

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report



Fiscal Year 2007

July 1, 2006 - June 30, 2007
Rockville, Maryland

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County,
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



A handwritten signature in black ink, appearing to read "Thomas J. Platten".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enner".

Executive Director

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report

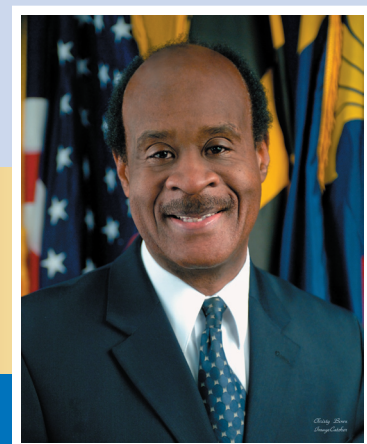


Prepared by the
DEPARTMENT OF FINANCE

Jennifer E. Barrett, Director
101 Monroe Street
Rockville, Maryland 20850
240-777-8860

Fiscal Year 2007
July 1, 2006 - June 30, 2007

Mission Statement



Isiah Leggett
ISIAH LEGGETT

MONTGOMERY COUNTY GOVERNMENT

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

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

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

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

Montgomery County, Maryland
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2007
TABLE OF CONTENTS

Exhibit	Description	Page	Exhibit	Description	Page
INTRODUCTORY SECTION					
	Transmittal Letter	vii	B-4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Special Taxing Districts	119
	Acknowledgments	xviii	B-5	Combining Balance Sheet – Nonmajor Governmental Funds – Housing Activities	120
	Organization Chart	xix	B-6	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Housing Activities	121
	Listing of Officials.....	xx	B-7	Combining Balance Sheet – Nonmajor Governmental Funds – Other	122
FINANCIAL SECTION					
	Independent Auditors’ Report	1	B-8	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Other	123
	Management’s Discussion and Analysis	3	Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:		
BASIC FINANCIAL STATEMENTS					
Government-wide:					
A-1	Statement of Net Assets.....	24	B-9	Debt Service	124
A-2	Statement of Activities	26	B-10	Capital Projects.....	125
Funds:					
A-3	Balance Sheet – Governmental Funds	28	B-11	Recreation.....	126
A-4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	29	B-12	Fire Tax District	127
A-5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ..	30	B-13	Mass Transit Facilities.....	128
A-6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	31	B-14	Urban Districts.....	129
A-7	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	32	B-15	Noise Abatement Districts.....	131
A-8	Statement of Net Assets – Proprietary Funds	36	B-16	Housing Initiative	132
A-9	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	37	B-17	Rehabilitation Loan	133
A-10	Statement of Cash Flows – Proprietary Funds.....	38	B-18	New Home Warranty Security	134
A-11	Statement of Fiduciary Net Assets – Fiduciary Funds	39	B-19	Revenue Stabilization	135
A-12	Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	40	B-20	Economic Development	136
Component Units:					
A-13	Statement of Net Assets – Component Units.....	41	B-21	Cable TV	137
A-14	Statement of Activities – Component Units	42	B-22	Grants	138
Notes to Financial Statements.....					
SUPPLEMENTARY DATA – Combining and Individual Fund Financial Statements and Supplementary Schedules					
Governmental Funds:					
B-1	Combining Balance Sheet – Nonmajor Governmental Funds.....	114	B-23	Drug Enforcement Forfeitures.....	140
B-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	116	B-24	Water Quality Protection	141
B-3	Combining Balance Sheet – Nonmajor Governmental Funds - Special Taxing Districts.....	118	B-25	Restricted Donations	142
Enterprise Funds:					
C-1	Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	144	Internal Service Funds:		
C-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	145	D-1	Combining Statement of Net Assets – Internal Service Funds	152
C-3	Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	146	D-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds.....	153
C-4	Schedule of Expenses – Budget and Actual – Enterprise Funds.....	147	D-3	Combining Statement of Cash Flows – Internal Service Funds	154
Internal Service Funds:					
D-1	Combining Statement of Net Assets – Internal Service Funds	152	D-4	Schedule of Expenses – Budget and Actual – Internal Service Funds.....	155
D-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds.....	153			
D-3	Combining Statement of Cash Flows – Internal Service Funds	154			
D-4	Schedule of Expenses – Budget and Actual – Internal Service Funds.....	155			

Montgomery County, Maryland
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2007
TABLE OF CONTENTS

Exhibit	Description	Page	Exhibit	Description	Page
SUPPLEMENTARY DATA, Continued			9-b	Real and Personal Property Tax Rates – County Special Taxing Districts – Last Ten Fiscal Years...	189
Fiduciary Funds:			9-c	Real and Personal Property Tax Rates – Overlapping Governments – Cities and Towns – Last Ten Fiscal Years	190
E-1	Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds	158	9-d	Real and Personal Property Tax Rates – Overlapping Governments – Villages – Last Ten Fiscal Years	192
E-2	Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds	159	10	Ten Highest Commercial Property Taxpayers – Current Fiscal Year and Nine Years Ago	193
E-3	Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds	160	11	Property Tax Levies and Collections – Last Ten Fiscal Years	194
E-4	Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds	161	12	Schedule of Fiscal Year Property Tax Levy, Property Tax Revenues, and Additional Items Related to the Property Tax Billing	195
E-5	Combining Statement of Changes in Assets and Liabilities – All Agency Funds	162	13	Schedule of Property Taxes Receivable by Fund Type	196
Component Units:			14	Income Tax Rates – Last Ten Tax Years	198
F-1	Combining Statement of Net Assets – Nonmajor Component Units	166	15	Income Tax Filers Summary Information – Last Ten Tax Years	199
F-2	Combining Statement of Activities – Nonmajor Component Units	167	16	Income Tax Filers, Net Taxable Income, and Liability By Adjusted Gross Income Level – Last Ten Tax Years	200
Capital Assets Used in the Operation of Governmental Funds:			DEBT CAPACITY		
G-1	Schedule By Source	170	17	Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	202
G-2	Schedule By Function	171	18	Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	204
G-3	Schedule of Changes By Function	172	19	Direct and Overlapping Governmental Activities Debt	205
STATISTICAL SECTION – “Unaudited”			20	Computation of Legal Debt Margin – Last Ten Fiscal Years	206
Tables:			21	Pledged-Revenue Coverage – Last Ten Fiscal Years	208
FINANCIAL TRENDS			DEMOGRAPHIC AND ECONOMIC INFORMATION		
1	Net Assets by Component – Government-Wide (Governmental and Business-type Activities) – Last Six Fiscal Years	177	22	Principal Employers – Current Fiscal Year and Nine Years Ago	209
2-a	Changes in Net Assets – Government-Wide (Governmental and Business-type Activities) – Last Six Fiscal Years	178	23	Demographic Statistics – Last Ten Fiscal Years	210
2-b	General Tax Revenues – Governmental Activities – Last Six Fiscal Years	180	OPERATING INFORMATION		
3	Fund Balances – Governmental Funds – Last Ten Fiscal Years	181	24	Employee Workyears by Function – Last Ten Fiscal Years	211
4	Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years	182	25	Operating Indicators by Function – Last Ten Fiscal Years	212
5	Combined Schedule of "Cash and Investments" and "Investment and Interest Income" – All Funds	184	26	Capital Asset Statistics by Function	214
6	Combined Schedule of Cash and Investments – By Financial Institution	185	INDEX		
7	Combined Schedule of Investments	185	Fund Titles.....		
REVENUE CAPACITY			 216		
8	Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	186			
9-a	Real and Personal Property Tax Rates – County Direct Rate – Last Ten Fiscal Years	188			



