were a decrease in the unemployment rate, an increase in resident employment (labor force series), an increase in payroll employment (establishment series), and an increase in the sales of existing homes. Residential construction also picked up in FY15.
- The County's economic projections in the FY16 budget assume a modest, yet improving, economic performance in CY15 with the County continuing to experience a decline in the unemployment rate in CY15. On the same calendar basis, the County projects a modest increase in total resident employment (0.9%) and in payroll employment (1.5%).
- During the past ten years (CY05 – CY14), 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 CY05 to CY06 at an average annual rate of 1.2 percent, a decline from CY06 to CY10 at an average annual rate of 1.0 percent, and an increase at an average annual rate of 0.8 percent from CY10 to CY14. The Department of Finance estimates that total payroll employment is expected to increase 1.5 percent in CY15 and 1.8 percent in CY16.
- 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 0.5 percent between CY05 and CY08 and declined 1.0 percent in CY09. From CY09 through CY14, resident employment in the County experienced an increase at an average annual rate of 0.9 percent. Resident employment is expected to increase 0.9 percent in CY15 and 2.9 percent in CY16.
- The employment projections in CY15 and CY16 assume that personal income will increase 4.4 percent in CY15 and 5.1 percent in CY16 with per capita income increasing 4.2 percent in CY15 and 4.2 percent in CY16. Income data for CY15 and CY16 are based on estimates derived by the Department of Finance.
- The actual and estimated increases in employment and personal income in CY14 and CY15 along with the decline in the unemployment rate reflect a positive performance in the County's economy in FY15 and should continue into FY16.
- 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 most of CY15 – based on the policy statement of the FOMC dated July 29, 2015. However, members of the FOMC have discussed the possibility of raising the target rate before the end of CY15 should economic data on employment and inflation warrant such an increase. Because of that uncertain policy by the FOMC, the County's budget projections include only a modest increase in the yield on its investments from 0.17 percent in FY15 to 0.65 percent in FY16.
- Inflation, as measured by the Consumer Price Index, is expected to increase 2.00 percent in FY16.

Other Significant Matters

The Water Quality Protection Charge (WQPC) is part of Montgomery County property tax bills. All property owners in Montgomery County pay the WQPC, including businesses, home owners' associations, and non-profit organizations. In *Paul Chod v. Montgomery County Board of Appeals* (Civil No. 398704-V, entered July 23, 2015) the Montgomery County Circuit Court opined that the WQPC "is invalid per se because this charge need not reasonably relate to the stormwater management services provided by the County". The court's ruling reversed a decision by the Board of Appeals which had ruled that the WQPC was not at variance with state law. The County has appealed the Circuit Court's decision to the Maryland Court of Special Appeals. In the meantime, the County Council has passed legislation explicitly designating the WQPC as an excise tax imposed under the County's general taxing authority and making the legislation retroactive to July 1, 2013.

The County Executive introduced an FY16 Savings Plan because of a predicted revenue loss due to a shortfall in income tax distribution. This is due in part to the recent Supreme Court decision in the case of Wynne v. Comptroller for the State of Maryland. The plan targets the County Government, Montgomery County Public Schools, Montgomery College and the Maryland National Capital Park and Planning Commission. The total reduction will amount to $54.0 million spread among the various agencies in operating and capital reductions.

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 Governments, Departments, Finance, Financial Reports).

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BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015
Exhibit A-1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units Total
ASSETS				
Equity in pooled cash and investments	$ 900,192,380	$ 130,294,809	$ 1,030,487,189	$ 56,607,860
Cash with fiscal agents	50,182,599	4,978,541	55,161,140	81,289,789
Cash	419,164	157,852	577,016	16,516,020
Investments - cash equivalents	-	-	-	76,216,765
Investments	-	-	-	45,567,169
Receivables (net of allowance for uncollectibles):				
Income taxes	284,319,753	-	284,319,753	-
Property taxes	19,835,708	949,249	20,784,957	-
Capital leases	27,225,000	-	27,225,000	14,803,344
Accounts	22,677,029	10,545,511	33,222,540	68,058,137
Notes	2,676,621	-	2,676,621	67,512,710
Parking violations	1,212,043	656,290	1,868,333	-
Mortgage	218,971,595	-	218,971,595	269,295,283
Interest	-	-	-	5,089,457
Other	-	-	-	5,197,873
Internal balances	(152,281)	152,281	-	-
Due from primary government	-	-	-	30,961,990
Due from component units	76,617,142	51,455	76,668,597	-
Due from other governments	78,985,322	139,950	79,125,272	31,371,091
Inventory of supplies	12,857,615	31,715,650	44,573,265	11,190,693
Prepaids	562,953	209,146	772,099	5,117,121
Other assets	-	244,377	244,377	85,963,497
Restricted Assets:				
Equity in pooled cash and investments	-	35,721,821	35,721,821	9,575,665
Cash with fiscal agents	-	-	-	18,500,175
Cash	-	-	-	450,808
Investments - cash equivalents	-	-	-	128,104,020
Investments	-	4,318,291	4,318,291	65,646,149
Net pension asset	-	-	-	1,213,552
Capital Assets:				
Nondepreciable assets	2,264,225,010	60,987,422	2,325,212,432	335,157,818
Depreciable assets, net	1,810,987,336	219,772,906	2,030,760,242	3,314,040,545
Total Assets	5,771,794,989	500,895,551	6,272,690,540	4,743,447,531
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	40,683,760	114,666	40,798,426	2,908,740
Pension deferrals	147,511,239	6,254,482	153,765,721	85,585,478
Accumulated decrease in fair value of hedging derivatives	-	-	-	10,861,830
Total Deferred Outflows of Resources	188,194,999	6,369,148	194,564,147	99,356,048

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015
Exhibit A-1 (Concluded)

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units Total
LIABILITIES				
Accounts payable	66,711,896	8,500,886	75,212,782	91,109,806
Interest payable	48,113,400	785,171	48,898,571	15,798,465
Retainage payable	29,957,091	221,203	30,178,294	5,146,735
Accrued liabilities	83,375,555	16,331,786	99,707,341	44,138,567
Deposits	164,125	10,351,969	10,516,094	20,382,415
Due to primary government	-	-	-	78,970,161
Due to component units	30,170,796	784,870	30,955,666	-
Due to other governments	9,026,147	3,097,191	12,123,338	640,043
Unearned revenue	75,548,649	3,391,843	78,940,492	25,617,266
Other liabilities	-	100,000	100,000	30,489,003
Noncurrent Liabilities:				
Due within one year	964,844,069	17,805,299	982,649,368	156,760,709
Due in more than one year	3,716,957,287	144,250,962	3,861,208,249	1,899,643,976
Total Liabilities	5,024,869,015	205,621,180	5,230,490,195	2,368,697,146
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	-	3,570,000
Pension deferrals	225,285,936	9,803,898	235,089,834	122,685,108
Accumulated increase in fair value of hedging derivatives	-	-	-	153,811
Total Deferred Outflows of Resources	225,285,936	9,803,898	235,089,834	126,408,919
NET POSITION				
Net investment in capital assets	2,099,290,326	186,001,533	2,285,291,859	3,029,170,375
Restricted for:				
Capital projects	150,178,193	-	150,178,193	123,771
General government	6,455,693	-	6,455,693	-
Public safety	29,694,100	-	29,694,100	-
Public works and transportation	15,782,586	-	15,782,586	-
Recreation	9,714,883	-	9,714,883	-
Community development and housing	248,327,371	-	248,327,371	-
Environment	15,530,356	-	15,530,356	-
Debt service	17,637,520	48,386,118	66,023,638	76,465,422
Other purposes	-	-	-	36,222,441
Unrestricted (deficit)	(1,882,775,991)	57,451,970	(1,825,324,021)	(794,284,495)
Total Net Position	$ 709,835,037	$ 291,839,621	$ 1,001,674,658	$ 2,347,697,514

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
Exhibit A-2

		Program Revenues		
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities				
General government	$ 470,405,790	$ 75,223,054	$ 5,900,190	$ 8,780,438
Public safety	591,702,869	52,554,641	34,566,646	986,711
Public works and transportation	288,226,716	32,070,795	40,840,283	18,100,100
Health and human services	296,567,081	4,968,870	112,388,538	-
Culture and recreation	95,703,122	39,462,050	5,362,215	4,950,414
Community development and housing	32,001,034	5,245,558	2,843,614	1,509,342
Environment	30,905,863	28,232,295	23,547	43,848
Education	1,826,117,289	-	-	-
Interest on long term debt	112,420,639	-	-	-
Total Governmental Activities	3,744,050,403	237,757,263	201,925,033	34,370,853
Business-type Activities				
Liquor control	248,982,109	278,768,662	-	-
Solid waste disposal and collection	109,351,706	111,621,329	-	-
Parking lot districts	37,103,525	34,717,204	-	-
Permitting services	29,002,673	38,595,012	-	-
Community use of public facilities	9,444,551	11,133,118	-	-
Total Business-type Activities	433,884,564	474,835,325	-	-
Total Primary Government	$ 4,177,934,967	$ 712,592,588	$ 201,925,033	$ 34,370,853
Component Units:				
General government (BUPI)	$ 4,833,365	$ 4,577,615	$ 239,554	$ -
Culture and recreation (MCRA)	17,414,438	15,798,719	-	63,453
Community development and housing (HOC)	228,916,341	117,485,419	115,446,651	315,744
Education:				
Elementary and secondary education (MCPS)	2,666,493,482	27,593,375	120,216,631	78,778,361
Higher education (MCC)	337,763,487	77,914,425	17,187,769	1,011,933
Total Component Units	$ 3,255,421,113	$ 243,369,553	$ 253,090,605	$ 80,169,491
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 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
$ (380,502,108)	$ -	$ (380,502,108)	$ -
(503,594,871)	-	(503,594,871)	-
(197,215,538)	-	(197,215,538)	-
(179,209,673)	-	(179,209,673)	-
(45,928,443)	-	(45,928,443)	-
(22,402,520)	-	(22,402,520)	-
(2,606,173)	-	(2,606,173)	-
(1,826,117,289)	-	(1,826,117,289)	-
(112,420,639)	-	(112,420,639)	-
(3,269,997,254)	-	(3,269,997,254)	-
-	29,786,553	29,786,553	-
-	2,269,623	2,269,623	-
-	(2,386,321)	(2,386,321)	-
-	9,592,339	9,592,339	-
-	1,688,567	1,688,567	-
-	40,950,761	40,950,761	-
$ (3,269,997,254)	$ 40,950,761	$ (3,229,046,493)	$ -
$ -	$ -	$ -	$ (16,196)
-	-	-	(1,552,266)
-	-	-	4,331,473
-	-	-	(2,439,905,115)
-	-	-	(241,649,360)
$ -	$ -	$ -	$ (2,678,791,464)
1,528,093,085	10,903,699	1,538,996,784	-
1,276,415,595	-	1,276,415,595	-
92,068,495	-	92,068,495	-
55,530,762	-	55,530,762	-
207,195,218	-	207,195,218	-
19,007,650	-	19,007,650	-
48,839,958	-	48,839,958	-
1,092,385	-	1,092,385	-
-	-	-	2,752,044,530
6,787,434	215,823	7,003,257	5,759,908
3,882,648	175,100	4,057,748	231,705
55,489,227	(55,489,227)	-	-
3,294,402,457	(44,194,605)	3,250,207,852	2,758,036,143
24,405,203	(3,243,844)	21,161,359	79,244,679
685,429,834	295,083,465	980,513,299	2,268,452,835
$ 709,835,037	$ 291,839,621	$ 1,001,674,658	$ 2,347,697,514

MONTGOMERY COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
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	$ 370,105,907	$ 18,040,557	$ 987,468	$ 10,337,434	$ 250,486,616	$ 71,542,768	$ 721,500,750
Cash with fiscal agents	5,660,772	-	-	6,931,557	37,590,270	-	50,182,599
Cash	168,664	212,450	-	-	-	37,750	418,864
Receivables (net of allowances for uncollectibles):							
Income taxes	284,319,753	-	-	-	-	-	284,319,753
Property taxes	15,573,609	-	-	-	101	4,261,998	19,835,708
Capital leases	-	-	-	27,225,000	-	-	27,225,000
Accounts	8,272,579	-	1,456	1,025,787	71,074	11,307,420	20,678,316
Notes	-	-	1,982,881	-	-	693,740	2,676,621
Parking violations	898,323	-	-	-	-	313,720	1,212,043
Mortgages	118,021	183,020,616	32,717,031	-	305,664	2,810,263	218,971,595
Due from other funds	84,998,707	-	-	-	-	1,484,577	86,483,284
Due from component units	113,034	48,011,715	10,991,065	-	16,489,178	419,333	76,024,325
Due from other governments	32,858,671	-	26,324,512	-	2,473,196	17,234,314	78,890,693
Inventory of supplies	6,558,337	-	-	-	1,842,076	-	8,400,413
Prepaids	241,589	-	-	-	-	-	241,589
Total Assets	$ 809,887,966	$ 249,285,338	$ 73,004,413	$ 45,519,778	$ 309,258,175	$ 110,105,883	$ 1,597,061,553
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 18,560,087	$ 445,093	$ 8,678,123	$ 646,383	$ 26,865,265	$ 3,607,398	$ 58,802,349
Retainage payable	2,578	-	-	-	29,885,597	68,916	29,957,091
Accrued liabilities	49,236,445	256,521	1,571,888	10,875	3,012,296	13,053,922	67,141,947
Deposits	-	-	-	-	-	164,125	164,125
Due to other funds	9,861,697	25,232	14,856,636	-	72,063,719	4,495,364	101,302,648
Due to component units	13,612,801	441,189	50,674	-	15,921,417	144,715	30,170,796
Due to other governments	1,385,967	1,545	1,940,083	-	5,336,900	251,172	8,915,667
Unearned revenue	-	4,417,794	45,690,976	27,225,000	4,237,470	1,476	81,572,716
Total Liabilities	92,659,575	5,587,374	72,788,380	27,882,258	157,322,664	21,787,088	378,027,339
Deferred Inflows of Resources:							
Unavailable income taxes	201,439,394	-	-	-	-	-	201,439,394
Unavailable property taxes	14,111,016	-	-	-	-	5,762,470	19,873,486
Unavailable revenues	9,944,893	-	-	-	1,757,318	965,333	12,667,544
Total Deferred Inflows of Resources	225,495,303	-	-	-	1,757,318	6,727,803	233,980,424
Fund Balances:							
Nonspendable	6,799,926	-	-	-	1,842,076	-	8,642,002
Restricted	231,233,570	243,697,964	216,033	17,637,520	148,336,117	81,714,835	722,836,039
Committed	70,586,279	-	-	-	-	-	70,586,279
Assigned	26,575,194	-	-	-	-	-	26,575,194
Unassigned	156,538,119	-	-	-	-	(123,843)	156,414,276
Total Fund Balances	491,733,088	243,697,964	216,033	17,637,520	150,178,193	81,590,992	985,053,790
Total Liabilities, Deferred Inflows of of Resources, and Fund Balances	$ 809,887,966	$ 249,285,338	$ 73,004,413	$ 45,519,778	$ 309,258,175	$ 110,105,883	$ 1,597,061,553

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, 2015
Exhibit A-4

Total fund balance - governmental funds (see Exhibit A-3)		$ 985,053,790
Amounts reported for governmental activities in the statement of net position are difference because:		
Capital assets uses in governmental fund activities are not financial resources and therefore not reported in the funds:		
Nondepreciable capital assets:		
Land	$ 907,917,027	
Construction in progress	1,356,285,477	
Depreciable capital assets:		
Buildings	825,280,452	
Improvements other than buildings	58,993,572	
Furniture, fixtures, equipment and machinery	246,012,849	
Automobiles and trucks	194,763,883	
Infrastructure	1,838,566,022	
Other capital assets	40,359,973	
Total capital assets	5,468,179,255	
Less accumulated depreciation	(1,424,557,212)	4,043,622,043
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	(2,544,750,000)	
Variable rate demand obligations	(100,000,000)	
Bond anticipation notes payable	(500,000,000)	
Lease revenue bonds payable	(27,225,000)	
Accrued interest payable	(48,113,400)	
Capital leases payable	(13,817,910)	
Taxable limited obligation	(86,320,000)	
Certificates of participation	(17,685,000)	
Notes payable	(60,437,565)	
Revenue bonds	(100,925,323)	
Net pension liability	(301,273,789)	
Other postemployment benefits	(435,353,201)	
Claims and judgements	(1,116,395)	
Compensated absences	(74,389,423)	(4,311,407,006)
Certain costs related to long-term liabilities are recognized as expenditures in the fund statements, but are deferred in the government-wide statements:		
Unamortized premiums	(270,686,106)	
Unrecognized amount on refunding	40,683,760	
Pension related deferrals, net	(76,994,934)	(306,997,280)
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	192,252,071	
Capital assets	87,733,863	
Less accumulated depreciation	(56,143,560)	
Deferred outflows of resources	1,399,399	
Liabilities	(162,867,476)	
Deferred inflows of resources	(2,179,162)	
Cumulative gain/loss for certain activities of internal service funds that is reported with business-type activities	(670,952)	59,524,183
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes	201,439,394	
Property taxes	19,873,486	
Intergovernmental revenue	9,693,920	
Other revenue	9,032,507	240,039,307
Net position of governmental activities (See Exhibit A-1)		$ 709,835,037