INTRODUCTORY SECTION



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

December 12, 2007

Timothy L. Firestine
Chief Administrative Officer

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of Montgomery County, Maryland (the County), for the fiscal year ended June 30, 2007.

FORMAL TRANSMITTAL OF THE CAFR

This report, presented in conformity with accounting principles generally accepted in the United States of America (GAAP), was prepared by the County's Department of Finance in cooperation with the finance departments of the County's component unit and joint venture organizations. The CAFR has been prepared pursuant to the provisions of Article 2, Section 214 of the Charter of the County, and includes the independent auditors' opinion, issued by the County Council appointed independent public accounting firm, as provided by Article 3, Section 315 of the County Charter.

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

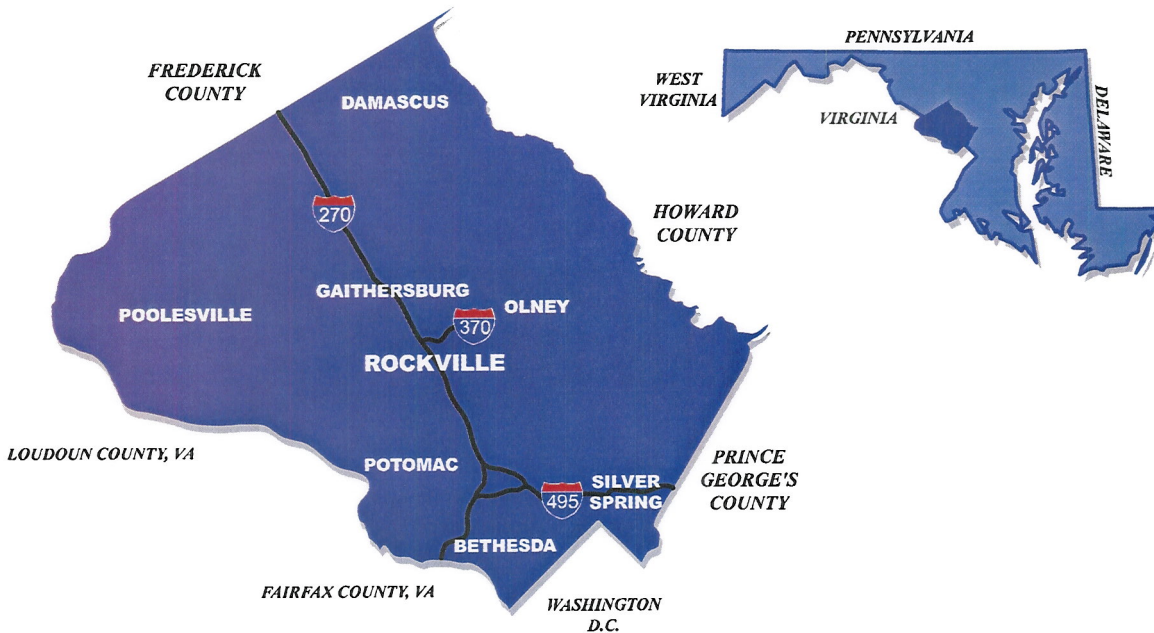
The public accounting firm of KPMG LLP has performed an independent audit of, and issued an unqualified opinion on, the County's financial statements as of and for the year ended June 30, 2007. The independent auditors' report is located at the front of the financial section of this report. This independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The independent auditors' reports associated with the Single Audit are available in a separately issued Report on Expenditures of Federal Awards.

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

PROFILE OF THE GOVERNMENT

Montgomery County, named after the early American general, Richard Montgomery, was established in 1776 by the State Convention. The County government was structured under the County Commission system until 1948, when voters adopted a charter, which gave the County home rule and a council-manager form of government.

The governing authority of the County, today, is still the charter, which was fully implemented in 1970, with the election of an executive and a council. Currently, Montgomery County is the most populated and affluent jurisdiction in Maryland and enjoys the distinction of being named an All-American community.



Budgetary Overview

The annual budget provides the basis for coordinating and controlling the County government programs and expenditures, which include public safety, public works and transportation, culture and recreation, health and human services, community development and housing, environment, and general government services. Education services, funded in large part by the County (see Note III-I.1), are provided by Montgomery County Public Schools (MCPS) and Montgomery Community College (MCC). For County government services, the County Executive annually develops and recommends operating budget proposals and the County Council then authorizes expenditures and sets property tax rates. Expenditure authority is provided at the fund and department level in three major categories (personnel costs, operating and capital outlay). Budgets are annually adopted by the County Council for the General Fund, Debt Service Fund, substantially all Special Revenue Funds, Enterprise Funds (except Liquor), and two Internal Service Funds (Liability and Property Coverage Self-Insurance and Employee Health Benefits Self-Insurance). The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. Additional spending authority, in the form of supplemental or special appropriations, may also be approved by the County Council during the year. The budget of the Liquor Enterprise Fund is approved by the County Executive, since State law provides for the County Executive to determine the amount of working capital required by the Department of Liquor Control (DLC) and to retain from the DLC's net profits, before making any deposit into the General Fund, the funds necessary to service DLC-related debt and provide adequate working capital. The Capital Projects Fund budget is appropriated at the project level on a biennial basis, with an annual reappropriation of unencumbered appropriation.

A budget-to-actual comparison statement for the General Fund is presented on Exhibit A-7 as part of the basic financial statements. Budget-to-actual comparison schedules for other funds with legally adopted budgets are presented in the Supplementary Data portion of the Financial Section.