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, 2015
Exhibit A-5

	General	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	$2,824,916,005	$ 8,630,004	$ -	$ -	$ 87,509,458	$341,369,129	$3,262,424,596
Licenses and permits	10,315,894	-	-	-	-	1,010,113	11,326,007
Intergovernmental	62,972,046	-	106,561,926	8,780,438	20,886,364	40,143,327	239,344,101
Charges for services	27,338,198	-	-	-	745,347	110,259,433	138,342,978
Fines and forfeitures	27,538,162	-	-	-	-	1,989,106	29,527,268
Investment income (loss)	373,677	2,039,820	196,060	13,698	298,462	218,585	3,140,302
Miscellaneous	13,994,838	315,902	963,193	3,589,630	1,640,987	1,594,796	22,099,346
Total Revenues	2,967,448,820	10,985,726	107,721,179	12,383,766	111,080,618	496,584,489	3,706,204,598
EXPENDITURES							
Current:							
General government	418,808,265	-	4,031,737	-	-	13,629,965	436,469,967
Public safety	395,772,952	-	12,606,675	-	-	230,487,380	638,867,007
Public works and transportation	76,675,794	-	4,953,572	-	-	119,783,470	201,412,836
Health and human services	225,280,973	-	82,618,514	-	-	-	307,899,487
Culture and recreation	41,713,019	-	128,675	-	-	44,548,109	86,389,803
Community development and housing	12,364,542	26,358,028	3,712,274	-	-	31	42,434,875
Environment	1,778,768	-	23,881	-	-	20,025,958	21,828,607
Education	1,615,305,046	-	-	-	-	-	1,615,305,046
Debt Service:							
Principal retirement	-	-	-	197,878,016	-	-	197,878,016
Leases and other obligations	-	-	-	27,134,321	-	-	27,134,321
Interest	-	-	-	124,957,396	-	-	124,957,396
Issuing costs	-	-	-	5,669,380	-	-	5,669,380
Capital projects	-	-	-	-	556,683,579	-	556,683,579
Total Expenditures	2,787,699,359	26,358,028	108,075,328	355,639,113	556,683,579	428,474,913	4,262,930,320
Excess (Deficiency) of Revenues over (under) Expenditures	179,749,461	(15,372,302)	(354,149)	(343,255,347)	(445,602,961)	68,109,576	(556,725,722)
OTHER FINANCING SOURCES (USES)							
Transfers in	71,260,768	28,964,534	570,182	333,003,054	66,817,294	17,740,440	518,356,272
Transfers (out)	(359,252,986)	(12,795,711)	-	-	(10,392,257)	(70,272,568)	(452,713,522)
Sale of property	-	1,526,002	-	-	2,070,265	-	3,596,267
Financing under notes and leases payable	231,235	-	-	-	17,897,176	-	18,128,411
Payment to refunded bond escrow agent	-	-	-	(429,855,226)	-	-	(429,855,226)
Debt Issued:							
General obligation bonds	-	-	-	500,000,000	-	-	500,000,000
Premium on original issue debt	-	-	-	18,150,223	63,703,027	-	81,853,250
Bond anticipation notes	-	-	-	(500,000,000)	500,000,000	-	-
General obligation refunding bonds	-	-	-	356,510,000	-	-	356,510,000
Premium on general obligation refunding bonds	-	-	-	74,595,486	-	-	74,595,486
Total Other Financing Sources (Uses)	(287,760,983)	17,694,825	570,182	352,403,537	640,095,505	(52,532,128)	670,470,938
Net Change in Fund Balances	(108,011,522)	2,322,523	216,033	9,148,190	194,492,544	15,577,448	113,745,216
Fund Balances - Beginning of Year	599,744,610	241,375,441	-	8,489,330	(44,314,351)	66,013,544	871,308,574
Fund Balances - End of Year	$ 491,733,088	$ 243,697,964	$ 216,033	$ 17,637,520	$ 150,178,193	$ 81,590,992	$ 985,053,790

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, 2015
Exhibit A-6

Net change in fund balance - total governmental funds (see Exhibit A-5)		$ 113,745,216
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	$ 290,229,046	
Depreciation expense	(82,884,017)	207,345,029
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.	(539,495)	(539,495)
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.	4,244,870	4,244,870
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	(34,405,466)	
Property taxes	2,266,682	
Intergovernmental revenues	(6,661,796)	
Other revenues	(2,149,118)	(40,949,698)
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	(972,363,510)	
Bond anticipation notes	(500,000,000)	
Notes payable	(18,128,411)	
Principal repayments:		
General obligation bonds	582,260,000	
Bond anticipation notes	500,000,000	
Taxable Limited Obligation Certificates	3,700,000	
Leases payable	2,060,000	
Capital leases	2,614,840	
Certificates of participation	6,620,000	
Notes payable	12,928,873	
Revenue bonds	4,058,558	(376,249,650)
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 governmental funds:		
Accrued interest payable	(13,069,172)	
Compensated absences	(3,386,292)	
Pension expense	112,431,227	
Other postemployment benefits	(14,638,679)	
Claims and judgements	(1,116,395)	
Amortization	31,309,874	111,530,563
The current year gain for certain activities of internal service funds is reported with governmental activities.		5,278,368
Change in net position of governmental activities (see Exhibit A-2)		$ 24,405,203

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
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	$ 4,256,413	$ 34,843,117	$ 29,870,947	$ 61,324,332	$ 130,294,809	$ 178,691,630
Cash with fiscal agents	4,953,589	-	24,952	-	4,978,541	-
Cash	50,500	3,000	104,352	-	157,852	300
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	949,249	-	949,249	-
Accounts	5,910,374	4,426,110	-	209,027	10,545,511	1,679,910
Parking violations	-	-	656,290	-	656,290	-
Due from other funds	4,198	-	-	-	4,198	6,414,219
Due from component units	-	51,455	-	-	51,455	592,817
Due from other governments	-	139,950	-	-	139,950	94,629
Inventory of supplies	31,715,650	-	-	-	31,715,650	4,457,202
Prepaids	209,146	-	-	-	209,146	321,364
Other assets	244,377	-	-	-	244,377	-
Total Current Assets	47,344,247	39,463,632	31,605,790	61,533,359	179,947,028	192,252,071
Noncurrent Assets:						
Restricted Assets:						
Equity in pooled cash and equivalents	-	31,379,774	4,342,047	-	35,721,821	-
Investments	-	-	4,318,291	-	4,318,291	-
Restricted Assets	-	31,379,774	8,660,338	-	40,040,112	-
Capital Assets:						
Land, improved and unimproved	7,033,656	17,834,755	34,290,582	-	59,158,993	22,506
Improvements other than buildings	15,054,010	81,554,468	80,074,181	-	176,682,659	268,565
Infrastructure	-	14,351	-	-	14,351	-
Buildings	26,208,903	32,750,237	236,227,000	-	295,186,140	-
Furniture, fixtures, equipment, and machinery	13,243,556	13,438,280	1,060,733	2,352,077	30,094,646	3,858,514
Automobiles and trucks	3,409,382	293,766	122,153	342,136	4,167,437	83,584,278
Construction in progress	-	-	1,828,429	-	1,828,429	-
Subtotal	64,949,507	145,885,857	353,603,078	2,694,213	567,132,655	87,733,863
Less: Accumulated depreciation	11,643,387	107,375,646	165,303,465	2,049,829	286,372,327	56,143,560
Total Capital Assets (net of accumulated depreciation)	53,306,120	38,510,211	188,299,613	644,384	280,760,328	31,590,303
Total Noncurrent Assets	53,306,120	69,889,985	196,959,951	644,384	320,800,440	31,590,303
Total Assets	100,650,367	109,353,617	228,565,741	62,177,743	500,747,468	223,842,374
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding of debt	-	-	114,666	-	114,666	-
Pension deferrals	1,726,287	1,092,062	413,152	3,022,981	6,254,482	1,399,399
Total Deferred Outflows of Resources	1,726,287	1,092,062	527,818	3,022,981	6,369,148	1,399,399

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015
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	$ 2,973,912	$ 3,680,571	$ 1,732,686	$ 113,717	$ 8,500,886	$ 7,909,547
Interest payable	493,278	-	291,893	-	785,171	-
Retainage payable	31,950	-	189,253	-	221,203	-
Deposits	97,107	-	348,794	9,906,068	10,351,969	-
Claims payable	-	-	-	-	-	39,166,314
Accrued liabilities	13,235,480	3,686,897	828,812	2,587,154	20,338,343	4,261,263
Due to other funds	431,895	156,869	65,015	406,730	1,060,509	4,513,575
Due to component units	-	-	-	784,870	784,870	-
Due to other governments	1,081,645	1,809,238	-	206,308	3,097,191	110,480
Equipment notes payable	651,904	-	148,091	18,554	818,549	61,550
Unearned revenue	19,292	-	438,801	2,933,750	3,391,843	34,816
Revenue bonds payable	2,016,393	-	3,245,000	-	5,261,393	-
Landfill closure costs	-	965,926	-	-	965,926	-
Other liabilities	-	-	100,000	-	100,000	-
Total Current Liabilities	21,032,856	10,299,501	7,388,345	16,957,151	55,677,853	56,057,545
Noncurrent Liabilities:						
Claims payable	-	-	-	-	-	102,278,298
Equipment note payable	3,338,999	-	460,043	37,756	3,836,798	-
Revenue bonds payable	42,598,263	-	43,047,854	-	85,646,117	-
Landfill closure costs	-	14,439,992	-	-	14,439,992	-
Gude Landfill remediation costs	-	28,500,000	-	-	28,500,000	-
Compensated absences	582,413	266,080	93,108	573,131	1,514,732	597,902
Net pension liability	3,545,474	2,180,589	793,294	6,043,978	12,563,335	2,792,517
Other postemployment benefits	1,838,263	477,233	229,800	1,419,926	3,965,222	1,141,214
Total Noncurrent Liabilities	51,903,412	45,863,894	44,624,099	8,074,791	150,466,196	106,809,931
Total Liabilities	72,936,268	56,163,395	52,012,444	25,031,942	206,144,049	162,867,476
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	2,766,739	1,701,640	619,053	4,716,466	9,803,898	2,179,162
Total Deferred Inflows of Resources	2,766,739	1,701,640	619,053	4,716,466	9,803,898	2,179,162
NET POSITION						
Net investment in capital assets	4,700,561	38,510,211	142,146,377	644,384	186,001,533	31,404,710
Restricted for debt service	4,953,589	-	8,660,338	-	13,613,927	-
Unrestricted	17,019,497	14,070,433	25,655,347	34,807,932	91,553,209	28,790,425
Total Net Position	$ 26,673,647	$ 52,580,644	$ 176,462,062	$ 35,452,316	291,168,669	$ 60,195,135

ADJUSTMENTS

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	670,952
Net position of business-type activities	$ 291,839,621

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, 2015
Exhibit A-8

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES						
Sales - net	$ 276,691,515	$ -	$ -	$ -	$ 276,691,515	$ -
Charges for services	15,222	111,447,010	26,313,744	13,044,135	150,820,111	284,793,584
Licenses and permits	1,756,197	13,940	1,107	36,573,945	38,345,189	-
Fines and penalties	159,606	69,534	7,589,091	114,445	7,932,676	2,028,838
Claim recoveries	-	-	-	-	-	-
Total Operating Revenues	278,622,540	111,530,484	33,903,942	49,732,525	473,789,491	286,822,422
OPERATING EXPENSES						
Cost of goods sold	199,491,617	-	-	-	199,491,617	-
Personnel costs	28,827,501	12,668,127	4,351,889	24,051,623	69,899,140	26,426,440
Other post employment contributions	1,520,450	378,920	249,420	1,069,600	3,218,390	1,155,930
Postage	12,232	65,885	7,867	11,998	97,982	1,181,040
Self-insurance incurred and estimated claims	-	-	-	-	-	170,602,742
Insurance	772,318	1,011,313	49,239	306,250	2,139,120	6,543,604
Supplies and materials	514,512	1,258,668	546,378	596,016	2,915,574	28,637,625
Contractual services	3,763,178	88,744,000	6,747,380	6,186,214	105,440,772	13,621,870
Communications	458,371	202,358	191,525	344,047	1,196,301	897,704
Transportation	1,140,515	1,927,292	273,002	682,297	4,023,106	342,780
Public utility services	748,157	150,031	2,306,089	1,916,754	5,121,031	628,198
Rentals	6,498,225	16,273	1,926,641	2,657,586	11,098,725	2,018,239
Maintenance	864,620	871,254	3,823,079	330,747	5,889,700	13,671,810
Depreciation	2,118,550	1,494,418	10,950,555	144,736	14,708,259	6,876,103
Landfill closure expense	-	358,778	-	-	358,778	-
Other	564,350	224,382	4,330,460	94,998	5,214,190	129,600
Total Operating Expenses	247,294,596	109,371,699	35,753,524	38,392,866	430,812,685	272,733,685
Operating Income (Loss)	31,327,944	2,158,785	(1,849,582)	11,339,659	42,976,806	14,088,737
NONOPERATING REVENUES (EXPENSES)						
Property taxes	-	-	10,903,699	-	10,903,699	-
Gain (loss) on disposal of capital assets	(46,198)	175,100	-	-	128,902	825,876
Investment income	23,735	63,194	48,444	80,450	215,823	253,562
Interest expense	(1,884,215)	-	(1,375,988)	(809)	(3,261,012)	(4,499)
Miscellaneous	-	-	-	(3,356)	(3,356)	-
Other revenue	46,048	50,845	801,539	(1,039)	897,393	-
Insurance recoveries	100,074	40,000	11,723	-	151,797	503,547
Total Nonoperating Revenues (Expenses)	(1,760,556)	329,139	10,389,417	75,246	9,033,246	1,578,486
Income (Loss) Before Capital Contributions and Transfers	29,567,388	2,487,924	8,539,835	11,414,905	52,010,052	15,667,223
Transfers In (Out):						
Transfers in	-	-	-	25,000	25,000	592,388
Transfers out	(34,147,753)	(2,555,079)	(14,157,772)	(4,653,623)	(55,514,227)	(10,745,911)
Total Transfers In (Out)	(34,147,753)	(2,555,079)	(14,157,772)	(4,628,623)	(55,489,227)	(10,153,523)
Change in Net Position	(4,580,365)	(67,155)	(5,617,937)	6,786,282	(3,479,175)	5,513,700
Total Net Position - Beginning of Year, as restated	31,254,012	52,647,799	182,079,999	28,666,034		54,681,435
Total Net Position - End of Year	$ 26,673,647	$ 52,580,644	$ 176,462,062	$ 35,452,316		$ 60,195,135

ADJUSTMENTS

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	235,331
Change in net position of business-type activities	$ (3,243,844)

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, 2015
Exhibit A-9

	Business Type Activities - Enterprise Funds					Governmental
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 276,130,398	$ 110,803,332	$ 35,038,021	$ 48,567,829	$ 470,539,580	$ 284,811,091
Payments to suppliers	(210,497,630)	(95,934,437)	(17,124,741)	(14,495,626)	(338,052,434)	(91,891,741)
Payments to employees	(30,934,543)	(11,657,220)	(4,577,128)	(26,399,181)	(73,568,072)	(27,710,737)
Internal activity - payments from other funds	-	-	-	1,153,770	1,153,770	-
Other operating receipts	46,048	-	801,539	5,063,522	5,911,109	-
Other operating payments	(564,350)	-	(4,330,460)	(4,665,998)	(9,560,808)	-
Miscellaneous	-	-	-	(3,356)	(3,356)	-
Claims paid	-	-	-	-	-	(147,089,695)
Other revenue	-	50,845	-	(1,039)	49,806	542,457
Net Cash Provided (Used) by Operating Activities	34,179,923	3,262,520	9,807,231	9,219,921	56,469,595	18,661,375
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Property tax collections	-	-	10,903,701	-	10,903,701	-
Insurance reimbursement claims	100,074	40,000	11,723	-	151,797	503,547
Operating subsidies and transfers from other funds	-	-	-	25,000	25,000	-
Operating subsidies and transfers to other funds	(34,147,753)	(2,555,079)	(14,157,772)	(4,653,623)	(55,514,227)	(10,745,911)
Net Cash Provided (Used) by Noncapital Financing Activities	(34,047,679)	(2,515,079)	(3,242,348)	(4,628,623)	(44,433,729)	(10,242,364)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from equipment note	-	-	608,130	-	608,130	-
Proceeds from sale of capital assets	-	175,100	-	-	175,100	922,258
Retirement of equipment note payable	(262,956)	-	-	-	(262,956)	-
Acquisition and construction of capital assets	(436,595)	(1,017,151)	(13,638,575)	-	(15,092,321)	(7,038,275)
Principal paid on capital debt	(1,921,442)	-	(3,120,000)	-	(5,041,442)	(120,422)
Interest paid on capital debt	(2,090,538)	-	(1,818,922)	(809)	(3,910,269)	(4,499)
Internal activity - payments from other funds	-	-	-	-	-	592,388
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,711,531)	(842,051)	(17,969,367)	(809)	(23,523,758)	(5,648,550)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income from pooled investments	23,735	63,194	45,583	80,450	212,962	253,562
Net Cash Provided (Used) by Investing Activities	23,735	63,194	45,583	80,450	212,962	253,562
Net Increase (Decrease) in Cash and Cash Equivalents	(4,555,552)	(31,416)	(11,358,901)	4,670,939	(11,274,930)	3,024,023
Balances - Beginning of Year	13,816,054	66,257,307	45,701,199	56,653,393	182,427,953	175,667,907
Balances - End of Year	$ 9,260,502	$ 66,225,891	$ 34,342,298	$ 61,324,332	$ 171,153,023	$ 178,691,930
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 31,327,944	$ 2,158,785	$ (1,849,582)	$ 11,339,659	$ 42,976,806	$ 14,088,737
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	2,118,550	1,494,418	10,950,555	144,736	14,708,259	6,876,103
Other revenue	46,048	50,845	801,539	(1,039)	897,393	-
Other operating expenses	-	3,100	-	-	3,100	-
Pension expense	(1,334,448)	(851,067)	(325,479)	(2,355,013)	(4,866,007)	(1,090,774)
Miscellaneous	-	-	-	(3,356)	(3,356)	-
Effect of changes in operating assets and liabilities:						
Receivables, net	(2,484,428)	(730,252)	694,452	(114,402)	(2,634,630)	(1,468,875)
Inventories, prepaids and other assets	4,805	928	3,040	-	8,773	307,736
Accounts payable and other liabilities	3,766,114	(705,464)	(814,739)	(150,337)	2,095,574	(968,968)
Claims payable	-	-	-	-	-	181,574
Accrued expenses	735,338	1,841,227	347,445	359,673	3,283,683	735,842
Net Cash Provided (Used) by Operating Activities	$ 34,179,923	$ 3,262,520	$ 9,807,231	$ 9,219,921	$ 56,469,595	$ 18,661,375
Noncash investing, capital and financing activities:						
Change in fair value of investments that are not cash and cash equivalents	$ -	$ -	$ 2,862	$ -	$ 2,862	$ -
Capital asset disposals	$ (46,198)	$ -	$ -	$ -	$ (46,198)	$ -

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015
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	$ 2,343,846	$ 33,951,853	$ 60,024	$ 34,313,582
Cash	-	-	-	132,871
Investments:				
Government and agency obligations	395,527,073	-	-	-
Asset-backed securities	3,464,339	-	-	-
Municipal/Provincial bonds	12,358,783	-	-	-
Corporate bonds	656,471,268	-	-	-
Common and preferred stock	1,579,564,329	-	-	-
Mutual and commingled funds	1,482,242,915	-	-	-
Short-term investments	123,719,444	-	-	-
Cash collateral received under securities lending agreements	302,098,311	-	-	-
Real assets	384,276,512	-	-	-
Private equity	269,370,516	-	-	-
Total Investments	5,209,093,490	-	-	-
Receivables (net of allowances for uncollectibles):				
Receivables and accured interest	7,079,900	-	-	-
Property taxes	-	-	-	5,137,786
Accounts	326,661	-	-	584,433
Due from other funds	14,302,665	-	-	-
Due from component units	2,301,564	-	-	-
Due from other governments	109,408	-	-	295,332
Total Current Assets	5,235,557,534	33,951,853	60,024	40,464,004
Noncurrent Assets:				
Capital assets:				
Miscellaneous	900,043	-	-	-
Less: Accumulated depreciation	300,014	-	-	-
Total Capital Assets (net of accumulated depreciation)	600,029	-	-	-
Total Assets	5,236,157,563	33,951,853	60,024	$ 40,464,004
LIABILITIES				
Current Liabilities:				
Accounts payable	302,839,486	-	44,585	130,586
Accrued liabilities	5,589,983	-	-	-
Deposits	-	-	-	3,927,371
Claims payable	4,253,303	-	-	-
Due to other funds	17,634	-	-	310,000
Due to component units	-	-	-	6,324
Due to other governments	-	-	-	1,395,642
Uncollected property taxes due to governments	-	-	-	4,812,994
Undistributed taxes and refunds	-	-	-	3,423,955
Unearned revenue	77,121	-	-	-
Tax sale surplus and redemptions payable	-	-	-	3,744,750
Other liabilities	-	-	-	22,712,382
Total Current Liabilities	312,777,527	-	44,585	40,464,004
Noncurrent Liabilities:				
Compensated absences	49,588	-	-	-
Total Liabilities	312,827,115	-	44,585	$ 40,464,004
NET POSITION				
Held in trust for pension and other postemployment benefits, external investment pool participants, and other purposes	$ 4,923,330,448	$ 33,951,853	$ 15,439	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
Exhibit A-11

	Pension and Other Employee Benefit Trusts	Investment Trust	Private-Purpose Trusts
ADDITIONS			
Contributions:			
Employers	$ 354,936,309	$ -	$ -
Members	77,500,880	-	-
Federal government - Medicare Part D	2,080,232	-	-
Share purchases	-	28,915,969	-
Total Contributions	434,517,421	28,915,969	-
Investment income (loss)	116,550,030	(10,158)	28
Less: Investment expenses	25,016,947	-	-
Net Investment Income (Loss)	91,533,083	(10,158)	28
Other income - forfeitures	447,749	-	-
Total Additions, net	526,498,253	28,905,811	28
DEDUCTIONS			
Benefits:			
Annuities:			
Retirees	171,784,946	-	-
Survivors	8,982,132	-	-
Disability	49,879,651	-	-
Claims	72,260,293	-	-
Total Benefits	302,907,022	-	-
Share redemptions	-	8,145,923	-
Member refunds	41,691,148	-	-
Administrative expenses	7,661,938	-	120,542
Depreciation	300,014	-	-
Total Deductions	352,560,122	8,145,923	120,542
Net Increase (Decrease)	173,938,131	20,759,888	(120,514)
Net Position - Beginning of Year	4,749,392,317	13,191,965	135,953
Net Position - End of Year	$ 4,923,330,448	$ 33,951,853	$ 15,439

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015
Exhibit A-12

	MCPS	HOC	Nonmajor Component Units	Total
ASSETS				
Equity in pooled cash and investments	$ 26,949,059	$ 936,416	$ 28,722,385	$ 56,607,860
Cash with fiscal agents	-	61,440,083	19,849,706	81,289,789
Cash	9,642,379	14,942	6,858,699	16,516,020
Investments - cash equivalents	21,869,772	30,143,387	24,203,606	76,216,765
Investments	5,116,965	-	40,450,204	45,567,169
Receivables (net of allowance for uncollectibles):				
Capital leases	-	-	14,803,344	14,803,344
Accounts	56,610,342	359,521	11,088,274	68,058,137
Notes	-	-	67,512,710	67,512,710
Mortgage	-	269,295,283	-	269,295,283
Interest	-	5,089,457	-	5,089,457
Other	231,993	3,766,587	1,199,293	5,197,873
Due from primary government	17,094,574	3,652,845	10,214,571	30,961,990
Due from other governments	25,567,271	3,112,916	2,690,904	31,371,091
Inventory of supplies	8,926,517	428,985	1,835,191	11,190,693
Prepaids	327,335	2,919,961	1,869,825	5,117,121
Other assets	-	29,542,638	56,420,859	85,963,497
Restricted Assets:				
Equity in pooled cash and investments	-	4,376,234	5,199,431	9,575,665
Cash with fiscal agents	-	18,500,175	-	18,500,175
Cash	-	-	450,808	450,808
Investments - cash equivalents	-	128,104,020	-	128,104,020
Investments	-	64,172,551	1,473,598	65,646,149
Net Pension asset	-	-	1,213,552	1,213,552
Capital Assets:				
Nondepreciable assets	226,279,131	22,294,620	86,584,067	335,157,818
Depreciable assets, net	2,356,849,764	478,556,768	478,634,013	3,314,040,545
Total Assets	2,755,465,102	1,126,707,389	861,275,040	4,743,447,531
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	-	2,908,740	2,908,740
Pension deferrals	84,228,762	1,099,247	257,469	85,585,478
Accumulated decrease in fair value of hedging derivatives	-	10,504,981	356,849	10,861,830
Total Deferred Outflow of Resources	84,228,762	11,604,228	3,523,058	99,356,048
LIABILITIES				
Accounts payable	61,075,043	4,948,024	25,086,739	91,109,806
Interest payable	-	15,501,407	297,058	15,798,465
Retainage payable	5,146,735	-	-	5,146,735
Accrued liabilities	35,646,109	7,668,785	823,673	44,138,567
Deposits	-	20,044,249	338,166	20,382,415
Due to primary government	58,031	78,255,349	656,781	78,970,161
Due to other governments	-	-	640,043	640,043
Unearned revenue	7,267,771	12,464,923	5,884,572	25,617,266
Other liabilities	-	30,376,068	112,935	30,489,003
Noncurrent Liabilities:				
Due within one year	52,256,641	93,878,649	10,625,419	156,760,709
Due in more than one year	974,207,491	689,013,345	236,423,140	1,899,643,976
Total Liabilities	1,135,657,821	952,150,799	280,888,526	2,368,697,146
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	3,570,000	3,570,000
Pension deferrals	117,515,233	3,467,783	1,702,092	122,685,108
Accumulated increase in fair value of hedging derivatives	-	-	153,811	153,811
Total Deferred Intflow of Resources	117,515,233	3,467,783	5,425,903	126,408,919
NET POSITION				
Net investment in capital assets	2,550,647,383	(10,442,753)	488,965,745	3,029,170,375
Restricted for:				
Capital projects	-	-	123,771	123,771
Debt service	-	74,991,824	1,473,598	76,465,422
Other purposes	1,039,020	3,487,191	31,696,230	36,222,441
Unrestricted (deficit)	(965,165,593)	114,656,773	56,224,325	(794,284,495)
Total Net Position	$ 1,586,520,810	$ 182,693,035	$ 578,483,669	$ 2,347,697,514

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, 2015
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	$ 4,833,365	$ 4,577,615	$ 239,554	$ -	$ -	$ -	$ (16,196)	$ (16,196)
Culture and recreation	17,414,438	15,798,719	-	63,453	-	-	(1,552,266)	(1,552,266)
Community development and housing	228,916,341	117,485,419	115,446,651	315,744	-	4,331,473	-	4,331,473
Education:								
Secondary education	2,666,493,482	27,593,375	120,216,631	78,778,361	(2,439,905,115)	-	-	(2,439,905,115)
Higher education	337,763,487	77,914,425	17,187,769	1,011,933	-	-	(241,649,360)	(241,649,360)
Total component units	$ 3,255,421,113	$243,369,553	$253,090,605	$ 80,169,491	(2,439,905,115)	4,331,473	(243,217,822)	(2,678,791,464)

	MCPS	HOC	Nonmajor Component Units	Total
General revenues:				
Grants and contributions not restricted to specific programs	2,490,409,622	-	261,634,908	2,752,044,530
Investment income	16,722	1,017,145	4,726,041	5,759,908
Gain on sale of capital assets	184,579	-	47,126	231,705
Total general revenues	2,490,610,923	1,017,145	266,408,075	2,758,036,143
Change in net assets	50,705,808	5,348,618	23,190,253	79,244,679
Net position - beginning, as restated	1,535,815,002	177,344,417	555,293,416	2,268,452,835
Net position - ending	$ 1,586,520,810	$ 182,693,035	$ 578,483,669	$ 2,347,697,514

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

MONTGOMERY COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 Drive, 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 deferred inflows. 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.

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.
- 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 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 are 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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, 2015. 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. The County's deferred outflows of resources consist of deferred charges on refunding of debt and changes relating to pension expenses. 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. Deferred outflows of resources relating to pensions are described in Note IV-F1. For the County's Component Units deferred outflows 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, 2015, the County's deferred inflows consist of unavailable income taxes, unavailable property taxes, unavailable revenues, and changes relating to pension expenses (see Note IV-F1).

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, 2015, 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 $1,634,742,350. Absent the effect of this relationship, the County would have reported a deficit in unrestricted net position of governmental activities in the amount of $248,033,641.

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 below the constant yield rate for FY15. 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 2014 (i.e., FY15), in conjunction with a one-time income tax offset credit, generated revenues below 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.

12) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans (Plans) and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by Plans. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E) New Accounting Standards

The County has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* issued to improve financial reporting for pensions. These changes are reflected in the County's financial statements. GASB Statements 68 and 71 required restatement of beginning net position as follows:

	Enterprise Funds				
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Internal Service Funds
Net Position, June 30, 2014	$ 37,174,389	$ 56,289,032	$ 183,404,676	$ 38,758,509	$ 59,344,491
Net Pension Liability	(7,614,428)	(4,683,133)	(1,703,719)	(12,980,329)	(5,997,339)
Deferred Outflow of Resources	1,694,051	1,041,900	379,042	2,887,854	1,334,283
Net Position, as restated	$ 31,254,012	$ 52,647,799	$ 182,079,999	$ 28,666,034	$ 54,681,435

	Primary Government	
	Governmental Activities	Business-type Activities
Net Position, June 30, 2014	$ 1,180,792,839	$ 316,062,227
Net Pension Liability	(634,472,966)	(26,981,609)
Deferred Outflow of Resources	139,109,961	6,002,847
Net Position, as restated	$ 685,429,834	$ 295,083,465

The County has adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* issued to establish financial reporting standards relating to government combinations and disposals of government operations. At this time, there is no impact on the County's financial statements.

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NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Deficit Fund Equity

Recreation Special Revenue Fund

The $123,843 deficit in the Recreation Fund was caused by a shortfall in activity fee revenue. To address the shortfall, management will recommend a property tax rate adjustment and other expenditure and revenue adjustments in FY17.

Central Duplicating Internal Service Fund

In FY15, the Central Duplicating Internal Service Fund adjusted its chargeback collections in order to recover overhead costs that had caused a net deficit in FY14. Using this adjustment, the fund would have shown a positive net position. Instead, due to the recognition of a pension liability required by GASB Standard No. 68, the fund ended FY15 with a $449,564 net deficit.

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, 2015.

Revenue Stabilization Fund (RSF)	
Balance Beginning of Year	$ 207,986,941
Investment Income	267,729
FY15 Statutory Contribution	22,392,995
Balance – End of Year	$ 230,647,665

White Flint Special Taxing District

The White Flint Special Taxing District (WFSTD) is used to account for property tax collections and investment income earnings related to the White Flint Sector. These revenues are used to fund transportation infrastructure improvements and other development costs in the WFSTD. This fund is included within the Capital Projects Fund. Below is the change in the WFSTD balance for the fiscal year ended June 30, 2015.

White Flint Special Taxing District (WFSTD)		
Balance Beginning of Year	$	2,147,805
Property Taxes		1,510,678
Investment Income		4,686
Balance – End of Year	$	3,663,169

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, 2015, totaled $6,904,635,543 of which $6,406,161,123 is related to the Primary Government, as presented below and in the government-wide financial statements. These funds are held in several pools, various non-pooled investments, and cash funds. The following is a schedule of total cash and investments:

	Primary Government	Component Units *	Total Reporting Entity
Statement of Net Position Amounts:			
Equity in pooled cash and investments	$ 1,101,156,494	$ 56,607,860	$ 1,157,764,354
Cash with fiscal agents	55,161,140	81,289,789	136,450,929
Cash	709,887	16,516,020	17,225,907
Investments - cash equivalents	-	76,216,765	76,216,765
Investments	5,209,093,490	45,567,169	5,254,660,659
Restricted equity in pooled cash and investments	35,721,821	9,575,665	45,297,486
Restricted cash with fiscal agents	-	18,500,175	18,500,175
Restricted cash	-	450,808	450,808
Restricted investments - cash equivalents	-	128,104,020	128,104,020
Restricted investments	4,318,291	65,646,149	69,964,440
Total	$ 6,406,161,123	$ 498,474,420	$ 6,904,635,543
Deposit and Investment Summary:			
Deposits	$ 460,293,804	$ 131,956,720	$ 592,250,524
Investments	5,889,996,292	208,131,389	6,098,127,681
Cash on hand, fiscal agents, safe deposit escrow	55,871,027	158,386,311	214,257,338
Total	$ 6,406,161,123	$ 498,474,420	$ 6,904,635,543

* Includes $381,831 in County Investment Pool

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

Government-wide	$ 1,126,265,457
Fiduciary funds	5,279,895,666
Total	$ 6,406,161,123

Primary Government

2) External Investment Pool

Overview:

The County maintains an external investment pool that is subject to oversight by the County's Internal Investment Committee, but is not subject to regulatory oversight by the Securities and Exchange Commission (SEC).

Participants in the pool include the County, certain component unit agencies, and other legally separate entities. The equity position of each fund and component unit is reported as an asset by the funds and component units. The external portion of the pool (i.e., participation by legally separate entities) is reported as the Investment Trust Fund in the accompanying financial statements. Participants' shares redeemed during the year are based on actual cost; participants' shares are then adjusted to fair value at year-end. The County has not provided or obtained any legally binding guarantees during the year to support the value of shares.

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

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

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

	Primary Government	Component Units	Total Reporting Entity
Statement of Net Position Amounts:			
Equity in pooled cash and investments	$ 1,101,156,494	$ 381,831	$ 1,101,538,325
Restricted equity in pooled cash and investments	35,721,821	-	35,721,821
Total	$ 1,136,878,315	$ 381,831	$ 1,137,260,146
Deposit and Investment Summary:			
Deposits	$ 460,293,804	$ -	$ 460,293,804
Investments, including accrued interest	676,584,511	381,831	676,966,342
Total	$ 1,136,878,315	$ 381,831	$ 1,137,260,146

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 commercial paper 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 Capital Investors, LLC and custodied by PNC Bank, N.A. 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	$ 454,177,227	$ 455,420,629	July 2015-March 2016	0.16%-0.34%
Commercial paper	70,484,237	70,484,237	July 2015-October 2015	0.38%-0.54%
State pool	150,778,507	150,778,507	n/a	0.07%
Total	$ 675,439,971	$ 676,683,373		

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, 2015 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:

	Ratings		
Investment Type:	Standard & Poor's	Fitch	Moody's
Repurchase agreements [1]	N/R	N/R	N/R
U.S. Government securities [2]:			
Short Term Debt/ Discount Notes	A-1+	F1+	P-1
Farmer Mac (FAMCA) Long Term Debt	N/R	N/R	N/R
Federal Farm Credit (FFCB) Long Term Debt	AA+	AAA	Aaa
Federal Home Loan Bank (FHLB) Long Term Debt	AA+	N/R	Aaa
Federal Home Loan Mortgage Corporation "Freddie Mac" (FHLMC) Long Term Debt	AA+	AAA	Aaa
Fannie Mae (FNMA) Long Term Debt	AA+	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
Local Government Investment Pool (MLGIP)	AAAm	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, 2015, 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	75
Repurchase agreements	50
Bankers' acceptances	25
Money market mutual fund	50
Local government investment pool	50
Collateralized certificates of deposit**	25
Commercial paper	10

Diversification by Institution:	Maximum percent of Portfolio*
Approved broker/dealers	30%
Money market mutual funds by fund	25
Bankers' acceptances by country	15
Commercial Banks (Certificates of Deposit**)	10
U.S. Government agencies by agency	20
Commercial Paper by Issuer	5

* 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 U. S. Government agencies at 62.7% (limited to 75%) and commercial paper at 9.7% (limited to 10%). The maximum allocation at the time of investment purchase was consistent with the County's Investment Policy. Other than US Agency Debt (16.0% Federal Home Loan Banks (FHLB), 13.0% Farmer Mac (FAMCA),13% Federal Farm Credit Bank (FFCB), 7.0% Federal Home Loan Mortgage Corp (FHLMC), 13.0% Federal National Mortgage Association (FNMA)) and 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.

External Investment Pool Condensed Financial Statements:

The condensed financial statements of the County's external investment pool at June 30, 2015, are as follows:

Statement of Net Position
June 30, 2015

Assets:	
Investment in securities, at fair value	$ 675,439,971
Cash	460,293,804
Accrued interest receivable	1,526,371
Total assets and net position	$ 1,137,260,146
Net position consists of:	
Internal participants' units outstanding ($1.00 par), unrestricted	$ 1,101,156,494
Internal participants' units outstanding ($1.00 par), restricted	35,721,821
External participants' units outstanding ($1.00 par)	381,831
Net position	$ 1,137,260,146
Participants net position value, offering price and redemption price per share ($1,137,260,146/1,137,621,909 units)	$ 1.00

Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2015

Investment Income *		$ 1,255,648
Distributions to participants:		
Distributions paid and payable		(1,255,648)
Share transactions at net position value of $1.00 per share:		
Purchase of units	$ 779,780,158 *	
Redemption of units	(615,059,014)	
Net increase (decrease) in net position and shares resulting from share transactions		164,721,144 *
Total increase (decrease) in net position		164,721,144 *
Net position, July 1, 2014		972,539,002
Net position, June 30, 2015		$ 1,137,260,146

* The pool has no expenses.

3) Major and Non-major Fund Deposit and Investment Risks

Primary government (non-fiduciary) cash and investments are primarily invested in the County's external investment pool. Funds with significant cash balances other than what is invested in the external investment pool include the following:

General Fund

Cash with fiscal agents of $5,660,772 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 $6,931,557 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 $37,590,270 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 $4,953,589 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 FY15, the County had incurred and paid renovation expenses that were to be reimbursed from cash from fiscal agents which occurred subsequent to year-end.

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, 2015, are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	$ 128,828,385	10.86 %
Foreign Government Obligations	AAA	783,288	0.07
	AA	398,286	0.03
	A	4,446,272	0.37
	BBB	1,833,805	0.15
	CCC	51,018	0.01
	Unrated	3,023,349	0.26
Asset-Backed Securities	AAA	3,464,339	0.29
Municipal/Provincial Bonds	AAA	1,665,080	0.14
	AA	9,383,201	0.79
	A	1,310,502	0.11
Corporate Bonds	AAA	5,801,132	0.49
	AA	34,339,675	2.89
	A	142,478,179	12.01
	BBB	133,990,218	11.29
	BB	96,243,298	8.11
	B	115,243,787	9.71
	CCC	41,528,208	3.50
	CC	128,500	0.01
	D	764,862	0.07
	Unrated	18,349,238	1.55
Fixed Income Pooled Funds	Unrated	323,766,841	27.28
Short-term Investments and Other	Unrated	118,827,948	10.01
Total Fixed Income Securities		$ 1,186,649,411	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, 2015, 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	16.10	$ 128,828,385	10.86 %
Foreign Government Obligations	3.35	10,536,018	0.89
Asset-Backed Securities	12.98	3,464,339	0.29
Municipal/Provincial Obligations	13.93	12,358,783	1.04
Corporate Bonds	7.03	588,867,097	49.63
Fixed Income Pooled Funds	N/A	323,766,841	27.28
Short-term Investments and Other *	N/A	118,827,948	10.01
Total Fixed Income Securities		$ 1,186,649,411	100.00 %

* Short-term investments consist of U.S. Treasury and government sponsored securities, money market funds, commercial paper, certificates of deposit, repurchase agreements, asset backed securities, notes and bonds issued by U.S. corporations, and other allowable instruments that meet short-term maturity or average life, diversification, and credit quality restricts.