The Reporting Entity

The following organizations are included as component units in the accompanying financial statements: MCPS, MCC, Housing Opportunities Commission of Montgomery County (HOC), Montgomery County Revenue Authority (MCRA), and Bethesda Urban Partnership, Inc. (BUPI). The County's participation in the following joint ventures is also disclosed in the Notes to the Financial Statements (see Note IV-D): Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, Metropolitan Washington Council of Governments, and Northeast Maryland Waste Disposal Authority. Copies of the respective independently audited annual financial reports required by State or County law are available from the above mentioned component units and joint ventures.

INFORMATION USEFUL IN ASSESSING THE COUNTY'S ECONOMIC CONDITION

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

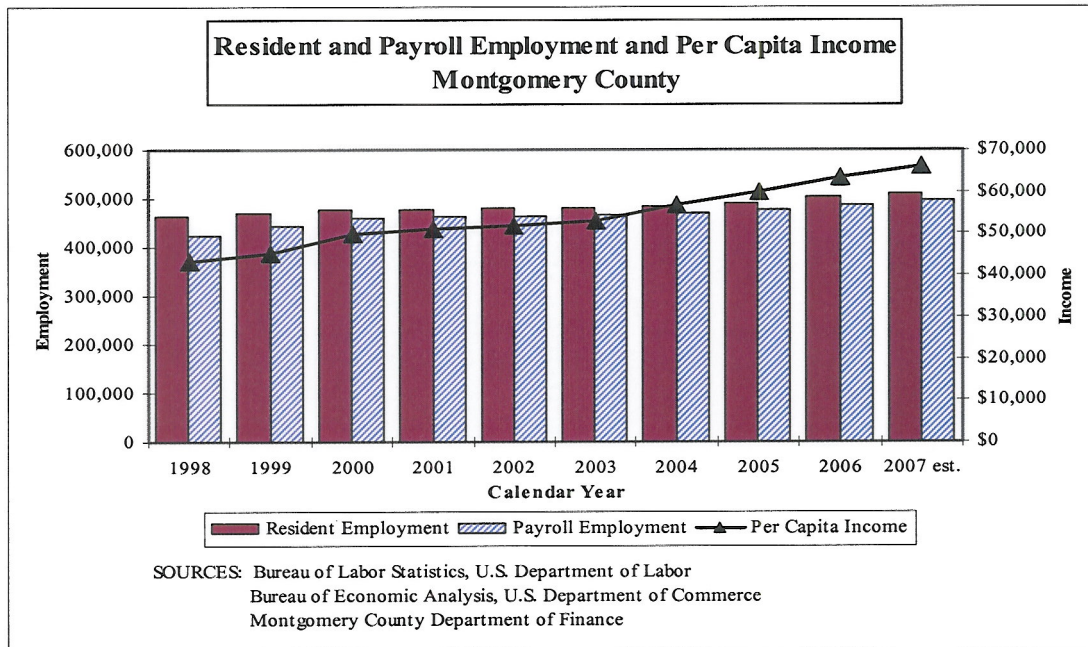
The Local Economy

Overview of National and Local Economy

Because the region's economy is significantly dependent on spending by the federal government, the recent surge in federal procurement continues to boost the region's economy. According to preliminary data from the Center for Regional Analysis (CRA), George Mason University, federal procurement spending in suburban Maryland was up 5.6 percent to \$12.5 billion in calendar year (CY) 2005, the latest year for which data are available. For the region overall, federal procurement was up 2.5 percent. As such, CRA estimates that the region's economy grew 4 percent in CY06 and is estimated to increase 3-3.5 percent in CY07 and 3.5 percent in CY08.

Personal Income and Employment

Income tax revenues for the County represented 52.6 percent of total tax revenues for the General Fund in FY07. Two economic indicators, personal income and employment, are the major contributors that drive income tax receipts. On a calendar year basis, per capita income increased from approximately \$43,200 in CY98 to an estimated \$66,200 in CY07 – an average annual rate of 4.8 percent. However, over the past ten years, the rate of growth in total personal income experienced two distinct cycles. From 1997 to 2000, total personal income grew at an 8.8 percent annual rate, while it is estimated to have grown at an annual rate of 5.2 percent from 2000 to 2007.

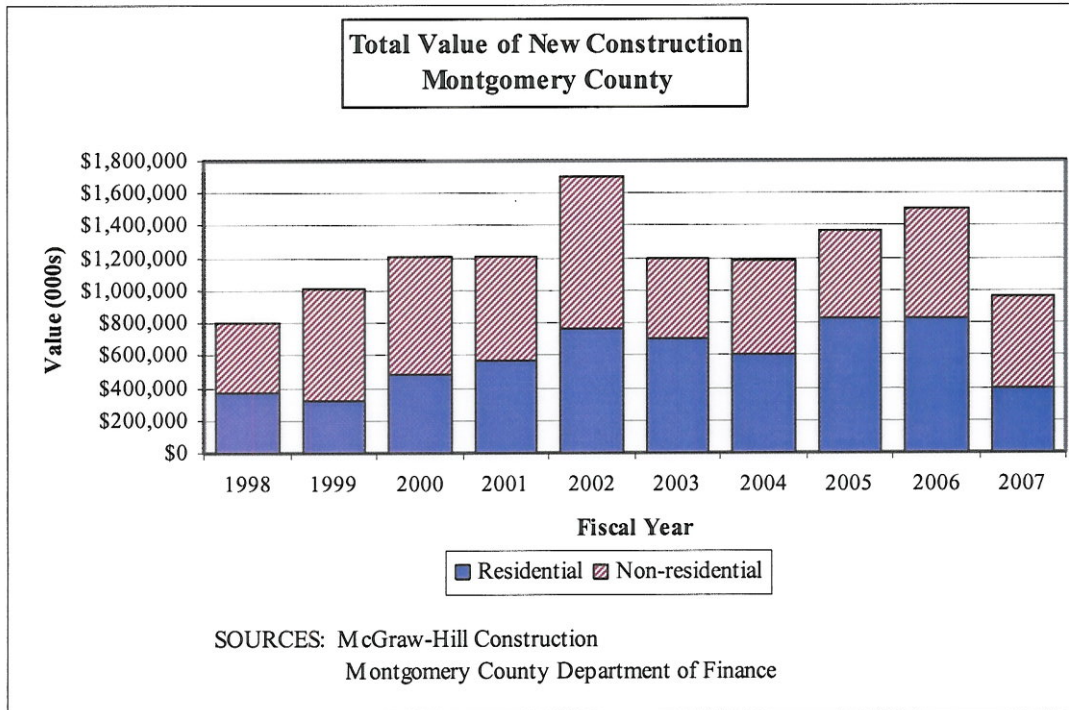


As FY07 began (July 2006), resident employment in Montgomery County stood at 511,600. By the beginning of fiscal year 2008 (July 2007), employment reached 515,200 — an increase of 3,600 or 0.7 percent, the smallest fiscal-year increase since FY00. Payroll employment in the County was 483,400 at the start of FY07 and increased 1.8 percent to 491,900 jobs by the start of the fiscal year 2008 — an increase of 8,500 new jobs.