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
Euro	$ 136,581,467	$ 1,247,131	$ 71,856,795	$ 209,685,393
Japanese yen	137,758,990	-	62,341,850	200,100,840
Norwegian Krone	1,899,876	-	45,255,217	47,155,093
Australian Dollar	3,035,321	1,190,470	34,703,717	38,929,508
Swiss Franc	34,528,124	-	-	34,528,124
British Pound Sterling	91,823,952	-	(67,060,362)	24,763,590
Danish Krone	14,882,743	-	-	14,882,743
Hong Kong Dollar	13,431,089	-	462,787	13,893,876
Swedish Krona	15,768,783	-	(9,415,951)	6,352,832
Mexican Peso	-	4,056,504	-	4,056,504
Other Currencies	6,092,024	4,786,649	(142,773,148)	(131,894,475)
Total International Securities	$ 455,802,369	$ 11,280,754	$ (4,629,095)	$ 462,454,028

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 FY15, 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, 2015, the System held 427 long US Treasury futures contracts with a fair value of $54,890,820 and 561 short US Treasury futures contracts with a fair value of ($110,485,125).

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, 2015, the System held $653,090,415 buy foreign exchange contracts and ($673,033,045) sell foreign exchange contracts. The unrealized gain on the System's contracts was $1,534,370.

Securities Lending

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

As of June 30, 2015, the fair value of securities on loan was $390,940,192. Cash received as collateral and the related liability of $273,912,882 as of June 30, 2015, 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 $1,156,632 and $68,012, 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, 2015:

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral:			
U.S. Government Obligations	$ 87,710,859	$ -	$ 89,511,877
Corporate Bonds	80,386,134	-	82,053,823
Equities	100,063,899	-	102,347,182
Lent for Non-Cash Collateral:			
U.S. Government Obligations	2,199,242	2,243,149	-
Corporate Bonds	4,383,667	4,477,281	-
Equities	116,196,391	124,743,197	-
Total	$ 390,940,192	$ 131,463,627	$ 273,912,882

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, 2015, 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, 2015, the fair value of the mutual and commingled investment funds was $313,170,346. The fair value of the investments in international mutual funds was $75,654,256.

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, 2015, the fair value of the mutual and commingled investment funds was $351,892,072. The fair value of the investments in international mutual funds included in the County Plan was $43,773,219.

Consolidated Retiree Health Benefits Trust:

Section 33-163 of the Code authorizes the Board of Trustees of the Consolidated Retiree Health Benefits Trust (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, 2015, the fair value of the investments was $619,442,965. The fair value of the investments in international mutual funds was $135,505,714.

Securities Lending

Board policy permits the Trust 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 Trust's custodian is the agent in lending the Trust'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 Trust or the borrower. Cash collateral received from the borrower is invested by the lending agent, as an agent for the Trust, in a short-term investment pool in the name of the Trust, 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 Trust'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 Trust cannot determine. The Trust 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 Trust 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, 2015, the fair value of securities on loan was $27,528,885. Cash received as collateral and the related liability of $28,185,429 as of June 30, 2015, is shown on the Statement of Plan Net Position. Securities received as collateral are not reported as assets since the Trust does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to $65,630 and ($26,503), 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, 2015:

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral:			
Equities	$ 27,528,885	$ -	$ 28,185,429

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

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, 2015, were entirely insured or collateralized with securities held by HOC's agent in HOC's name. HOC's investments are subject to interest rate, credit, and custodial risk as described below:

Interest Rate Risk

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

Credit Risk

HOC's investment policy for the General Fund, Public Fund and the Opportunity Housing Fund permits the following investment types: U.S. government and federal agencies; repurchase agreements; banker's acceptances; money market mutual funds; Maryland local government investment pool; Montgomery County investment pool; certificate of deposits and time deposits; and commercial paper. Bankers Acceptances of domestic banks and commercial paper must maintain the highest rating from one of the Nationally Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC or State Treasurer. Repurchase agreements require collateralization at 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities provided the collateral is held by a custodian, other than the seller. Certificates of deposit or time deposits must be collateralized at 102% of the fair value and held by a custodian other than the seller. HOC invests in the 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, 2015 was P-1.

At June 30, 2015, HOC had the following cash, cash equivalents, investments and maturities:

		Fair Value	Rating
Cash Equivalents:			
General Sub Fund:			
Money Market Accounts	$	18,430,336	N/A
Opportunity Housing Sub Fund:			
Investment in MLGIP		214,706	AAAm
Money Market Accounts		15,900,233	N/A
Public Sub Fund:			
Investment in MLGIP		4,024,768	AAAm
Money Market Accounts		3,146,933	N/A
Multi-Family Sub Fund:			
Money Market Accounts		45,498,424	N/A
Single Family Fund:			
Money Market Accounts		69,551,670	N/A
Real Estate Limited Partnership:			
Investment in MLGIP		1,073,176	AAAm
Certificate of Deposit		1,921,984	N/A
Money Market Accounts		10,991,864	N/A
Total cash equivalents	$	170,754,094	
Short-term Investments:			
Single-Family Sub Fund:			
GNMA Pass through Certificates		842,115	AAA
US Treasuries		2,345,800	N/A
Total short-term investments	$	3,187,915	

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	Fair Value	1-5 years	6-10 years	Greater than 10 years	Rating
Long-term Investments:					
Opportunity Housing Sub Fund:					
Certificate of Deposit	$ 44,479	$ 44,479	$ -	$ -	N/A
Multi-Family Fund:					
U. S. Treasuries	2,353,816	1,334,300	1,019,516	-	Aaa
Fannie Mae	3,174,891	-	-	3,174,891	Aaa
Freddie Mac	889,687	-	-	889,687	Aaa
Federal Farm Credit Banks	1,599,920	-	1,599,920	-	Aaa
Federal Home Loan Banks	934,354	-	934,354	-	Aaa
Israel ST Bonds	448,857	-	-	448,857	Aaa
Federal Home Loan Mortgage	908,818	-	-	908,818	Aaa
Bank One Investment Agreement	591,525	-	-	591,525	AA/Aa2
Single Family Fund:					
Federal Farm Credit Banks	6,694,447	-	-	6,694,447	Aaa
Federal Home Loan Banks	9,192,023	-	-	9,192,023	Aaa
Federal Home Loan Mtg Corp	1,680,039	-	-	1,680,039	Aaa
Fannie Mae	1,060,450	-	-	1,060,450	Aaa
GNMA Pass-through certificates	16,853,950	-	-	16,853,950	AAA
U. S. Treasuries	8,034,142	2,092,112	4,617,895	1,324,135	N/A
Tennessee Valley Authority	6,523,239	2,422,503	-	4,100,736	Aaa
Total long-term investments	60,984,637	5,893,394	8,171,685	$ 46,919,558	
Cash balances	72,761,162				
Total Cash, Cash Equivalents and Investments	$ 307,687,808				

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B) Receivables

1) Accounts Receivable

Receivables at June 30, 2015 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	$ 284,319,753	$ -	$ -	$ -	$ -	$ -	$ 284,319,753
Property taxes	15,573,609	-	-	-	101	4,261,998	19,835,708
Capital leases	-	-	-	27,225,000	-	-	27,225,000
Accounts	9,898,885	-	1,456	1,025,787	71,074	19,998,390	30,995,592
Notes	-	-	1,982,881	-	-	776,004	2,758,885
Parking violations	898,323	-	-	-	-	313,720	1,212,043
Mortgages	118,021	191,554,677	35,283,490	-	305,664	2,810,263	230,072,115
Total receivables	310,808,591	191,554,677	37,267,827	28,250,787	376,839	28,160,375	596,419,096
Allowance for uncollectible accounts	(1,626,306)	(8,534,061)	(2,566,459)	-	-	(8,773,234)	(21,500,060)
Total receivable (net)	$ 309,182,285	$ 183,020,616	$ 34,701,368	$ 28,250,787	$ 376,839	$ 19,387,141	$ 574,919,036
Amounts not scheduled for collection during the subsequent year	$ 118,021	$ 191,554,677	$ 37,266,371	$ 27,225,000	$ 305,664	$ 3,586,267	$ 260,056,000

	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Receivables						
Property taxes	$ -	$ -	$ 949,249	$ -	$ 949,249	$ -
Accounts	5,954,742	4,427,879	-	213,971	10,596,592	1,681,588
Parking violations	-	-	3,547,306	-	3,547,306	-
Total receivables	5,954,742	4,427,879	4,496,555	213,971	15,093,147	1,681,588
Allowance for uncollectible accounts	(44,368)	(1,769)	(2,891,016)	(4,944)	(2,942,097)	(1,678)
Total receivable (net)	$ 5,910,374	$ 4,426,110	$ 1,605,539	$ 209,027	$ 12,151,050	$ 1,679,910
Amounts not scheduled for collection during the subsequent year	$ -	$ -	$ -	$ -	$ -	$ -

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2) Due from/to Component Units

The balances at June 30, 2015, were:

Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due to Primary Government:						
General	$ -	$ 77,679	$ -	$ 35,355	$ -	$ 113,034
Grants	-	-	-	10,991,065	-	10,991,065
Capital Projects	-	-	-	16,489,178	-	16,489,178
Housing Initiative	-	-	-	48,011,715	-	48,011,715
Nonmajor Governmental	-	419,333	-	-	-	419,333
Solid Waste Activities Enterprise	48,122	1,014	-	265	2,054	51,455
Internal Service	9,909	8,522	98,789	458,799	16,798	592,817
Fiduciary	-	-	32,592	2,268,972	-	2,301,564
Total Due to Primary Government	$ 58,031	$ 506,548	$ 131,381	$78,255,349	$ 18,852	$ 78,970,161

Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due from Primary Government:						
General	$ 11,884,600	$ -	$ -	$ 1,710,956	$ 17,245	$ 13,612,801
Grants	45,483	-	-	5,191		50,674
Capital Projects	4,246,641	10,179,267	-	1,495,509	-	15,921,417
Housing Initiative	-	-	-	441,189	-	441,189
Nonmajor Governmental	126,656	-	-	-	18,059	144,715
Nonmajor Enterprise	784,870	-	-	-	-	784,870
Fiduciary	6,324	-	-	-	-	6,324
Total Due from Primary Government	$ 17,094,574	$10,179,267	$ -	$ 3,652,845	$ 35,304	$ 30,961,990

In the major governmental funds, $48,011,715 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 $1,744,838, 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 FY15, $181,241 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 $57 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, 2015, was comprised of the following:

	General	Grants	Capital Projects	Solid Waste Activities	Nonmajor Governmental	Internal Service	Fiduciary	Total
Federal government	$ -	$ 16,366,867	$ 317,050	$ 810	$ -	$ -	$ 96,423	$ 16,781,150
State of Maryland	32,853,912	9,903,033	1,085,242	13,182	17,234,314	60,877	8,732	61,159,292
Other	4,759	54,612	1,070,904	125,958	-	33,752	299,585	1,589,570
Total	$ 32,858,671	$ 26,324,512	$ 2,473,196	$ 139,950	$ 17,234,314	$ 94,629	$ 404,740	$ 79,530,012

C) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Activities				
Nondepreciable Capital Assets:				
Land	$ 888,200,036	$ 19,739,497	$ -	$ 907,939,533
Construction in progress	1,128,317,714	252,517,330	24,549,567	1,356,285,477
Total Nondepreciable Capital Assets	2,016,517,750	272,256,827	24,549,567	2,264,225,010
Depreciable Capital Assets:				
Buildings	807,569,893	17,710,559	-	825,280,452
Improvements other than buildings	57,063,813	2,198,324	-	59,262,137
Furniture, fixtures, equipment and machinery	236,431,524	2,332,499	1,849,503	236,914,520
Leasehold improvements	12,956,842	-	-	12,956,842
Automobiles and trucks	275,277,985	20,831,223	17,761,046	278,348,162
Infrastructure	1,827,665,357	10,900,665	-	1,838,566,022
Other assets	40,359,973	-	-	40,359,973
Total Capital Assets being Depreciated	3,257,325,387	53,973,270	19,610,549	3,291,688,108
Less Accumulated Depreciation for:				
Buildings	378,920,869	19,258,459	-	398,179,328
Improvements other than buildings	24,536,002	1,478,018	-	26,014,020
Furniture, fixtures, equipment and machinery	183,267,437	7,375,137	1,679,022	188,963,552
Leasehold improvements	7,352,026	558,269	-	7,910,295
Automobiles and trucks	151,600,843	19,596,004	16,958,969	154,237,878
Infrastructure	652,244,592	37,297,455	-	689,542,047
Other assets	11,825,216	4,028,436	-	15,853,652
Total Accumulated Depreciation	1,409,746,985	89,591,778	18,637,991	1,480,700,772
Total Depreciable Assets, net	1,847,578,402	(35,618,508)	972,558	1,810,987,336
Governmental Activities Capital Assets, net	$ 3,864,096,152	$ 236,638,319	$ 25,522,125	$ 4,075,212,346
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	$ 59,158,993	$ -	$ -	$ 59,158,993
Construction in progress	43,343,304	1,361,466	42,876,341	1,828,429
Total Nondepreciable Capital Assets	102,502,297	1,361,466	42,876,341	60,987,422
Depreciable Capital Assets:				
Buildings	244,478,692	50,707,448	-	295,186,140
Improvements other than buildings	175,758,514	924,145	-	176,682,659
Furniture, fixtures, equipment and machinery	25,381,694	5,347,434	634,482	30,094,646
Infrastructure	14,351	-	-	14,351
Automobiles and trucks	4,221,323	-	53,886	4,167,437
Total Capital Assets being Depreciated	449,854,574	56,979,027	688,368	506,145,233
Less Accumulated Depreciation for:				
Buildings	128,285,519	8,293,671	-	136,579,190
Improvements other than buildings	124,926,680	4,399,044	-	129,325,724
Furniture, fixtures, equipment and machinery	15,704,704	1,832,397	588,284	16,948,817
Infrastructure	4,449	574	-	5,023
Automobiles and trucks	3,384,882	182,576	53,885	3,513,573
Total Accumulated Depreciation	272,306,234	14,708,262	642,169	286,372,327
Total Depreciable Assets, net	177,548,340	42,270,765	46,199	219,772,906
Business-Type Activities Capital Assets, net	$ 280,050,637	$ 43,632,231	$ 42,922,540	$ 280,760,328

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

Governmental activities:		
General government	$	7,362,115
Public safety		9,934,449
Public works and transportation		61,810,802
Health and human services		2,193,111
Culture and recreation		7,049,540
Community development and housing		1,229,087
Environment		181,016
Total depreciation expense-governmental activities	$	89,760,120 *
Business-type activities:		
Liquor	$	2,118,550
Solid waste activities		1,494,418
Parking lot districts		10,950,555
Permitting services		143,902
Community use of public facilities		834
Total depreciation expense-business-type activities	$	14,708,259

* Depreciation expense does not include transfers of assets of $168,342 completed during the fiscal year.

Construction commitments as of June 30, 2015 are as follows:

General Government	$	175,032,929
Public Safety		4,567,424
Public Works and Transportation		194,989,030
Health and Human Services		18,054,492
Culture & Recreation		1,582,850
Community Development & Housing		109,061
Environment		30,203,759
Total	$	424,539,545

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Component Units

Capital assets of MCPS, amounting to $2,583,128,895 at June 30, 2015, are significant in relation to the total component unit capital assets.

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Activities				
Nondepreciable capital assets:				
Land	$ 81,179,460	$ -	$ -	$ 81,179,460
Construction in progress	100,325,574	137,007,405	92,233,308	145,099,671
Total nondepreciable capital assets	181,505,034	137,007,405	92,233,308	226,279,131
Depreciable capital assets:				
Buildings and improvements	2,956,160,710	100,009,916	4,538,745	3,051,631,881
Site improvements	302,203,304	11,530,574	-	313,733,878
Vehicles and equipment	164,829,282	16,298,109	6,326,394	174,800,997
Total depreciable capital assets	3,423,193,296	127,838,599	10,865,139	3,540,166,756
Less accumulated depreciation for:				
Buildings and improvements	945,333,999	73,926,788	3,702,664	1,015,558,123
Site improvements	61,262,364	5,715,953	-	66,978,317
Vehicles and equipment	101,077,311	11,150,340	6,175,710	106,051,941
Total accumulated depreciation	1,107,673,674	90,793,081	9,878,374	1,188,588,381
Total depreciable capital assets, net	2,315,519,622	37,045,518	986,765	2,351,578,375
Government activities capital assets, net	$ 2,497,024,656	$ 174,052,923	$ 93,220,073	2,577,857,506
Business-Type Activities				
Depreciable capital assets:				
Vehicles and equipment	$ 19,508,493	$ 1,107,120	$ 236,239	20,379,374
Total depreciable capital assets	19,508,493	1,107,120	236,239	20,379,374
Less accumulated depreciation for:				
Vehicles and equipment	14,474,907	891,931	232,311	15,134,527
Total accumulated depreciation	14,474,907	891,931	232,311	15,134,527
Business-type activities capital assets, net	$ 5,033,586	$ 215,189	$ 3,928	5,244,847
Educational Foundation capital assets net of accumulated depreciation	$ 39,813	$ -	$ 13,271	26,542
Total MCPS government-wide capital assets				$ 2,583,128,895

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

Governmental activities:		
Regular instruction	$	75,042,641
Special education		139,457
School administration		89,526
Student transportation		8,751,072
Operation of plant		165,085
Maintenance of plant		5,950,935
Administration		654,365
Total depreciation expense-governmental activities	$	90,793,081
Business-type activities:		
Food services	$	879,244
Real estate management		12,687
Total depreciation expense-business type activities	$	891,931

Commitments for ongoing construction in progress at June 30, 2015, were $146,017,726.

D) Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of June 30, 2015, is as follows:

	Due From Fund					
Due To Fund	General	Liquor	Nonmajor Governmental	Internal Service	Fiduciary	Total
General	$ -	$ -	$ -	$ 3,858,451	$ 6,003,246	$ 9,861,697
Housing Initiative	-	-	-	10,384	14,848	25,232
Grants	14,508,406	-	-	163,211	185,019	14,856,636
Capital Projects	70,490,301	-	1,174,577	155,085	243,756	72,063,719
Liquor	-	-	-	271,377	160,518	431,895
Solid Waste Activities	-	-	-	69,109	87,760	156,869
Parking Lot Districts	-	-	-	28,072	36,943	65,015
Nonmajor Governmental	-	4,198	-	1,520,060	2,971,106	4,495,364
Nonmajor Enterprise	-	-	-	154,311	252,419	406,730
Internal Service	-	-	-	175,356	4,338,219	4,513,575
Fiduciary	-	-	310,000	8,803	8,831	327,634
Total	$ 84,998,707	$ 4,198	$ 1,484,577	$ 6,414,219	$ 14,302,665	$ 107,204,366

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

- $14.5 million to the Grants Special Revenue Fund to cover vendor payments prior to revenues being received from other government agencies; and
- $70.5 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.

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, 2015, consisted of the following:

	Transfers In Fund					
Transfers Out Fund	General	Housing Initiative	Grants	Debt Service	Capital Projects	Subtotal Major
General	$ -	$ 18,572,277	$ -	$ 281,282,150	$ 54,521,679	$ 354,376,106
Housing Initiative	295,481	-	-	7,395,785	5,104,445	12,795,711
Capital Projects	-	10,392,257	-	-	-	10,392,257
Liquor	28,300,046	-	-	5,847,707	-	34,147,753
Solid Waste Activities	2,555,079	-	-	-	-	2,555,079
Parking Lot Districts	801,217	-	-	-	-	801,217
Nonmajor Governmental	24,018,229	-	570,182	38,477,412	7,191,170	70,256,993
Nonmajor Enterprise	4,544,805	-	-	-	-	4,544,805
Internal Service Funds	10,745,911	-	-	-	-	10,745,911
Total	$ 71,260,768	$ 28,964,534	$ 570,182	$ 333,003,054	$ 66,817,294	$ 500,615,832

	Transfers In Fund				
Transfers Out Fund	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Subtotal Major	Total
General	$ 4,275,067	$ 25,000	$ 576,813	$ 354,376,106	$ 359,252,986
Housing Initiative	-	-	-	12,795,711	12,795,711
Capital Projects	-	-	-	10,392,257	10,392,257
Liquor	-	-	-	34,147,753	34,147,753
Solid Waste Activities	-	-	-	2,555,079	2,555,079
Parking Lot Districts	13,356,555	-	-	801,217	14,157,772
Nonmajor Governmental	-	-	15,575	70,256,993	70,272,568
Nonmajor Enterprise	108,818	-	-	4,544,805	4,653,623
Internal Service Funds	-	-	-	10,745,911	10,745,911
Total	$ 17,740,440	$ 25,000	$ 592,388	$ 500,615,832	$ 518,973,660

Primary activities include:

- Transfers from major and non-major 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 $24,279,231 for FY15. Future minimum lease payments under significant non-cancelable operating leases are as follows.

Fiscal Year Ending June 30		
2016	$	25,701,787
2017		23,092,080
2018		22,531,687
2019		20,458,989
2020		17,699,435
2021 - 2025		53,307,266
2026 - 2030		15,791,768
Total	$	178,583,012

2) Capital Lease Receivable

Pursuant to the issue of the 2002 Lease Revenue Bonds and 2004 Lease Revenue Bonds (See Note III-F9), 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	$	14,093,200	$	(3,203,200)	$	10,890,000
Grosvenor		13,740,870		(3,123,120)		10,617,750
Glenmont		7,398,930		(1,681,680)		5,717,250
Total	$	35,233,000	$	(8,008,000)	$	27,225,000

At June 30, 2015, the minimum future lease payments due under the direct financing capital lease agreements are as follows:

Fiscal Year Ending June 30		
2016	$	3,478,613
2017		3,490,613
2018		3,491,613
2019		3,496,862
2020		3,510,862
2021-2025		14,368,312
2026-2030		2,829,325
2031		566,800
Total minimum lease payments	$	35,233,000

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		(29,485,864)
Total asset value under capital leases	$	39,579,262

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, 2015, are as follows:

Fiscal Year Ending June 30		
2016	$	2,904,450
2017		2,908,772
2018		2,512,988
2019		2,515,077
2020		991,834
2021-2023		2,970,224
Total minimum lease payments		14,803,345
Less: amount representing interest		(985,435)
Present value of minimum lease payments	$	13,817,910

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.

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F) Long-Term Debt

Primary Government

1) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

Governmental Activities	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
General obligation bonds payable:					
General obligation bonds	$ 2,270,500,000	$ 856,510,000	$ (582,260,000)	$ 2,544,750,000	$ 187,460,000
Variable rate demand obligations	100,000,000	-	-	100,000,000	-
Bond anticipation notes	500,000,000	500,000,000	(500,000,000)	500,000,000	500,000,000
Revenue bonds					
Liquor control	69,373,881	-	(2,718,558)	66,655,323	2,848,607
Water quality protection	35,610,000	-	(1,340,000)	34,270,000	1,395,000
Lease revenue bonds payable	29,285,000	-	(2,060,000)	27,225,000	2,160,000
Add remaining original issue premium	165,304,684	156,448,736	(51,458,583)	270,294,837	-
Total general obligation bonds	3,170,073,565	1,512,958,736	(1,139,837,141)	3,543,195,160	693,863,607
Leases and notes payable:					
Capital leases	16,432,750	-	(2,614,840)	13,817,910	2,659,480
Certificates of participation	24,305,000	-	(6,620,000)	17,685,000	6,885,000
Taxable limited obligation certificates	90,020,000	-	(3,700,000)	86,320,000	3,785,000
HUD loan	440,000	-	(43,000)	397,000	43,000
WSSC promissory note	9,708,040	30,066	-	9,738,106	431,398
Energy performance lease	4,164,250	-	(214,231)	3,950,019	121,780
Equipment notes	41,107,707	18,128,411	(12,822,131)	46,413,987	14,447,478
Add remaining original issue premium	438,035	-	(46,766)	391,269	-
Total leases and notes payable	186,615,782	18,158,477	(26,060,968)	178,713,291	28,373,136
Other non-debt related liabilities:					
Compensated absences	73,230,088	54,332,961	(50,791,872)	76,771,177	57,578,382
Other postemployment benefits	421,855,736	112,687,800	(98,049,121)	436,494,415	-
Claims payable - self-insurance	140,205,964	147,759,560	(146,520,912)	141,444,612	39,166,314
Net pension liability - county	614,630,587	30,739,629	(359,182,267)	286,187,949	143,385,738
Net pension liability - state	19,842,378	-	(1,964,021)	17,878,357	2,476,892
Claims and judgments	-	1,116,395	-	1,116,395	-
Total other non-debt related	1,269,764,753	346,636,345	(656,508,193)	959,892,905	242,607,326
Total Governmental Activities Liabilities	$ 4,626,454,100	$ 1,877,753,558	$ (1,822,406,302)	$ 4,681,801,356	$ 964,844,069
Business-Type Activities					
Revenue bonds:					
Liquor control	$ 44,761,119	$ -	$ (1,921,442)	$ 42,839,677	$ 2,016,393
Parking revenue bonds	47,130,000	-	(3,120,000)	44,010,000	3,245,000
Add remaining original issue premium	4,743,558	-	(685,725)	4,057,833	-
Total revenue bonds	96,634,677	-	(5,727,167)	90,907,510	5,261,393
Leases and notes payable:					
Equipment notes	1,701,104	3,569,456	(615,212)	4,655,348	818,550
Other non-debt related liabilities:					
Compensated absences	5,635,369	441,192	(17,633)	6,058,928	4,544,198
Other postemployment benefits	3,965,222	1,682,200	(1,682,200)	3,965,222	-
Net pension liability - county	26,981,605	1,349,225	(15,767,495)	12,563,335	6,215,232
Landfill closure costs	15,047,140	1,585,751	(1,226,973)	15,405,918	965,926
Gude landfill remediation	28,500,000	-	-	28,500,000	-
Total other non-debt related	80,129,336	5,058,368	(18,694,301)	66,493,403	11,725,356
Total Business-Type Activities Liabilities	$ 178,465,117	$ 8,627,824	$ (25,036,680)	$ 162,056,261	$ 17,805,299

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, $2,381,753 ($1,786,316 due within one year and $595,437 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.

Net pension liabilities are liquidated with General Fund resources.

2) 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 $500,000,000 in new money general obligation bonds dated November 19, 2014; the County received a premium on the issue of $81,853,250. The County issued $297,990,000 in general refunding bonds dated November 19, 2014; the County received a premium on the issue of $65,004,548. The total net proceeds were used to advance refund $323,010,000 of general obligation (GO) refunding bonds that were previously issued. These bonds were issued with a true interest cost of 2.34%. The County also issued $58,520,000 in general refunding bonds dated March 26, 2015; the County received a premium on the issue of $9,590,938. The total net proceeds were used to advance refund $66,250,000 of general obligation (GO) refunding bonds that were previously issued. These bonds were issued with a true interest cost of 1.23%.

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	08/15/04	2008-17	3.7208	$ 97,690,000	2015-17	$ 50,610,000
GO Bonds	06/01/05	2011-21	3.7817	120,355,000	2015, 2018-21	66,250,000
GO Bonds	05/01/07	2008-27	4.0821	250,000,000	2023-27	62,500,000
GO Bonds	07/15/08	2009-29	4.1809	250,000,000	2018-28	113,900,000
GO Bonds	08/11/11	2012-31	3.2268	320,000,000	2021-26	96,000,000
				$ 1,038,045,000		$ 389,260,000

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 refundings of $323,010,000 and $58,520,000 which will mature in FY2016 and beyond. As a result, we consider the debt to be defeased and it has been removed from the financial statements.

The reacquisition price of the November 19, 2014 refunding exceeded the net carrying amount of the old debt by $26,290,209. The reacquisition price of the March 26, 2015 refunding exceeded the net carrying amount of the old debt by $843,637. These amounts are reported as deferred outflows of resources and amortized over the remaining life of the new debts.

The debt service savings from the November refunding is $22,829,600 as shown below. The present value of the debt service savings (or economic gain) on the refunding is $23,572,450.

Fiscal Year	Refunded Debt Service Requirements	Refunding Debt Service Requirements	Debt Service Savings
2015	$ 7,621,825	$ 6,704,775	$ 917,050
2016	32,920,400	14,899,500	18,020,900
2017	32,042,738	28,183,875	3,858,863
2018	27,652,537	27,648,875	3,662
2019	13,639,250	13,636,750	2,500
2020-2024	179,942,125	179,930,625	11,500
2025-2029	162,737,500	162,722,375	15,125
Total	$ 456,556,375	$ 433,726,775	$ 22,829,600

The debt service savings from the March refunding is $8,719,772 as shown below. The present value of the debt service savings (or economic gain) on the refunding is $8,696,987.

Fiscal Year	Refunded Debt Service Requirements	Refunding Debt Service Requirements	Debt Service Savings
2016	$ 10,849,250	$ 2,129,478	$ 8,719,772
2017	2,926,000	2,926,000	-
2018	2,926,000	2,926,000	-
2019	23,444,875	23,444,875	-
2020-2022	39,926,125	39,926,125	-
Total	$ 80,072,250	$ 71,352,478	$ 8,719,772

General obligation bond issues outstanding as of June 30, 2015, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2015	Unamortized Premium	Carrying Value June 30, 2015
06/01/05*	2005-16	3.781	$ 120,355,000	$ 34,605,000	$ 1,845,870	$ 36,450,870
05/01/06	2006-17	3.871	100,000,000	10,000,000	82,760	10,082,760
05/01/07	2007-27	4.082	250,000,000	25,000,000	2,070,573	27,070,573
07/15/08	2009-29	3.000 - 5.000	250,000,000	61,100,000	2,108,554	63,208,554
11/03/09*	2011-20	2.000 - 5.000	161,755,000	108,325,000	6,518,164	114,843,164
11/03/09	2015-29	3.750 - 5.500	232,000,000	232,000,000	1,048,260	233,048,260
07/26/10	2011-22	2.000 - 5.000	195,000,000	130,000,000	9,709,858	139,709,858
07/26/10	2023-30	4.750 - 5.400	106,320,000	106,320,000	147,978	106,467,978
07/26/10	2023-30	4.750 - 5.400	23,680,000	23,680,000	32,958	23,712,958
08/11/11	2012-31	2.000 - 5.000	320,000,000	176,000,000	16,483,368	192,483,368
08/11/11*	2012-22	2.000 - 5.000	237,655,000	199,985,000	20,362,277	220,347,277
10/24/12	2013-32	2.500 - 5.000	295,000,000	265,500,000	24,381,651	289,881,651
10/24/12*	2013-16	2.500 - 5.000	23,360,000	10,560,000	327,049	10,887,049
11/26/13	2014-34	3.000 - 5.000	295,000,000	280,250,000	26,005,642	306,255,642
11/26/13*	2023-24	5.000	24,915,000	24,915,000	4,295,120	29,210,120
11/19/14	2015-35	4.000 - 5.000	500,000,000	500,000,000	76,658,361	576,658,361
11/19/14*	2016-28	5.000	297,990,000	297,990,000	60,272,217	358,262,217
03/26/15*	2018-21	5.000	58,520,000	58,520,000	8,053,191	66,573,191
Total			$ 3,491,550,000	$ 2,544,750,000	$ 260,403,851	$ 2,805,153,851

* Issue represents refunding bonds.

Changes in general obligation bonds during FY15 are as follows:

	Balance July 1, 2014	Bonds Issued	Bonds Retired	Bonds Refunded	Balance June 30, 2015
Governmental Activities:					
General County	$ 408,227,434	$ 161,252,560	$ 35,591,846	$ 48,368,082	$ 485,520,066
Roads and Storm Drainage	481,690,785	162,845,240	44,368,219	99,597,047	500,570,759
Parks	66,467,488	16,726,260	6,578,153	11,662,070	64,953,525
Public Schools	980,496,664	376,961,980	85,389,223	192,574,954	1,079,494,467
Community College	146,706,496	71,330,050	10,282,375	18,459,813	189,294,358
Consolidated Fire Tax District	59,754,809	13,191,160	5,377,992	7,642,386	59,925,591
Mass Transit	126,456,324	54,202,750	5,377,192	10,955,648	164,326,234
Public Housing	700,000	-	35,000	-	665,000
	$ 2,270,500,000	$ 856,510,000	$ 193,000,000	$ 389,260,000	$ 2,544,750,000

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

Fiscal Year Ending June 30	General Obligation Bond Requirements Principal	Interest	Total
2016	$ 187,460,000	$ 114,542,250	$ 302,002,250
2017	193,025,000	105,857,911	298,882,911
2018	185,930,000	96,233,919	282,163,919
2019	180,230,000	87,187,134	267,417,134
2020	174,295,000	78,451,563	252,746,563
2021-2025	760,870,000	275,954,870	1,036,824,870
2026-2030	586,440,000	118,868,137	705,308,137
2031-2035	276,500,000	20,930,000	297,430,000
Total	$ 2,544,750,000	$ 898,025,784	$ 3,442,775,784

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, 2015 is $6,962,522,614.

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, 2015, $386,611,125 of bonds outstanding are considered defeased.

General obligation bonds authorized and unissued as of June 30, 2015, are as follows:

Purpose	Authority Chapter	Authority Act	Authority Amount	Amount Unissued
General County, Parks, and	54	2010	$ 341,600,000	$ 187,954,000
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
	31	2014	167,400,000	167,400,000
			919,900,000	766,254,000
Roads and Storm Drainage	54	2010	192,000,000	40,980,000
	19	2012	38,700,000	38,700,000
	26	2013	86,800,000	86,800,000
	31	2014	49,300,000	49,300,000
			366,800,000	215,780,000
Public Schools and	24	2011	214,300,000	32,299,000
Community College	19	2012	187,400,000	187,400,000
	26	2013	15,100,000	15,100,000
	31	2014	162,000,000	162,000,000
			578,800,000	396,799,000
Mass Transit	24	2011	103,200,000	31,270,000
	31	2014	9,400,000	9,400,000
			112,600,000	40,670,000
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			$ 2,069,860,000	$ 1,486,396,000

Bond authority and related amounts unissued, presented above, include amounts related to variable rate demand obligations (see Note III-F3). In addition to this bond authority, the County has authority under the provisions of Section 56-13 of the 1994 Montgomery County Code, as amended, to issue County bonds within statutory debt limits to finance approved urban renewal projects.

3) 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, 2015, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2015
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.

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There was no change in VRDO balances during FY15. The VRDOs outstanding as of June 30, 2015 are as follows:

	Balance June 30, 2015
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	Variable Rate Demand Obligation Requirements		
Ending June 30	Principal	Interest*	Total
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	10,000,000	420,000	10,420,000
2021-2025	50,000,000	1,200,000	51,200,000
2026	10,000,000	60,000	10,060,000
Total	$ 100,000,000	$ 3,900,000	$ 103,900,000

* 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.

4) 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.

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	17	$ 55,837,814
Water Quality Protection	17	51,315,250
Liquor Control	18	155,760,174
Total		$ 262,913,238

The pledged net revenues recognized during FY15 for the payment of the outstanding principal and interest of the revenue bonds are as follows:

	Net Available Revenue for Debt Service	Debt Service		
		Principal	Interest	Total
Bethesda Parking Lot District	$ 12,137,714	$ 3,120,000	$ 1,839,789	$ 4,959,789
Liquor Control Fund	33,616,351	4,640,000	5,188,539	9,828,539
Water Quality Protection	10,728,963	1,340,000	1,678,850	3,018,850

Revenue bond issues outstanding as of June 30, 2015, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2015	Unamortized Premium/ (Discount)	Carrying Value June 30, 2015
Parking Revenue Bonds:							
Bethesda Parking Lot District 2005A	08/31/05	2007-25	3.620 - 5.000	$ 16,495,000	$ 11,045,000	$ 40,350	$ 11,085,350
Bethesda Parking Lot District 2012	05/16/12	2015-23	3.000 - 3.250	24,190,000	23,240,000	1,139,979	24,379,979
Bethesda Parking Lot District 2012 Ref.	05/16/12	2013-17	1.250 - 1.930	13,750,000	9,725,000	1,102,525	10,827,525
Water Quality Protection 2012A	07/18/12	2013-32	0.250 - 5.000	37,835,000	34,270,000	4,190,241	38,460,241
Liquor Control Revenue Bonds:*							
Liquor Control & Transportation 2009	05/12/09	2010-29	3.000 - 5.000	46,765,000	36,640,000	1,545,012	38,185,012
Liquor Control & Transportation 2011	04/28/11	2012-31	2.000 - 5.000	34,360,000	29,605,000	1,124,402	30,729,402
Liquor Control & Transportation 2013	07/30/13	2014-33	3.125 - 5.000	46,645,000	43,250,000	1,779,845	45,029,845
Total				$ 220,040,000	$ 187,775,000	$ 10,922,354	$ 198,697,354

* Liquor Control Revenue bonds are allocated to Governmental and Business-Type Activities on the Statement of Activities. See Note III-F1 for allocation.

Changes in revenue bond principal during FY15 are as follows:

	Balance July 1, 2014	Bonds Issued	Bonds Retired	Balance June 30, 2015
Bethesda Parking Lot District	$ 47,130,000	$ -	$ 3,120,000	$ 44,010,000
Liquor Control*	114,135,000	-	4,640,000	109,495,000
Water Quality Protection	35,610,000	-	1,340,000	34,270,000
Total	$ 196,875,000	$ -	$ 9,100,000	$ 187,775,000

* Liquor Control Revenue bonds are allocated to Governmental and Business-Type Activities on the Statement of Activities. See Note III-F1 for allocation.