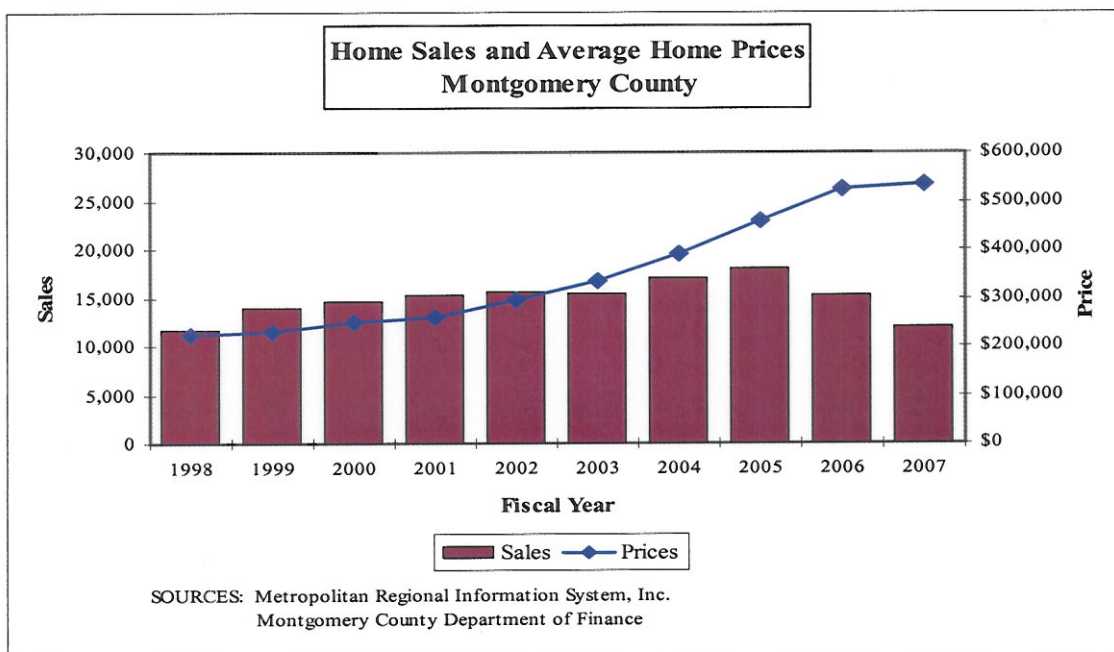
Construction and Real Estate

The property tax and the transfer and recordation taxes consisted of 32.9 percent and 7.4 percent, respectively, of total tax revenues for the General Fund in FY07. As such, construction and real estate activity play a significant role in Montgomery County's economy and in their effects on the amount of property taxes and transfer and recordation taxes collected. Non-residential and residential construction help maintain the value of existing assessable property tax base by replacing technologically obsolete property, equipment, and real estate, and provide additional capacity to meet increases in employment and new households. The appreciation of home prices provides a benefit to both the property tax and the transfer and recordation taxes. The increase in home values during FY07, albeit at a much lower rate than in previous years, increased the taxable assessable base for residential property. While average prices were up a modest 2 percent in FY07, sales of homes declined by 21.4 percent, which followed a decline of 15.7 percent in FY06. Such decreases in sales significantly offset increases in average prices such that transfer taxes from residential sales were down 23.3 percent compared to the overall decrease of 26.5 percent. Recordation taxes collected for the General Fund were down 24.5 percent over FY06.

During FY07, the value of total new construction in the County stood at over \$965 million, which represented the lowest value since FY98. The value of non-residential construction added to the County's real estate property matched the average added value over the previous four years. However, the value of new residential construction was down 52.3 percent from FY06 and was the lowest since FY99. Because of the significant decline in the value of residential construction, the addition of new construction to the taxable real property base in FY07 was 36 percent below FY06.

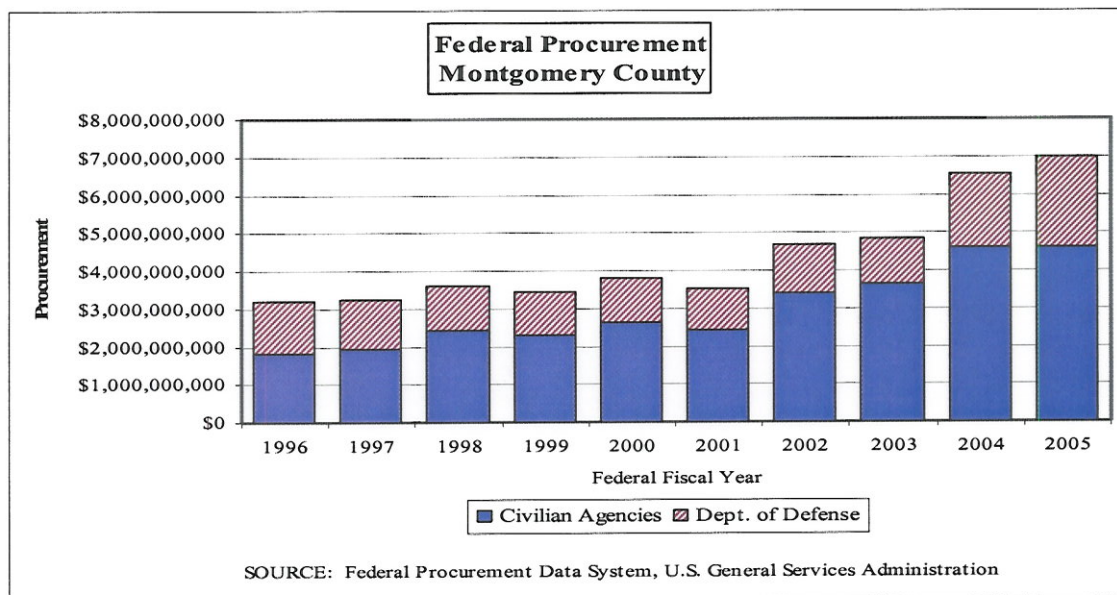


At the same time that the County experienced a drop in the value of residential construction, the residential real estate market experienced a deceleration in the rate of growth for average prices while sales declined nearly 22 percent. While the growth rate in the average price of a home in Montgomery County decelerated, it increased a modest 2 percent during FY07 compared to 17 percent in FY05 and 13 percent in FY06.