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year	Bethesda Parking Lot District		Liquor Control	
Ending June 30	Principal	Interest	Principal	Interest
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	3,865,000	1,093,970	5,750,000	4,016,289
2021-2025	13,890,000	3,269,059	33,140,000	15,651,554
2026-2030	8,975,000	1,285,776	37,715,000	7,365,867
2031-2033	3,440,000	166,394	12,150,000	849,197
Total	$ 44,010,000	$ 11,827,814	$ 109,495,000	$ 46,265,174

Fiscal Year	Water Quality Protection		Total Revenue Bond Requirements		
Ending June 30	Principal	Interest	Principal	Interest	Total
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	1,615,000	1,404,400	11,230,000	6,514,659	17,744,659
2021-2025	9,320,000	5,776,300	56,350,000	24,696,913	81,046,913
2026-2030	11,850,000	3,239,000	58,540,000	11,890,643	70,430,643
2031-2033	5,615,000	424,500	21,205,000	1,440,091	22,645,091
Total	$ 34,270,000	$ 17,045,250	$ 187,775,000	$ 75,138,238	$ 262,913,238

Revenue bonds authorized and unissued as of June 30, 2015, 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	1,241,477	-
Debt Service Reserve Account - (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available	4,318,291	-
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	1,500,000	3,717,626
Rate Covenant Cash Reserve - Available to fund operating activities for a minimum of three months	-	26,352,979
Rate Stabilization Account - In case of short-term extraordinary expenses	-	1,309,169
Total	$ 8,660,338	$ 31,379,774

5) 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 FY15 are as follows:

	Balance July 1, 2014	BANs Issued	BANs Retired	Balance June 30, 2015
BAN Series 2009-A	$ 100,000,000	$ 100,000,000	$ 100,000,000	$ 100,000,000
BAN Series 2009-B	100,000,000	100,000,000	100,000,000	100,000,000
BAN Series 2010-A	150,000,000	150,000,000	150,000,000	150,000,000
BAN Series 2010-B	150,000,000	150,000,000	150,000,000	150,000,000
Total	$ 500,000,000	$ 500,000,000	$ 500,000,000	$ 500,000,000

Interest earned on BAN proceeds totaling $8,957 was accounted for in the Debt Service Fund. During FY15 interest rates varied from 0.1307 to 0.2452 percent.

BANs totaling $500 million were issued during FY15; $300 million Series 2010 and $200 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 FY16, 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 will 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 FY15, the County Council passed Resolution No. 17-1247 dated October 14, 2014 to increase the County's authority to issue BANs by $388.1 million. Cumulative BANs authorized and unissued as of June 30, 2015, including amounts authorized and unissued from prior years, is $902,013,000.

6) 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	Certificates of Participation		
Ending June 30	Principal	Interest	Total
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	$ 17,685,000	$ 934,900	$ 18,619,900

7) 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, 2015:

Fiscal Year Ending June 30		
2016	$	5,659,960
2017		3,844,415
2018		2,028,873
2019		1,014,437
Total minimum lease payments		12,547,685
Less: amount representing interest		(523,891)
Present value of minimum lease payments	$	12,023,794

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, 2015:

Fiscal Year	Equipment Notes Requirements					
Ending June 30		Principal		Interest		Total
2016	$	2,200,115	$	188,686	$	2,388,801
2017		1,828,881		147,203		1,976,084
2018		1,795,256		110,792		1,906,048
2019		1,796,852		74,380		1,871,232
2020		1,645,094		38,431		1,683,525
2021-2022		703,596		13,312		716,908
Total	$	9,969,794	$	572,804	$	10,542,598

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, 2015:

Fiscal Year	Safety Equipment Notes Requirements					
Ending June 30		Principal		Interest		Total
2016	$	4,283,421	$	90,118	$	4,373,539
2017		2,168,626		18,144		2,186,770
Total	$	6,452,047	$	108,262	$	6,560,309

On January 31, 2014, the County issued Master Lease Purchase Agreement to finance Ride On buses. On December 30, 2014, the County issued a Master Lease Purchase Agreement to finance additional Ride On buses. The following is a schedule by fiscal year for the agreements as of June 30, 2015:

Fiscal Year Ending June 30	Ride On Bus Requirements Principal	Interest	Total
2016	$ 3,430,863	$ 418,758	$ 3,849,622
2017	3,497,270	352,352	3,849,622
2018	3,564,963	284,658	3,849,622
2019	3,633,969	215,653	3,849,622
2020	3,704,311	145,311	3,849,622
2021-2022	4,792,324	83,084	4,875,409
Total	$ 22,623,700	$ 1,499,816	$ 24,123,517

8) 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. However, the first debt service payment did not include interest expense, thereby, reducing the principal outstanding to $9,600,000.

The note will mature upon its 15^{th} 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, 2015:

Fiscal Year Ending June 30	Promissory Note Requirements Principal	Interest	Total
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	(37,343)	437,343	400,000
2021-2025	9,909,637	1,989,863	11,899,500
Total	$ 9,738,106	$ 4,161,394	$ 13,899,500

9) 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 $35,233,000. 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 $3,126,047, 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 FY15, pledged revenue of $3,481,613 equals the principal and interest on the lease revenue bonds.

Lease revenue bonds outstanding as of June 30, 2015, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2015	Unamortized Premium (Discount)	Carrying Value June 30, 2015
Lease Revenue Bonds	10/13/11	2011-31	2.6687%	$ 35,465,000	$ 27,225,000	$ 3,026,465	$ 30,251,465

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

Fiscal Year Ending June 30	Lease Revenue Bond Requirements Principal	Interest	Total
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	976,862	3,496,862
2020	2,660,000	850,862	3,510,862
2021-2025	12,235,000	2,133,312	14,368,312
2026-2030	2,430,000	399,325	2,829,325
2031	545,000	21,800	566,800
Total	$ 27,225,000	$ 8,008,000	$ 35,233,000

10) 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 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, 2015:

Fiscal Year	Taxable Limited Obligation Requirements		
Ending June 30	Principal	Interest	Total
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	4,255,000	3,241,114	7,496,114
2021-2025	23,980,000	13,480,791	37,460,791
2026-2030	30,050,000	7,417,862	37,467,862
2031-2034	12,270,000	1,100,231	13,370,231
Total	$ 86,320,000	$ 39,445,140	$ 125,765,140

11) 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, 2015, for this loan is $397,000 and will mature on August 1, 2023.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2015:

Fiscal Year	HUD Loan Requirements					
Ending June 30	Principal		Interest		Total	
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		43,000		11,396		54,396
2021-2024		182,000		21,413		203,413
Total	$	397,000	$	101,311	$	498,311

12) 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, 2015:

Fiscal Year	Energy Performance Lease					
Ending June 30	Principal		Interest		Total	
2016	$	121,780	$	202,648	$	324,428
2017		129,074		196,258		325,332
2018		136,639		189,487		326,126
2019		144,479		182,322		326,801
2020		146,462		174,826		321,288
2021-2025		908,267		748,287		1,656,554
2026-2030		1,214,309		474,340		1,688,649
2031-2034		1,149,009		133,147		1,282,156
Total	$	3,950,019	$	2,301,315	$	6,251,334

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, 2015, there were 28 issues of Industrial Revenue Bonds and Economic Development Revenue Bonds outstanding. Of these, 8 were issued prior to July 1, 1996. The aggregate principal amount payable at June

30, 2015, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled $155,295,000. The principal amount payable at June 30, 2015, for bonds issued after July 1, 1996, totaled $615,030,740.

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 Villiage 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 Kingsview Village Center Development District. Special taxes and assessments were levied beginning in FY01 to repay the 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 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 $1,393,310 of Special Obligation Refunding Bonds (Series 2014A) via direct bank placement to refund the 1999 Series Kingsview Village Center Development District bonds.

Component Units

At June 30, 2015, HOC's noncurrent liabilities are comprised of the following:

	Due within one year	Long-Term	Total
Revenue bonds payable	$ 24,960,300	$ 502,797,119	$ 527,757,419
Capital leases payable	3,616	19,949,804	19,953,420
Derivative instrument - hedging	-	10,504,981	10,504,981
Notes and other payable	68,914,733	151,694,717	220,609,450
Net pension liability	-	4,066,724	4,066,724
Total	$ 93,878,649	$ 689,013,345	$ 782,891,994

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	$	290,891,798
Single Family Mortgage Purchase Program Fund		236,865,621
Total	$	527,757,419

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 0.60 to 11.25 percent and 0.625 to 5.75 percent, respectively, as of June 30, 2015.

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	Guaranteed Revenue Bond Requirements		
Ending June 30	Principal	Interest	Total
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	515,000	314,090	829,090
2021-2025	2,990,000	1,144,700	4,134,700
2026-2030	2,980,000	310,323	3,290,323
Total	$ 8,310,000	$ 3,264,848	$ 11,574,848

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	Total Revenue Bond Requirements		
Ending June 30	Principal	Interest	Total
2016	$ 24,960,300	$ 15,219,968	$ 40,180,268
2017	21,547,645	14,650,715	36,198,360
2018	22,290,266	14,001,897	36,292,163
2019	18,388,191	13,539,461	31,927,652
2020	19,001,450	12,995,363	31,996,813
2021-2025	100,040,995	55,403,215	155,444,210
2026-2030	98,801,659	39,194,516	137,996,175
2031-2035	89,895,000	21,816,397	111,711,397
2036-2040	90,665,000	9,104,243	99,769,243
2041-2045	30,935,000	2,306,538	33,241,538
2046-2050	9,400,000	79,170	9,479,170
Unamortized Bond Discount	1,831,913	-	1,831,913
Total	$ 527,757,419	$ 198,311,483	$ 726,068,902

Changes in the HOC revenue bonds during FY15 are as follows:

Purpose	Balance July 1, 2014	Bonds Issued*	Bonds Retired	Balance June 30, 2015
Multi-Family Mortgage Purchase Program Fund	$ 318,908,863	$ 24,018,199	$ 52,035,264	$ 290,891,798
Single Family Mortgage Purchase Program Fund	260,700,690	-	23,835,069	236,865,621
Total	$ 579,609,553	$ 24,018,199	$ 75,870,333	$ 527,757,419

* 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, 2014	$ 168,919,649
Issuances during the year	78,119,594
Redemptions during the year	(450,560)
Bonds outstanding, June 30, 2015	$ 246,588,683

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, 2015, is presented below:

Condensed Statement of Net Position

	Bethesda PLD
ASSETS	
Current assets	$ 9,540,676
Other assets	8,660,338
Capital assets	109,617,092
Total Assets	127,818,106
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	300,568
Total Deferred Outflows	300,568
LIABILITIES	
Current liabilities	4,872,966
Due to other funds	29,830
Long-term liabilities	43,903,949
Total Liabilities	48,806,745
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	276,301
Total Deferred Inflows	276,301
NET POSITION	
Invested in capital assets, net of related debt	63,463,857
Restricted for debt service	8,660,338
Unrestricted	6,911,433
Total Net Position	$ 79,035,628

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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	$ 14,144,307
Licenses and permits	1,106
Fines and penalties	4,261,637
Total Operating Revenues (pledged against bonds)	18,407,050
Depreciation	5,359,678
Other operating expenses	11,033,296
Operating Income (Loss)	2,014,076
NONOPERATING REVENUES (EXPENSES):	
Property taxes	2,746,026
Investment income	15,243
Interest expense	(1,375,988)
Other revenue	667,359
Transfers in	1,500,000
Transfers out	(7,539,300)
Change in Net Position	(1,972,584)
Beginning Net Position, as restated	81,008,212
Ending Net Position	$ 79,035,628

Condensed Statement of Cash Flows

	Bethesda PLD
Net Cash Provided (Used) By:	
Operating activities	$ 7,667,943
Noncapital financing activities	(3,293,274)
Capital and related financing activities	(16,607,902)
Investing activities	12,382
Net Increase (Decrease)	(12,220,851)
Beginning Cash and Cash Equivalents	25,665,114
Ending Cash and Cash Equivalents	$ 13,444,263

H) Fund Equity

1) Governmental Fund Balances

The governmental fund balances at June 30, 2015 are composed of the following:

Fund Balances:	General	Housing Initiative	Grants	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
Nonspendable:						
Inventory	$ 6,558,337	$ -	$ -	$ -	$ 1,842,076	$ -
Long term receivables	-	-	-	-	-	-
Prepaids	241,589	-	-	-	-	-
Total nonspendable	6,799,926	-	-	-	1,842,076	-
Restricted for:						
Public safety	-	-	-	-	-	31,362,798
Public works and transportation	-	-	-	-	-	15,782,586
Culture and recreation	-	-	-	-	-	9,838,726
Community development and housing	-	243,697,964	-	-	-	8,391,671
Environment	585,905	-	216,033	-	-	16,339,054
Revenue stabilization	230,647,665	-	-	-	-	-
Debt service	-	-	-	17,637,520	-	-
Capital projects	-	-	-	-	148,336,117	-
Total restricted	231,233,570	243,697,964	216,033	17,637,520	148,336,117	81,714,835
Committed to:						
Community development and housing	6,392,659	-	-	-	-	-
Education	30,849,788	-	-	-	-	-
Capital projects	33,343,832	-	-	-	-	-
Total committed	70,586,279	-	-	-	-	-
Assigned to:						
General government	10,229,722	-	-	-	-	-
Public safety	9,038,089	-	-	-	-	-
Public works and transportation	1,004,953	-	-	-	-	-
Health and human services	4,620,736	-	-	-	-	-
Culture and recreation	1,507,023	-	-	-	-	-
Community development and housing	91,632	-	-	-	-	-
Environment	83,039	-	-	-	-	-
Total assigned	26,575,194	-	-	-	-	-
Unassigned:						
Culture and recreation	-	-	-	-	-	(123,843)
General government	156,538,119	-	-	-	-	-
Total unassigned	156,538,119	-	-	-	-	(123,843)
Total fund balances	$ 491,733,088	$ 243,697,964	$ 216,033	$ 17,637,520	$ 150,178,193	$ 81,590,992

2) Encumbrances

Encumbrance accounting is employed as part of the budgetary integration for all governmental funds. As of June 30, 2015, 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	$	26,575,194	Assigned
Housing Initiative		528,068	Restricted
Non-major Governmental Funds		17,864,510	Restricted
Total Governmental Funds	$	44,967,772	

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

Governmental Fund		Encumbrances not included in Fund Balance
Grants	$	4,659,531
Debt Service		468,470
Capital Projects		424,539,966
Total Governmental Funds	$	429,667,967

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	$	492,271,947
Business-type activities		39,725,780
Total	$	531,997,727

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, 2015:

	General Fund			Capital	
	Operating	Capital *	Total	Projects	Total
MCPS	$ 1,478,450,933	$ 8,953,638	$ 1,487,404,571	$ 175,293,003	$ 1,662,697,574
MCC	118,813,727	9,086,748	127,900,475	35,519,240	163,419,715
HOC	7,360,143	-	7,360,143	-	7,360,143
Total	$ 1,604,624,803	$ 18,040,386	$ 1,622,665,189	$ 210,812,243	$ 1,833,477,432

* 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 $4,387,103 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, Chevy Chase Village, 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 FY15 and FY14 are as follows:

	Liability and Property Coverage	Employee Health Benefits	Total
Balance July 1, 2013	$ 127,051,728	$ 14,661,904	$ 141,713,632
Claims and changes in estimates	39,493,342	98,351,337	137,844,679
Claim payments [1]	(38,584,144)	(100,768,203)	(139,352,347)
Balance June 30, 2014	127,960,926	12,245,038	140,205,964
Claims and changes in estimates	37,905,495	109,854,065	147,759,560
Claim payments [1]	(37,723,921)	(108,796,991)	(146,520,912)
Balance June 30, 2015 [2]	$ 128,142,500	$ 13,302,112	$ 141,444,612

[1] Includes non-monetary settlements.

[2] Includes incurred but not reported (IBNR) claims of $63,525,144 and $13,302,112 for the Liability and Property Coverage and the Employee Health Benefits Self-Insurance Funds, respectively.

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 $64,168,663, which have been fully accrued through June 30, 2015. Of the total amount accrued, $47,535,772 in actual costs have been paid out in prior years, and $1,226,973 was paid in FY15, resulting in a net liability of $15,405,918 at June 30, 2015. The current and non-current portions of the adjusted liability at year-end are estimated at $965,926 and $14,439,992 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 as of FY15 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 engineer's assessment) that the total estimated remediation cost is $57 million. The County will be submitting an updated plan in February 2016 to the Maryland Department of Environment (MDE). Based on their review, the liability may increase. This liability is also 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 $4,330,140. In accordance with generally accepted accounting principles, $1,116,395 of this amount has been reflected as a liability in the accompanying financial statements, as the County's liability on these claims is determined to be probable. The remaining $3,213,745 has not been reflected as a liability in the accompanying financial statements, as the County's liability on these claims is determined to be reasonably possible.

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, 2015, 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, 2015, are as follows:

Enterprise Funds:	Operating	Capital	Inventory	Total
Major Funds:				
Liquor	$ 399,060	$ -	$ -	$ 399,060
Solid Waste Activities:				
Disposal operations	6,816,420	-	-	6,816,420
Collection operations	163,901	-	-	163,901
Leafing operations	250,739	-	-	250,739
Parking Lot Districts:				
Silver Spring	397,603	1,359,283	-	1,756,886
Bethesda	324,988	393,130	-	718,118
Wheaton	55,839	51,300	-	107,139
Montgomery Hills	12,660	-	-	12,660
Subtotal	8,421,210	1,803,713	-	10,224,923
Nonmajor Funds:				
Permitting Services	818,748	-	-	818,748
Community Use of Public Facilities	33,662	-	-	33,662
Subtotal	852,410	-	-	852,410
Total Enterprise Funds	9,273,620	1,803,713	-	11,077,333
Internal Service Funds:				
Motor Pool	5,147,200	-	667,825	5,815,025
Central Duplicating	116,306	-	-	116,306
Liability & Property Coverage Self-Insurance	445,132	-	-	445,132
Employee Health Benefits Self-Insurance	5,681	-	-	5,681
Total Internal Service Funds	5,714,319	-	667,825	6,382,144
Total Proprietary Funds	$ 14,987,939	$ 1,803,713	$ 667,825	$ 17,459,477

As of June 30, 2015, the County has $45,143,600 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 October 19, 2015, the County issued $9.2 million of Bethesda Parking Lot District (PLD) bonds via direct bank placement to refund the outstanding 2005 Bethesda PLD bonds for debt service savings.

On November 18, 2015, the County issued General Obligation Bonds (Tax-Exempt Series B) in the amount of $300,000,000.

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, 2015, M-NCPPC had outstanding notes payable and bonds payable in the amount of $101,524,379, of which zero dollars were self-supporting. Of the total amount payable, $10,433,171 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, 2015 is $42,663,946, 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, 2015, WSSC had outstanding notes payable and bonds payable in the amount of $2,198,567,000 which were fully self-supporting. Of the total amount payable, $348,542,000 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, 2015, 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 $142,207 to WSTC during FY15.

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 FY15, which are fully funded by the State and not reflected in the accompanying financial statements, is as follows:

Bus operating subsidy	$	60,418,225
Rail operating subsidy		46,923,369
Americans with Disabilities Act service		21,034,871
MetroMatters program		4,969,151
Capital Improvement Program		34,511,000
Project Development Program		506,000
Debt service on WMATA revenue bonds		(30,888)
Local bus program		38,089,000
Total	$	206,420,728

At June 30, 2015, WMATA had outstanding bonds payable of $264,095,000, of which $22,329,256 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, 2015, NEMWDA had outstanding bonds payable in the amount of $37,280,000, all 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 FY15 amounted to $41,234,387.

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 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 FY15 membership dues and fees for services amounting to $815,579.

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 FY15, the County and its employees contributed $98,944,980 and $40,153,733, respectively. Employees of MCRA, HOC, and BUPI participate in the comprehensive insurance program of the County. Employer contributions totaled $730,365, $4,052,044, and $207,230 for these component units, respectively, for FY15.

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 of Investment Trustees 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 6 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. Employee contributions for the Elected Officials’ Plan are 4 percent of regular earnings. 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 twenty-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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported a liability of $298,751,284 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s proportion of Unfunded Accrued Actuarial

Liability (UAAL) relative to the UAAL of all agencies, actuarially determined. At June 30, 2014, the County's proportion was 97.79%.

For the fiscal year ended June 30, 2015, the County recognized pension expense of $32,088,852. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 233,132,931
Changes in proportion and differences between County contributions and proportionate share of contributions	948,328	-
County contributions subsequent to the measurement date	149,600,970	-
Total	$ 150,549,298	$ 233,132,931

The $149,600,970 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (57,978,304)
2017	(57,978,304)
2018	(57,978,304)
2019	(58,249,691)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method for funding	Level percentage of payroll assuming 4% annual payroll growth
Amortization period for funding	Closed amortization approach. The period was reset to 18 years as of June 30, 2010. Amortization bases created in the future will be amortized over 20 years.
Inflation	3% per year
Salary increases	4% - 9.25% per year
Cost-of-living adjustments	3% on the benefit attributable to credited service earned prior to June 30, 2011. 2.3% on the benefit attributable to credited service earned thereafter, reflecting the 2.5% cap.
Post-retirement increases	Consumer Price Index – by Group

Investment rate of return	7.5% per year
Mortality	RP2000 Mortality Table, gender-distinct, projected to the year 2030 for healthy mortality and projected to the year 2010 for disabled mortality. Rates are set forward five years for the disabled mortality assumption.

The last experience study covered the period from July 1, 2005 to July 1, 2009 and was performed in November 2010. An actuarial experience study is conducted every five years. The experience study for the period from July 1, 2009 to July 1, 2014 has just concluded and the results of which will be reflected in the next valuation.

The long term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see Note III. A4 for discussion of the System's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Long Duration Fixed Income	1.45 %
High Yield Fixed Income	2.35
Credit Opportunities	5.30
TIPS	1.05
Domestic Equity	4.40
International Equity	4.40
Emerging Equity	4.40
Global Equity	4.60
Private Markets	7.30
Global REITs	3.05
Commodities	2.00
Master Limited Partnerships	6.45
Cash	-
Hedge Funds	3.85

Discount Rate

The discount rate used to measure the total liability was 7.5%. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies will be made at a contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	$ 719,492,488	$ 298,751,284	$ (56,592,443)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report by the Montgomery County Employee Retirement Plans.

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 and earnings thereon are always vested under this Plan and employer contributions and earnings thereon are vested after 3 years of service or upon death, disability, or retirement age of the employee. 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 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 FY15 were $18,502,353 and $9,728,222, 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) State Retirement Plan

Plan Description

Certain employees of the County participate in the cost sharing multi-employer defined benefit retirement plans sponsored by the Maryland State Retirement Agency and administered by the Maryland State Retirement and Pension System (MSRP System). The MSRP System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to the employees of the State and participating governmental units. The MSRP System is administered by a 15-member Board of Trustees. The MSRP System issues a publically available financial report that can be obtained at http://www.sra.state.md.us.

Benefit Provided

The MSRP System provides retirement allowances and other benefits to the covered employees. For employees who became members of the Employees Retirement and Pension System on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For employees, who become members on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service.

A member is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member’s AFC multiplied by the number of years of accumulated creditable service. An individual who is a member on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62 , with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member on or after July 1, 2011 is eligible for full retirement benefits if the member’s combined age and eligibility service equals at least 90 years or if the member is at least 65 and has accrued at least 10 years of eligibility service.

Contributions

The County and its covered employees are required by the State statute to contribute to the MSRP System. The required FY15 employee contributions vary from 5-7% of salary. The required employer contribution rate for FY15 vary from 9.73 – 11.20% of annual payroll, actuarially determined. The contribution requirements of the County and its covered employees are established and may be amended by the Board of Trustees of the MSRP System.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported a liability of $17,878,357 for its proportionate share of the net pension liability of the MSRP System. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

As of June 30, 2014, the County's total proportionate share was as follows:

Montgomery County	0.0509975933819850000	%
Montgomery County Public Library	0.0001610909247812840	
Montgomery County (Supplemental)	0.0492975133985048000	
Bethesda Fire Department	0.0000936764754388767	
Chevy Chase Fire Department	0.0001918157788418590	
Total	0.1007416899595518197	%

Montgomery County has four withdrawn Participating Governmental Units (PGU) - Montgomery County, Montgomery County Public Library, Bethesda Fire Department and Chevy Chase Fire Department. The County is paying amortized amounts each fiscal year for these four withdrawn units over a forty-year period ending June 30, 2020.

For the year ended June 30, 2015, the County recognized pension expense of $1,600,996. At June 30, 2015, the County reported the total amount of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 258,624	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,956,903
Difference between actual employer contributions and proportionate share of contributions	480,907	-
County contributions subsequent to the measurement date	2,476,892	-
Total	$ 3,216,423	$ 1,956,903

The $2,476,892 reported as deferred outflows of resources related to pensions resulting from the County subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2016	$ (304,343)
2017	(304,343)
2018	(304,343)
2019	(304,343)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the entry age normal actuarial cost method. Inflation is assumed to be 2.9% for general and 3.4% for wage. The discount rate and long-term expected rate of return on pension plan investments used in the determination of the pension liability is 7.65%.

Sensitivity of the County's Total Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents County's total proportionate share of the net pension liability calculated using 7.65%, as well as what the County's total proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point (6.65%) lower or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Discount Rate (7.65%)	1% Increase (8.65%)
County's proportionate share of the net pension liability	$ 25,764,962	$ 17,878,357	$ 11,272,328

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 $1,297,960 in FY15 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 552 recipients comprising former volunteers and their beneficiaries at the end of FY15.

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 FY15, the County contributed $85,507,000 and $1,974,000 to the CRHBT on behalf of MCPS and MCC for the health benefits of their retirees, respectively. 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, 2014, the most recent actuarial valuation as of July 1, 2014, consisted of the following:

Retirees and beneficiaries receiving benefits	7,563
Active plan members	9,942
Total	17,505

Condensed FY15 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	$	620,134,216	Contributions	$	209,128,508
Other assets		6,800,849	Net investment income (loss)		2,158,711
Total Assets		626,935,065	Total Additions, net		211,287,219
LIABILITIES			**DEDUCTIONS**		
Claims payable		4,253,303	Benefits		72,260,293
Other liabilities		28,960,325	Administrative		5,042,092
Total Liabilities		33,213,628	Total Deductions		77,302,385
			Change in Net Position		133,984,834
NET POSITION:			Beginning Net Position		459,736,603
Held in trust for other postemployment benefits	$	593,721,437	Ending Net Position	$	593,721,437

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 FY15, plan members and beneficiaries receiving benefits contributed $21,916,187 (approximately 29 percent of current contributions). The County and other contributing entities contributed $97,651,089 including $53,017,089 (approximately 71 percent of current contributions) for current premiums, claims and administrative expenses, and $44,634,000 toward prefunding future benefits.

Funding Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation, the actuarial accrued liability (AAL) was $1,241,304,000 and there was $239,399,000 of actuarial plan assets; therefore, the unfunded AAL (UAAL) was $1,001,905,000. The annual covered payroll of active employees covered by the Plan was $649,659,000 and the ratio of the UAAL to covered payroll was 154.2 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 eighth year of that eight year phase in.

Annual OPEB Cost and Net OPEB Obligation

The ARC, or annual OPEB cost (AOC), for FY15 was based on an actuarial valuation as of June 30, 2014, the latest valuation available on the date the County Council was required to approve the FY15 budget.

The AOC and the net OPEB obligation of the County as of June 30, 2015 were as follows:

Annual required contribution (ARC)	$	107,096,000
Interest on net OPEB obligation		31,937,000
Adjustment to annual required contribution		(24,663,000)
Annual OPEB cost		114,370,000
Contributions made		(99,731,321)
Increase (Decrease) in net OPEB obligation		14,638,679
Net OPEB obligation - beginning of year		425,820,958
Net OPEB obligation - end of year	$	440,459,637

The County's annual OPEB cost 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
2013	$ 138,891,000	65.2%	$ 429,058,044
2014	103,418,000	103.1	425,820,958
2015	114,370,000	87.2	440,459,637

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, 2014
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	8.09%, 5.16%
Medical (excluding Indemnity plan) post-65	(2.87)%, 5.00%
Medical (Indemnity plan)	9.21%, 5.50%
Medical (Indemnity plan) post-65	1.15%, 6.09%
Dental	5.00%, 4.50%

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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, 2015
RSI-1

	Budget			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
Revenues:				
Taxes:				
Property	$ 1,088,918,814	$ 1,088,918,814	$ 1,086,843,608	$ (2,075,206)
Property - penalty and interest	-	-	1,553,240	1,553,240
Total Property Tax	1,088,918,814	1,088,918,814	1,088,396,848	(521,966)
County Income Tax	1,340,644,366	1,340,644,366	1,310,821,061	(29,823,305)
Other Local Taxes:				
Real property transfer	97,880,000	97,880,000	92,068,495	(5,811,505)
Recordation	62,814,266	62,814,266	55,530,762	(7,283,504)
Fuel energy	209,181,624	209,181,624	207,195,218	(1,986,406)
Hotel-motel	17,512,115	17,512,115	19,007,650	1,495,535
Telephone	47,833,000	47,833,000	48,839,958	1,006,958
Other	3,212,000	3,212,000	3,056,013	(155,987)
Total Other Local Taxes	438,433,005	438,433,005	425,698,096	(12,734,909)
Total Taxes	2,867,996,185	2,867,996,185	2,824,916,005	(43,080,180)
Licenses and Permits:				
Business	4,684,550	4,684,550	4,497,509	(187,041)
Non business	6,801,847	6,801,847	5,818,384	(983,463)
Total Licenses and Permits	11,486,397	11,486,397	10,315,893	(1,170,504)
Intergovernmental Revenue:				
State Aid and Reimbursements:				
DHR State reimbursement	45,500	45,500	46,027	527
Highway user revenue	3,587,736	3,587,736	3,368,037	(219,699)
Police protection	13,932,320	13,932,320	13,719,271	(213,049)
Health and human services programs	5,381,238	5,381,238	4,506,785	(874,453)
Public libraries	5,481,038	5,481,038	5,366,493	(114,545)
911 Emergency	5,420,000	5,420,000	7,190,139	1,770,139
Other	2,626,252	2,626,252	1,177,978	(1,448,274)
Total State Aid and Reimbursements	36,474,084	36,474,084	35,374,730	(1,099,354)
Federal Reimbursements:				
Federal financial participation	12,771,655	12,771,655	16,348,629	3,576,974
Other	5,762,321	5,762,321	7,908,647	2,146,326
Total Federal Reimbursements	18,533,976	18,533,976	24,257,276	5,723,300
Other Intergovernmental	1,224,180	1,224,180	1,067,764	(156,416)
Total Intergovernmental Revenue	56,232,240	56,232,240	60,699,770	4,467,530
Charges for Services:				
General government	1,319,214	1,319,214	1,199,075	(120,139)
Public safety	5,465,910	5,465,910	5,225,058	(240,852)
Health and human services	1,426,320	1,426,320	1,501,211	74,891
Culture and recreation	600	600	33,429	32,829
Environment	275,000	275,000	489,422	214,422
Public works and transportation	371,000	371,000	782,656	411,656
Total Charges for Services	8,858,044	8,858,044	9,230,851	372,807
Fines and forfeitures	21,621,131	21,621,131	27,538,162	5,917,031
Investment Income:				
Pooled investment income	66,760	66,760	98,189	31,429
Other interest income	203,300	203,300	7,759	(195,541)
Total Investment Income	270,060	270,060	105,948	(164,112)

(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, 2015
RSI-1 (Continued)

	Budget			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
Miscellaneous Revenue:				
Property rentals	5,114,970	5,114,970	3,875,465	(1,239,505)
Sundry	3,606,020	3,606,020	5,631,563	2,025,543
Total Miscellaneous Revenue	8,720,990	8,720,990	9,507,028	786,038
Total Revenues	2,975,185,047	2,975,185,047	2,942,313,657	(32,871,390)
Expenditures:				
Departments or Offices:				
County Council:				
Personnel	9,534,805	9,900,095	9,900,094	1
Operating	847,195	872,780	872,775	5
Totals	10,382,000	10,772,875	10,772,869	6
Board of Appeals:				
Personnel	509,489	541,951	541,947	4
Operating	57,107	51,407	39,026	12,381
Totals	566,596	593,358	580,973	12,385
Legislative Oversight:				
Personnel	1,409,301	1,456,572	1,456,569	3
Operating	26,202	28,876	23,830	5,046
Totals	1,435,503	1,485,448	1,480,399	5,049
Merit System Protection Board:				
Personnel	142,789	128,510	124,754	3,756
Operating	15,508	89,357	89,354	3
Totals	158,297	217,867	214,108	3,759
Zoning and Administrative Hearings:				
Personnel	511,001	516,081	516,073	8
Operating	76,414	82,252	67,928	14,324
Totals	587,415	598,333	584,001	14,332
Inspector General:				
Personnel	688,744	696,569	695,236	1,333
Operating	68,302	108,426	58,575	49,851
Totals	757,046	804,995	753,811	51,184
Circuit Court:				
Personnel	8,901,234	8,851,234	8,649,047	202,187
Operating	2,681,823	3,013,049	2,994,721	18,328
Totals	11,583,057	11,864,283	11,643,768	220,515
State's Attorney:				
Personnel	14,212,691	13,912,259	13,912,257	2
Operating	678,088	1,120,594	1,120,588	6
Totals	14,890,779	15,032,853	15,032,845	8
County Executive:				
Personnel	4,320,728	4,536,997	4,536,987	10
Operating	607,126	842,217	610,646	231,571
Totals	4,927,854	5,379,214	5,147,633	231,581
Community Engagement Cluster:				
Personnel	2,696,078	2,722,069	2,722,068	1
Operating	786,910	817,572	817,567	5
Totals	3,482,988	3,539,641	3,539,635	6

(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, 2015
RSI-1 (Continued)

	Budget			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
Ethics Commission:				
Personnel	329,084	337,825	337,822	3
Operating	26,557	64,057	63,525	532
Totals	355,641	401,882	401,347	535
Intergovernmental Relations:				
Personnel	788,054	791,614	791,607	7
Operating	86,609	86,379	86,377	2
Totals	874,663	877,993	877,984	9
Public Information:				
Personnel	3,868,420	3,945,400	3,945,394	6
Operating	947,709	1,219,708	1,219,707	1
Totals	4,816,129	5,165,108	5,165,101	7
Board of Elections:				
Personnel	3,484,481	3,493,204	3,477,874	15,330
Operating	3,240,957	3,961,889	3,889,508	72,381
Totals	6,725,438	7,455,093	7,367,382	87,711
County Attorney:				
Personnel	4,907,091	5,303,886	5,303,884	2
Operating	474,145	982,615	982,610	5
Totals	5,381,236	6,286,501	6,286,494	7
Management and Budget:				
Personnel	3,790,334	3,813,578	3,719,433	94,145
Operating	126,679	134,631	113,874	20,757
Totals	3,917,013	3,948,209	3,833,307	114,902
Finance:				
Personnel	10,970,775	10,506,125	10,433,162	72,963
Operating	2,441,662	3,735,469	3,532,269	203,200
Totals	13,412,437	14,241,594	13,965,431	276,163
Human Resources:				
Personnel	5,023,029	5,569,363	5,569,354	9
Operating	2,755,610	3,100,056	3,100,048	8
Totals	7,778,639	8,669,419	8,669,402	17
Technology Services:				
Personnel	15,807,789	15,389,919	15,364,232	25,687
Operating	14,464,279	18,545,813	18,093,329	452,484
Totals	30,272,068	33,935,732	33,457,561	478,171
General Services:				
Personnel	15,165,868	16,932,934	16,932,930	4
Operating	14,302,157	25,496,737	25,496,732	5
Totals	29,468,025	42,429,671	42,429,662	9
Consumer Protection:				
Personnel	2,114,324	2,117,128	2,064,750	52,378
Operating	141,912	142,192	71,091	71,101
Totals	2,256,236	2,259,320	2,135,841	123,479
Corrections and Rehabilitation:				
Personnel	63,988,697	63,456,170	63,437,009	19,161
Operating	7,147,194	7,797,850	7,627,067	170,783
Totals	71,135,891	71,254,020	71,064,076	189,944

(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, 2015
RSI-1 (Continued)

	Budget			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
Human Rights:				
Personnel	950,376	952,468	952,466	2
Operating	72,902	102,412	94,049	8,363
Totals	1,023,278	1,054,880	1,046,515	8,365
Police:				
Personnel	230,333,220	227,352,639	227,352,584	55
Operating	43,576,319	51,965,837	51,947,045	18,792
Totals	273,909,539	279,318,476	279,299,629	18,847
Sheriff:				
Personnel	20,653,452	20,916,752	20,916,749	3
Operating	2,317,237	2,526,925	2,526,923	2
Totals	22,970,689	23,443,677	23,443,672	5
Homeland Security:				
Personnel	1,108,418	1,122,561	796,272	326,289
Operating	259,800	386,138	348,425	37,713
Totals	1,368,218	1,508,699	1,144,697	364,002
Transportation:				
Personnel	19,935,081	24,966,734	24,707,849	258,885
Operating	25,596,716	43,811,976	43,811,967	9
Totals	45,531,797	68,778,710	68,519,816	258,894
Health and Human Services:				
Personnel	113,396,049	112,786,091	109,414,754	3,371,337
Operating	94,801,911	101,531,346	101,522,904	8,442
Totals	208,197,960	214,317,437	210,937,658	3,379,779
Libraries:				
Personnel	31,313,215	31,397,293	29,912,076	1,485,217
Operating	6,921,455	8,132,983	7,895,874	237,109
Totals	38,234,670	39,530,276	37,807,950	1,722,326
Housing and Community Affairs:				
Personnel	4,239,930	4,301,563	4,301,553	10
Operating	937,826	961,122	794,478	166,644
Totals	5,177,756	5,262,685	5,096,031	166,654
Economic Development:				
Personnel	4,385,342	4,152,994	4,152,994	-
Operating	6,278,015	8,035,927	8,035,926	1
Totals	10,663,357	12,188,921	12,188,920	1
Environmental Protection:				
Personnel	1,559,790	1,491,460	1,464,217	27,243
Operating	290,280	480,754	397,590	83,164
Totals	1,850,070	1,972,214	1,861,807	110,407
Total Departments	834,092,285	894,589,384	886,750,325	7,839,059
Nondepartmental:				
Arts Council - operating	4,442,700	4,442,700	4,442,700	-
Boards, Committees and Commisions	22,950	22,950	19,897	3,053
Charter Review Commission	150	150	-	150
Community grants	8,547,755	9,222,333	9,183,650	38,683
Compensation adjustment - personnel	1,192,245	292,980	123,929	169,051
Compensation adjustment - operating	629,455	715,730	715,726	4
Conference Center - personnel	113,277	113,337	113,337	-
Conference Center - operating	449,690	499,550	50,290	449,260

(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, 2015
RSI-1 (Continued)