Federal Procurement Spending

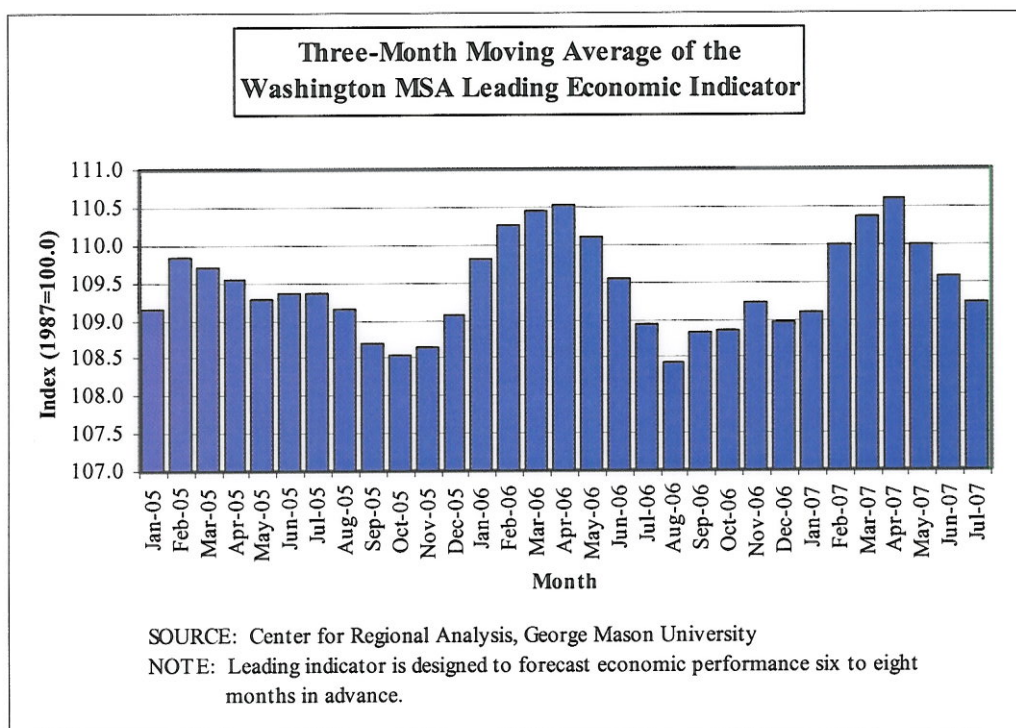
According to data provided by the U.S. General Services Administration, businesses in Montgomery County received nearly \$7 billion in procurement contracts from the federal government for federal fiscal year (FFY) 2005 (October 1, 2004 through September 30, 2005), the latest year for which data are available. This represents an increase of 6.9 percent over the previous FFY. From FFY96 to FFY05, federal procurement increased at an average annual rate of nearly 8.7 percent increasing from \$3.2 billion in FFY96 to over \$7 billion in FFY05. Over two-thirds of federal procurement dollars in the County come from federal civilian agencies compared to only one-third from the Department of Defense (DoD). While a majority of federal spending comes from civilian agencies, most of the growth that occurred over the last four fiscal years came from the DoD, an average annual increase of 19.5 percent, compared to 16 percent from the civilian agencies. Such a dramatic increase in DoD procurement is the reason for the growth in federal procurement over the past four years. Such largess by the federal government in the County's economy helped create an expansion in employment and commercial property during FY06 and continued into FY07. As such, the federal government plays a significant role in the County's economy through direct employment and through the procurement of goods and services from County businesses.



Future Economic Outlook

Following a year in which the County's economy experienced growth in employment, personal income, and steady non-residential construction, the outlook for FY08 is expected to see modest increases in employment and personal income and a slowdown in the real estate market particularly home sales and new residential construction. Based on preliminary data from the real estate market, there has been a slight increase in average home prices during the first two months of FY08 compared to the same two months in FY07. However, home sales continued to decline. If the real estate market continues to show weakness in FY08, either through weak sales or little price appreciation, the revenues from transfer and recordation taxes will experience a further slowdown than originally estimated for the FY08 budget. Because of the volatility in revenues from taxpayers who file for an extension, income taxes may increase at a much slower rate than estimated for the FY08 budget. The revenues from those taxpayers will offset the expected increases in withholdings attributed to both modest increases in resident and payroll employment through the remainder of FY08 and therefore, increases in total personal income and wages and salaries.

According to CRA, the Washington Area Leading Index, which forecasts the performance of the region's economy six to eight months in advance, has fluctuated during the first half of calendar year 2007. The index was up a modest 0.27 percent in July from July 2006, the latest month for which data are available. This pattern in the leading index suggests a continuation of slower growth in the region's economy through the remainder of this year and into the first three months of calendar year 2008. This trend is likely to continue until three economic conditions show a reversal in current trends: rising energy prices, falling home prices, and uncertainty in the financial markets. Since it is unlikely that these conditions will improve in the near term, CRA estimates that the Washington area economy "will not experience significant acceleration before mid-2008 at the earliest and such acceleration could be delayed further into early 2009." Because of that uncertainty, CRA estimates that growth in the gross regional product will decelerate from the 4 percent rate in CY06 to 3-3.5 percent in CY07 and 3.5 percent in CY08.



Collective Bargaining

The current three year agreement with the Fire and Rescue Bargaining Unit, the International Association of Fire Fighters Local 1664, expires June 30, 2008. Significant economic terms of the agreement include:

- A general wage adjustment of 3 percent effective in the first full pay period after July 1, 2005; a 1 percent adjustment in January 2006; a 4 percent adjustment in July 2006; a 1 percent adjustment in January 2007; a 5 percent adjustment in July 2007; and
- A service increment of 3.5 percent for eligible employees; and
- Pension enhancements effective in the third year of the contract, including normal retirement at any age with 20 years of service and a change in the benefit formula to total 50 percent of average final earnings at 20 years.

The current three-year agreement with the Police Bargaining Unit, the Fraternal Order of Police Lodge 35, expires June 30, 2010. Significant economic terms of the agreement include:

- A general wage adjustment computed by adding \$3,151 at Step 0, Year 1, with increments and promotions for all other steps and pay grades calculated from the new Step 0, Year 1 basis (equates to 7.5 percent) effective July 1, 2007; a 4 percent adjustment in July 2008; a 4.25 percent adjustment in July 2009; and
- A service increment of 3.5 percent for eligible employees.

The three current agreements with the OPT/SLT Bargaining Units, the Municipal and County Government Employees Organization (MCGEO) and the United Food and Commercial Workers Local 1994, expire June 30, 2010. Significant economic terms of the agreements include:

- A general wage adjustment of 4 percent effective the first full pay period after July 1, 2007; a 4.5 percent adjustment in July 2008; a 4.5 percent adjustment in July 2009; and
- A 1 percent increase in longevity (totaling 3 percent) effective the first full pay period after January 1, 2008; and
- A service increment of 3.5 percent for eligible employees.

Long-term Financial Planning

The County will maintain total reserves for tax supported funds that include both an operating margin reserve and the Revenue Stabilization Fund. For tax supported funds, the budgeted total reserve of the operating margin and the Revenue Stabilization Fund should be at least six percent of the total resources (i.e., revenues, transfers, prior year undesignated and designated fund balance). An operating margin reserve will be budgeted for tax supported funds in order to provide sufficient funds for unanticipated revenue shortfalls or unexpected expenditure requirements. The County's Revenue Stabilization Fund was established to accumulate funds during periods of strong economic growth in order to provide budgetary flexibility during times of funding shortfalls. Fifty percent of selected revenues in excess of budgeted amounts must be transferred to the Fund; discretionary contributions may also be made. Unless decided otherwise by six or more councilmembers, withdrawals may be made only under certain economic conditions and may be used only to support appropriations which have become unfunded.

As part of the annual operating budget process, the County develops a six-year fiscal plan. This plan addresses long-term structural issues in the budget and maintains the tax supported reserves at the six percent policy level, as well as emphasizing the priorities of education, public safety and health and human services.

There are significant challenges, however, that lay ahead including rising retirement and medical costs, recognition of retiree health expenses, and funding program improvements. In addition to these challenges, actions implemented at the Federal and State level may complicate the County's ability to plan for the FY08-13 period.

Relevant Financial Policies

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

Major Initiatives

Major initiatives of the County during FY07 that are expected to affect future financial position, include the following:

Public Works and Transportation: The County and the Public Arts Trust of the Arts and Humanities Council of Montgomery County are joining efforts on a \$7.7 million “The Forest Glen Pedestrian Bridge” project, \$4.6 million will come from County funding.

Another major project is the Silver Spring Transit Center a \$75 million project that will combine Metrorail, Metrobus, Ride On, MARC and inter-city bus service in one facility.

Recreation: The County opened the new Rockville library at a cost of \$26 million, located in the heart of downtown Rockville and opened a new 44,000 square foot, Germantown Library, at a cost of \$19 million.

Public Safety: The County opened a new \$13 million multi-use four-story facility for County agencies, which will be used by the Montgomery County Department of Police 3rd District substation, the Silver Spring Urban District and the Silver Spring Fire Station #1.

Also, the County highlighted a gang and youth violence prevention initiative for FY08 at a cost of \$6 million.

General Government: The County retained a triple-A bond rating from all three major rating agencies and sold \$250 million in general obligation bonds at the low true interest cost of 4.08 percent. This sale was the largest par amount new money issue sold and the fourth lowest rate the County has paid in interest expense over the last 35 years. The County’s solid triple-A ratings ensure that the County pays the lowest cost of debt issued to pay for its capital projects and helps to save the County millions of dollars in interest expense over the 20-year life of the bonds.

Health and Human Services: The County has budgeted \$3 million to fund the expansion of the Montgomery Cares Health Care Program for the uninsured.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County, Maryland, for its CAFR for the fiscal year-ended June 30, 2006. Montgomery County has received the Certificate of Achievement more times than any other county in the nation – thirty-seven times – as early as 1951 and consecutively for thirty-five years, since 1972.

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

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

Distinguished Budget Presentation

GFOA presented an award of Distinguished Presentation to Montgomery County, Maryland, for its annual budget for the fiscal year beginning July 1, 2007. In order to receive this award, a governmental unit must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. Montgomery County has received this award consecutively since 1984, the year the program was established. The Office of Management and Budget believes the current budget continues to conform to program requirements and is submitting it to GFOA to determine its eligibility for another award.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the staff of the County's Department of Finance. I express my appreciation to all participants who assisted and contributed to its preparation. I particularly express my sincerest appreciation to David Rowland, Acting Controller, and his staff, particularly the General Accounting, Grants Accounting, and Administration Sections, for their outstanding performance in the preparation of this report. A list of individuals whose dedicated efforts produced this report is provided separately after this letter. A special appreciation is extended to the finance and accounting managers of the component units whose cooperation greatly facilitated the preparation of this report. I express my appreciation to the County Executive, the members of the County Council, and the Chief Administrative Officer who served the County during the reporting period, and their staffs, for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Finally, I would like to express special recognition and thanks to the previous Controller, Karen Q. Hawkins for her dedication over the past twelve years. During her tenure she continued the County tradition of receiving the GFOA Certificate of Achievement for Excellence in Financial Reporting each year.

USE OF THIS REPORT

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

Respectfully submitted,



Jennifer E. Barrett
Director of Finance



ACKNOWLEDGMENTS

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

Department of Finance

Kim McCullough	Gloria Diaz	Susan E. Kaplan	Joyce Wallace-Dennis
Mauricio Delgado	Michael E. Edelin, Sr	Stephen M. O'Malley	Michelle West
Maryam Farhoodi	Amanda Hardy	Nora A. Ravarra	Perla Campbell
Jay Narang	Timothy D. Hughes	Claudia L. Stalker	Josephine Gilbert
Felix O. A. Ogunba	Veronica Jaua	Darane Tiev	Michael Lawton
Danielle R. Snowden	Karen J. Jackson	Erin Von Nessen	Dolores Horne
			Phavann Chhuan

Department of Liquor Control

Melissa Chui
Sunil Pandya

Department of Public Works and Transportation

Maggie Orsini Lal Sangliani

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

Department of Finance

Jennifer Barrett	Ray Gulhar	John Swaney	Laleh Shabani
Karen Hawkins	Robert Hagedoorn	Charlotte Sweet	Glenn Wyman
Michael Coveyou	Nancy Moseley	Joyce Boyd	
Terry Fleming	David Platt	Marty Utermohle	

Office of Management and Budget

Alex Espinosa Catherine Patterson
Beryl Feinberg

Department of Public Works and Transportation

Bill Davidson Luz Rodriguez
Tom Kusterer Rick Siebert
Quinton McHenry Richard Hands
Heidi Metzger Scott McClure
Richard Taylor and the Print Shop