	Budget			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
Conferences & Visitors Bureau	1,225,848	1,345,208	1,345,204	4
Consolidated Retiree Health Benefits Trust (MC)	1,974,000	1,974,000	1,974,000	-
Consolidated Retiree Health Benefits Trust (MCPS)	85,507,000	85,507,000	85,507,000	-
Contrib. To Self Ins Fund - Risk Mg	19,547,940	19,547,940	18,996,437	551,503
County Associations	74,728	74,728	74,728	-
County Leases - personnel	100,000	100,440	100,435	5
County Leases - operating	20,881,310	20,910,564	20,096,533	814,031
Desktop computer modernization - operating	5,661,200	7,225,771	7,034,481	191,290
Grants To Muni Lieu Of Shared Tax	28,020	28,020	28,012	8
Group Insurance Retirees	32,462,450	32,462,450	32,462,450	-
Historical Activities	77,250	102,590	102,589	1
Homeowners' Association Roads	53,110	53,110	53,110	-
Housing Opportunities Commission	6,376,480	-	-	-
Inauguration & Transition	5,000	5,000	3,884	1,116
Independent Audit	420,820	428,589	282,769	145,820
Interagency tech, policy and coord comm - operating	5,850	5,850	1,666	4,184
Legislative Branch Communications Outreach	488,000	598,833	579,554	19,279
Metro Washington Council Of Govts	816,409	816,409	815,579	830
Mont Coalition Adult English Literacy	1,257,058	1,257,058	1,257,058	-
Motor Pool Fund	823,698	-	-	-
Municipal Tax Duplication	8,048,578	8,106,648	8,106,641	7
Prisoner Medical Services	50,000	50,000	-	50,000
Public Technologies Inc	20,000	20,000	20,000	-
Rebate Takoma Park For Police	951,540	951,540	920,996	30,544
Retiree Health Benefits Trust	38,577,480	38,577,480	38,577,480	-
Rockville Parking District	376,600	376,600	366,137	10,463
Snow Removal	5,884,990	-	-	-
State Positions Supplement	60,756	60,756	26,659	34,097
State Property Tax Services	3,464,610	3,464,610	3,128,208	336,402
State Retirement Contribution	1,251,603	1,251,603	1,251,603	-
Takoma Park - Lib Transition	132,819	145,809	145,801	8
Utilities	25,234,133	25,319,257	24,619,207	700,050
Working Families Income Supplement	18,342,200	18,960,630	18,960,626	4
Total - Nondepartmental	295,579,702	285,038,223	281,488,376	3,549,847
Total Expenditures	1,129,671,987	1,179,627,607	1,168,238,701	11,388,906
Excess of Revenues over (under) Expenditures	1,845,513,060	1,795,557,440	1,774,074,956	(21,482,484)
Other Financing Sources (Uses):				
Transfers In:				
Special Revenue Funds:				
Fire Tax District	120,750	120,750	120,750	-
Recreation	5,216,400	4,866,400	3,103,190	(1,763,210)
Mass Transit	10,873,510	10,548,510	10,548,510	-
Water Quality Protection	1,287,544	1,287,544	1,287,544	-
Urban Districts	569,210	569,210	569,210	-
Housing Activities	295,481	295,481	295,481	-
Grants	638,580	-	-	-
Cable TV	8,389,025	8,389,025	8,389,025	-
Total Special Revenue Funds	27,390,500	26,076,920	24,313,710	(1,763,210)

(Continued)

	Budget			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Enterprise Funds:				
Liquor	27,790,916	27,790,916	28,300,046	509,130
Parking Lot Districts	801,217	801,217	854,012	52,795
Solid Waste Activities	2,555,079	2,555,079	2,555,079	-
Community Use of Public Facilities	454,619	454,619	454,619	-
Permitting Services	4,090,186	4,090,186	4,090,186	-
Total Enterprise Funds	35,692,017	35,692,017	36,253,942	561,925
Internal Service Funds:				
Self insurance employee health benefits	10,056,754	10,056,754	10,745,911	689,157
Total Internal Service Funds	10,056,754	10,056,754	10,745,911	689,157
Total Transfers In	73,139,271	71,825,691	71,313,563	(512,128)
Transfers In - Component Units:				
Montgomery College	247,610	-	-	-
Total Transfers In - Component Units	247,610	-	-	-
Total Transfers In - MCG	73,386,881	71,825,691	71,313,563	(512,128)
Transfers (Out):				
Special Revenue Funds:				
Recreation	(1,009,700)	(1,009,700)	(1,009,700)	-
Fire Tax District	(1,450,000)	(250,000)	(250,000)	-
Urban Districts	(1,284,430)	(1,284,430)	(1,284,430)	-
Mass Transit	(531,310)	(531,310)	(531,310)	-
Revenue Stabilization	(22,571,411)	(22,482,050)	(22,392,996)	89,054
Housing Activities	(18,572,277)	(18,572,277)	(18,572,277)	-
Economic Development	(1,686,617)	(1,199,627)	(1,199,627)	-
Total Special Revenue Funds	(47,105,745)	(45,329,394)	(45,240,340)	89,054
Internal Service Funds:				
Motor Pool	-	(823,698)	(576,813)	246,885
Total Internal Service Funds	-	(823,698)	(576,813)	246,885
Enterprise Funds:				
Community Use of Public Facilities	(160,000)	(160,000)	(160,000)	-
Solid Waste Activities	(1,548,890)	(1,548,890)	(1,548,890)	-
Permitting Services	(1,153,770)	-	-	-
Total Enterprise Funds	(2,862,660)	(1,708,890)	(1,708,890)	-
Debt Service Fund	(290,789,930)	(290,805,592)	(281,282,150)	9,523,442
Capital Projects Fund	-	(87,865,511)	(54,521,679)	33,343,832
Total Transfers (Out)	(340,758,335)	(426,533,085)	(383,329,872)	43,203,213

(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, 2015
RSI-1 (Concluded)

	Budget			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
Transfers (Out) - Component Units:				
Montgomery County Public Schools - operating	(1,478,450,933)	(1,478,450,933)	(1,478,450,933)	-
Montgomery County Public Schools - capital	-	(21,250,981)	(8,953,638)	12,297,343
Total Montgomery County Public Schools	(1,478,450,933)	(1,499,701,914)	(1,487,404,571)	12,297,343
Montgomery College - operating	(118,813,727)	(118,813,727)	(118,813,727)	-
Montgomery College - capital	-	(27,639,193)	(9,086,748)	18,552,445
Total Montgomery College	(118,813,727)	(146,452,920)	(127,900,475)	18,552,445
Housing Opportunity Commission - operating	-	(6,376,480)	(7,360,143)	(983,663)
Housing Opportunity Commission - capital	-	(6,392,659)	-	6,392,659
Total Housing Opportunity Commission	-	(12,769,139)	(7,360,143)	5,408,996
M-NCPPC - operating	(866,800)	(866,800)	(866,800)	-
Total Transfers (Out) - Component Units and JV	(1,598,131,460)	(1,659,790,773)	(1,623,531,989)	36,258,784
Total Transfers (Out) - MCG	(1,938,889,795)	(2,086,323,858)	(2,006,861,861)	79,461,997
Total Other Financing Sources (Uses)	(1,865,502,914)	(2,014,498,167)	(1,935,548,298)	78,949,869
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(19,989,854)	(218,940,727)	(161,473,342)	57,467,385
Fund Balance - Beginning of Year	349,764,282	349,764,282	349,764,282	-
Fund Balance - End of Year	$ 329,774,428	$ 130,823,555	$ 188,290,940	$ 57,467,385

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

General Fund:	Revenues	Expenditures and Encumbrances	Financing Sources (Uses)	Effect on Fund Balance
As reported - budgetary basis	$ 2,942,313,657	$ 1,168,238,701	$ (1,935,548,298)	$ (161,473,342)
Non budgeted Item - Bad debt expense	-	4,476,824	-	(4,476,824)
Adjusted - budgetary basis	2,942,313,657	1,172,715,525	(1,935,548,298)	(165,950,166)
Reconciling items:				
Financing under notes and leases payable	-	-	231,235	231,235
Elimination of encumbrances outstanding	-	(26,575,194)	-	26,575,194
Revenue Stabilization investment income	267,729	-	-	267,729
Conference center activity	23,051,429	16,343,149	-	6,708,280
Transfer to Revenue Stabilization	-	-	22,392,996	22,392,996
Interfund activities budgeted as transfers:				
Recreation facility maintenance costs	1,763,210	-	-	1,763,210
Parking revenue	52,795	-	(52,795)	-
Solid Waste tipping fees	-	1,548,890	1,548,890	-
Community Use of Public Facilities for elections	-	135,000	135,000	-
Component Unit activities budgeted as transfers:				
Component Units and Joint Venture - transfer out	-	1,623,531,989	1,623,531,989	-
As reported - GAAP basis	$ 2,967,448,820	$ 2,787,699,359	$ (287,760,983)	$ (108,011,522)

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, 2015
RSI-2

	Budget			Variance
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative)**
Revenues:				
Taxes - transfer	$ 9,658,371	$ 9,658,371	$ 8,630,004	$ (1,028,367)
Investment Income:				
Pooled investment income	1,000,000	1,000,000	21,645	(978,355)
Other interest income	-	-	2,018,175	2,018,175
Total Investment Income	1,000,000	1,000,000	2,039,820	1,039,820
Miscellaneous:				
Property rentals, MPDU and other contributions	390,636	390,636	315,902	(74,734)
Total Miscellaneous	390,636	390,636	315,902	(74,734)
Total Revenues	11,049,007	11,049,007	10,985,726	(63,281)
Expenditures: Community development and housing				
Personnel	1,770,182	1,770,182	1,747,166	23,016
Operating	26,120,543	32,035,334	28,815,254	3,220,080
Total Expenditures	27,890,725	33,805,516	30,562,420	3,243,096
Excess of Revenues over (under) Expenditures	(16,841,718)	(22,756,509)	(19,576,694)	3,179,815
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	18,572,277	18,572,277	18,572,277	-
From Capital Projects Fund	10,392,257	10,392,257	10,392,257	-
To General Fund	(262,272)	(295,481)	(295,481)	-
To Debt Service Fund	(7,229,219)	(7,196,010)	(7,395,785)	(199,775)
To Capital Projects	-	-	(5,104,445)	(5,104,445)
Mortgage repayment	2,500,000	2,500,000	9,616,637	7,116,637
Sale of property	1,250,000	1,250,000	1,526,002	276,002
Total Other Financing Sources (Uses)	25,223,043	25,223,043	27,311,462	2,088,419
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	8,381,325	2,466,534	7,734,768	5,268,234
Fund Balance - Beginning of Year	48,778,373	48,778,373	48,778,373	-
Fund Balance - End of Year	$ 57,159,698	$ 51,244,907	$ 56,513,141	$ 5,268,234

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

Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses:	$ 7,734,768
Reconciling items:	
Elimination of encumbrances outstanding	528,068
Non budgeted Item - Bad debt expense	(5,940,313)
GAAP - Net Change in Fund Balance	$ 2,322,523

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
RSI-3

	Budget			
	Original Budget	**Final Budget**	**Actual**	**Variance Positive (Negative)**
Revenues:				
Intergovernmental:				
Federal grants	$ 28,182,678	$ 49,501,478	$ 47,101,036	$ (2,400,442)
State grants	88,236,501	159,374,047	67,608,089	(91,765,958)
Other non-state and non-federal reimbursements	130,000	2,105,088	470,537	(1,634,551)
Total Intergovernmental	116,549,179	210,980,613	115,179,662	(95,800,951)
Investment income:				
Other principal and interest income	1,000,000	603,699	946,567	342,868
Total Investment Income	1,000,000	603,699	946,567	342,868
Miscellaneous	299,038	112,427	212,685	100,258
Total Revenues	117,848,217	211,696,739	116,338,914	(95,357,825)
Expenditures:				
General Government:				
Circuit Court:				
Personnel costs	2,218,982	2,183,339	1,981,205	202,134
Operating	177,053	383,338	199,445	183,893
Totals	2,396,035	2,566,677	2,180,650	386,027
Office of State's Attorney:				
Personnel costs	117,470	563,230	121,303	441,927
Operating	-	1,764	1,764	-
Totals	117,470	564,994	123,067	441,927
Office of the County Executive:				
Personnel costs	125,874	508,345	122,079	386,266
Operating	4,484	233,800	25,403	208,397
Totals	130,358	742,145	147,482	594,663
Intergovernmental Relations:				
Operating	30,670	95,849	30,664	65,185
Totals	30,670	95,849	30,664	65,185
Community Engagement Cluster:				
Personnel costs	71,042	143,048	66,287	76,761
Operating	-	75,480	36,364	39,116
Totals	71,042	218,528	102,651	115,877
General Services:				
Operating	-	1,446,017	341,245	1,104,772
Totals	-	1,446,017	341,245	1,104,772
Department of Technology Services:				
Operating	-	939,005	7,349	931,656
Totals	-	939,005	7,349	931,656
Total General Government	2,745,575	6,573,215	2,933,108	3,640,107
Public Safety:				
Department of Corrections and Rehabilitation:				
Personnel costs	-	15,955	-	15,955
Operating	-	109,173	-	109,173
Totals	-	125,128	-	125,128

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
RSI-3 (Continued)

	Budget			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Department of Fire and Rescue Services:				
Personnel costs	917,155	1,645,395	1,505,834	139,561
Operating	-	2,858,054	1,041,663	1,816,391
Totals	917,155	4,503,449	2,547,497	1,955,952
Department of Police:				
Personnel costs	148,000	1,707,298	555,099	1,152,199
Operating	17,000	2,108,125	835,245	1,272,880
Totals	165,000	3,815,423	1,390,344	2,425,079
Office of the County Sheriff:				
Personnel costs	603,931	1,513,625	692,000	821,625
Operating	188,069	780,132	204,415	575,717
Totals	792,000	2,293,757	896,415	1,397,342
Office of Emergency Management & Homeland Security:				
Personnel costs	633,331	3,989,524	794,304	3,195,220
Operating	-	10,934,857	6,189,338	4,745,519
Totals	633,331	14,924,381	6,983,642	7,940,739
Total Public Safety	2,507,486	25,662,138	11,817,898	13,844,240
Transportation:				
Department of Transportation:				
Personnel costs	1,763,781	8,568,970	1,428,345	7,140,625
Operating	2,948,765	5,430,869	3,833,969	1,596,900
Total Transportation	4,712,546	13,999,839	5,262,314	8,737,525
Economic Development:				
Department of Economic Development:				
Personnel costs	-	1,558,573	-	1,558,573
Operating	2,842,854	5,138,924	3,788,009	1,350,915
Total Economic Development	2,842,854	6,697,497	3,788,009	2,909,488
Health and Human Services:				
Department of Health and Human Services:				
Personnel costs	43,251,605	57,544,648	44,472,463	13,072,185
Operating	33,750,328	60,538,460	40,981,062	19,557,398
Total Health and Human Services	77,001,933	118,083,108	85,453,525	32,629,583
Culture and Recreation:				
Department of Libraries:				
Personnel costs	40,290	40,290	40,290	-
Operating	12,000	49,707	12,625	37,082
Totals	52,290	89,997	52,915	37,082
Department of Recreation:				
Personnel costs	69,157	82,713	19,857	62,856
Operating	-	55,903	55,903	-
Totals	69,157	138,616	75,760	62,856
Total Culture and Recreation	121,447	228,613	128,675	99,938
Housing:				
Department of Housing and Community Affairs:				
Personnel costs	2,297,810	2,577,307	2,099,615	477,692
Operating	5,033,252	16,743,031	5,144,153	11,598,878
Total Housing	7,331,062	19,320,338	7,243,768	12,076,570

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
RSI-3 (Concluded)

	Budget			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Environment:				
Department of Environmental Protection:				
Personnel costs	-	6,338	-	6,338
Operating	-	119,650	24,181	95,469
Total Environmental Protection	-	125,988	24,181	101,807
Department of Liquor Control:				
Personnel costs	-	21,525	13,586	7,939
Operating	-	40,430	27,999	12,431
Total Liquor Control	-	61,955	41,585	20,370
Nondepartmental:				
NDA Historical Activities - Operating	585,314	-	-	-
NDA Future Grants - Operating	20,000,000	21,139,997	-	21,139,997
Total Nondepartmental	20,585,314	21,139,997	-	21,139,997
Total Expenditures	117,848,217	211,892,688	116,693,063	95,199,625
Excess of Revenues over (under) Expenditures	-	(195,949)	(354,149)	(158,200)
Other Financing Sources (Uses):				
Transfers In:				
Restricted Donations Fund	-	-	216,033	216,033
Mass Transit Special Revenue Fund	-	181,800	340,000	158,200
Fire Tax District Special Revenue Fund	-	14,149	14,149	-
Total Transfers In	-	195,949	570,182	374,233
Total Other Financing Sources (Uses)	-	195,949	570,182	374,233
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	-	216,033	216,033
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 216,033	$ 216,033

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	$ 116,338,914	$ 116,693,063	$ 570,182	$ 216,033
Reconciling items:				
Loan expenditures	(2,992,462)	(2,992,462)	-	-
Indirect costs	(965,742)	(965,742)	-	-
Pass-through expenditures	(4,659,531)	(4,659,531)	-	-
As reported - GAAP basis	$ 107,721,179	$ 108,075,328	$ 570,182	$ 216,033

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)
6/30/2012	$ 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
6/30/2014	239,399,000	1,241,304,000	1,001,905,000	19.3	649,659,000	154.2

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	
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
2015	107,096,000	85.4	1.8	440,459,637

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 FISCAL YEARS

	County's Proportion				
Measurement Date Fiscal Year Ending June 30	% of Net Pension Liability	Share of the Net Pension Liability	Share of the Net Pension Liability as a % of its Covered-Employee Payroll	County's Covered-Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2014	97.79 %	$ 298,751,284	75.83 %	$ 393,995,026	92.28 %

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

Measurement Date Fiscal Year Ending June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	County's Covered-Employee Payroll	Contribution as a % of Covered-Employee Payroll
2014	$ 141,511,591	$ 141,511,591	$ -	$ 393,995,026	35.92 %

These two Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 FISCAL YEARS

Measurement Date Fiscal Year Ending June 30	County's Proportion: % of Net Pension Liability	County's Proportion: Share of the Net Pension Liability	County's Proportion: Share of the Net Pension Liability as a % of its Covered-Employee Payroll	County's Covered-Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2014	0.1007416899595518197 %	$ 17,878,357	276.62 %	$ 6,463,239	71.87 %

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

Measurement Date Fiscal Year Ending June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (excess)	County's Covered-Employee Payroll	Contribution as a % of Covered-Employee Payroll
2014	$ 2,347,645	$ 2,347,645	$ -	$ 6,463,239	36.32 %

These two Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

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 expenses) with the unencumbered appropriation authority expiring the following June 30. Encumbered appropriations are reappropriated and carried forward to the subsequent fiscal year. 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 FY15, the County Council increased the operating budget for all funds through supplemental and special appropriations by $34.2 million. In addition, supplemental appropriations increased the CIP budget by $44.6 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 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.
- Mortgages and loans made and related repayments are generally accounted for as expenditures/other financial uses and revenues/other financing sources, respectively.
- 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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