Office of Public Information

Thomas Whorton

Component Units

Montgomery County Public Schools

Larry A. Bowers	Virginia A. Denning
Robert J. Doody	Susanne G. DeGraba
Edward L. Hailstorks	Susan B. Chen

Housing Opportunities Commission

Cornelia Kent	Eugenia Pascual
---------------	-----------------

Montgomery County Revenue Authority

Michael Boone

Montgomery Community College

Marshall Moore	Linda Hickey
Kenneth Mullinix	

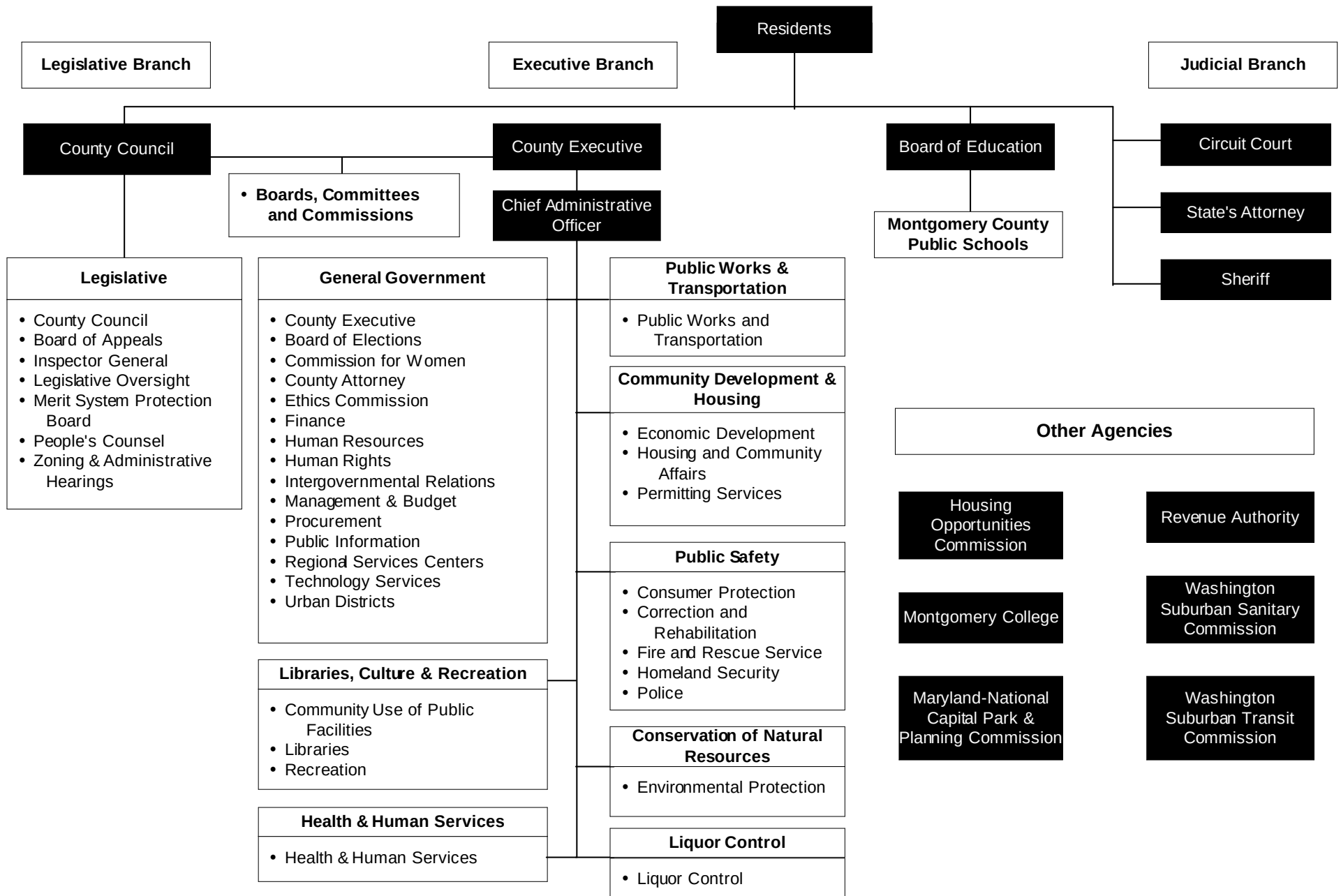
Bethesda Urban Partnership, Inc.

Jeff Oyer

Special thanks is extended to those who contributed significantly to continued implementation of enhanced CAFR production capabilities for FY07, including: Hank Hsu, Timothy D. Hughes, Karen Tang, Mauricio Delgado, Maryam Farhoodi, Danielle Snowden, Jay Narang, Amanda Hardy, Claudia Stalker, Darane Tiev, Karen Jackson, and all employees of General Accounting and Grants Accounting who participated in the testing and implementation process.

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

Montgomery County, Maryland Functional Organization Chart



MONTGOMERY COUNTY, MARYLAND

ELECTED OFFICIALS

June 30, 2007

COUNTY EXECUTIVE

Isiah Leggett

COUNTY COUNCIL

Marilyn Praisner
Michael Knapp

President
Vice President

Phil Andrews
Roger Berliner
Marc Elrich
Valerie Ervin

Nancy Floreen
George Leventhal
Duchy Trachtenberg

Other Elected Officials

Administrative Judge Circuit Court
Clerk of the Circuit Court
Register of Wills
Sheriff
State's Attorney

Ann S. Harrington
Loretta Knight
Joseph M. Griffin
Raymond M. Kight
John McCarthy

APPOINTED OFFICIALS

Chief Administrative Officer
Board of Appeals
Correction and Rehabilitation
County Attorney
County Council
Economic Development
Environmental Protection
Finance
Fire and Rescue Service
Health and Human Services
Homeland Security
Housing and Community Affairs
Human Resources
Inspector General
Intergovernmental Relations
Legislative Oversight
Liquor Control
Management and Budget
Merit System Protection Board
People's Counsel
Permitting Services
Police
Procurement
Public Information
Public Libraries
Public Works and Transportation
Recreation
Technology Services
Zoning and Administrative Hearings

Timothy L. Firestine
Katherine Freeman
Arthur M. Wallenstein
Leon Rodriguez
Stephen B. Farber
Pradeep Ganguly
Fariba Kassiri
Jennifer E. Barrett
Thomas W. Carr, Jr.
Uma Ahluwalia
Gordon A. Aoyagi
Richard Nelson
Joseph Adler
Thomas J. Dagley
Melanie L. Wenger
Karen Orlansky
George Griffin
Joseph Beach
Rodella E. Berry
Martin Klauber
Carla Joyner
J. Thomas Manger
David Dise
Patrick Lacefield
Parker Hamilton
Arthur Holmes, Jr.
Gabriel Albornoz
E. Steven Emanuel
Francoise Carrier

Montgomery County Officials, Concluded

COMPONENT UNIT OFFICIALS

Montgomery County Public Schools

Board of Education:

Charles Haughey, President
Sharon Cox, Vice President

Steve Abrams	Gabriel Romero
Valerie Ervin	Sarah Horvitz,
Nancy Navarro	Student Member
Patricia O'Neill	

Jerry D. Weast, Superintendent of Schools

Montgomery County Revenue Authority

Board of Directors:

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

Phillip L. Feliciano	John R. Lane
Peter L. Gray	Scott W. Reilly, Ex-Officio

Keith Miller, Executive Director

Bethesda Urban Partnership, Inc.

Board of Directors:

Michele Horwitz Cornwell, Chair
Elliot Schnitzer, Vice Chair

Michael Magruder, Treasurer
Richard E. Lashley, Secretary

Richard Blumstein	Deborah Snead
Patricia A. Harris	Carol Trawick
Jack D. Hayes	Jon Weintraub
Dee Carl Metz	

W. David Dabney, Executive Director

Montgomery Community College

Board of Trustees:

Sylvia W. Crowder, Chair
Roberta F. Shulman, First Vice Chair
Michael C. Lin, Second Vice Chair

Mary E. Cothran	Owen D. Nichols
Gene W. Counihan	Robert E. Shoenberg
Jong-on Hahm	Kanika M. Hughley, Student
Stephen Z. Kaufman	

Charlene R. Nunley, President and Secretary-Treasurer

Housing Opportunities Commission of Montgomery County

Commissioners:

Richard Y. Nelson, Jr., Chair
Michael J. Kator, Vice Chair

Norman Cohen	Roberto R. Pinero
Norman Dreyfuss	LaKeyia L. Thompson
Y. Monroe Galloway	

D. Scott Minton, Executive Director and Secretary Treasurer

INDEPENDENT AUDITORS

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

Elected Officials

Montgomery County, Maryland



Isiah Leggett
County Executive



Marilyn Praisner
Council President



Michael Knapp
Council Vice-President



Phil Andrews
Council Member



Roger Berliner
Council Member



Marc Elrich
Council Member



Valerie Ervin
Council Member



Nancy Floreen
Council Member



George Leventhal
Council Member



Duchy Trachtenberg
Council Member



FINANCIAL SECTION



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Honorable County Council
of Montgomery County, Maryland:

We have audited the accompanying 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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 Public Schools, the Housing Opportunities Commission, the Montgomery Community College, the Montgomery County Revenue Authority, and the Bethesda Urban Partnership, Inc., which represent 100% of the total assets, revenues and net assets of the aggregate, discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for those presented component units, is based solely on the reports 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 22 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and supplementary schedules listed as supplementary data, and statistical section, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 7, 2007

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.

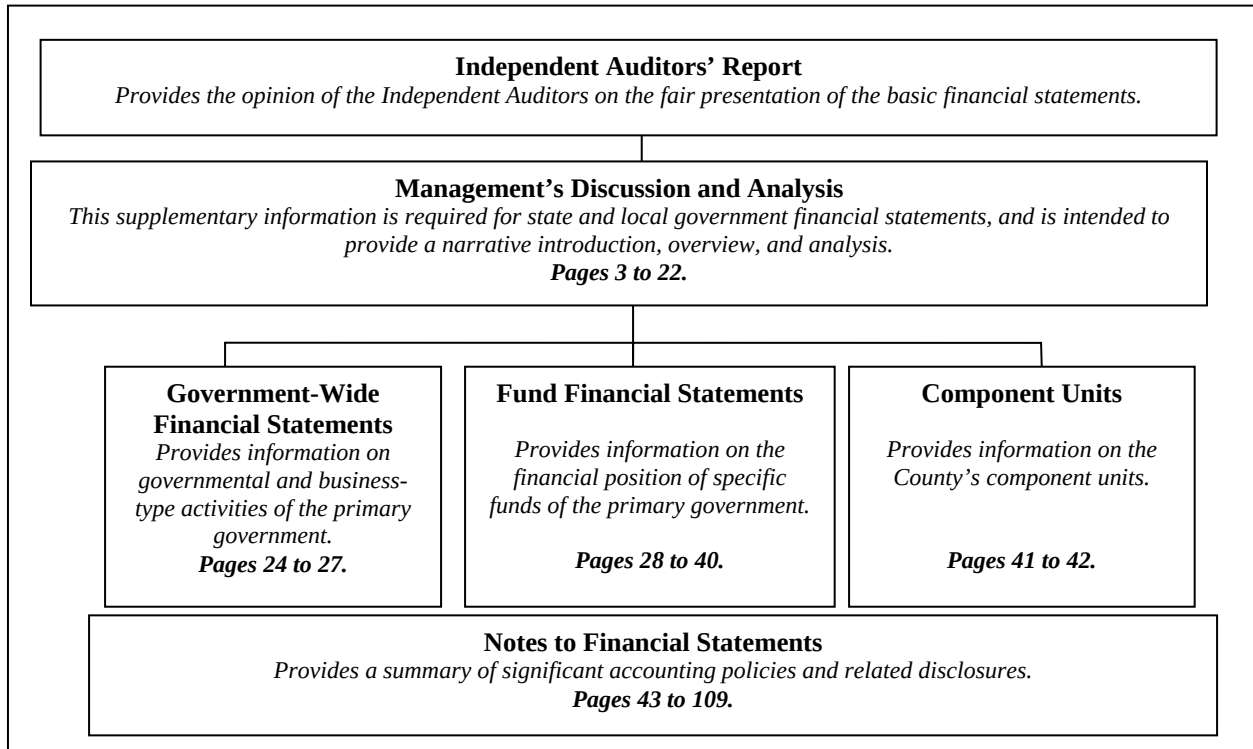
FINANCIAL HIGHLIGHTS

- The government-wide assets of the County exceeded its liabilities at the close of FY07 by \$2,164.6 million. That amount is net of a \$348.4 million unrestricted deficit. The deficit occurs because the County issues debt to fund construction costs for Montgomery County Public Schools (MCPS) and Montgomery Community 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 \$1,109.7 million at June 30, 2007. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted net assets of \$761.3 million.
- The County's total government-wide net assets increased by \$218.1 million.
- As of the close of FY07, the County's governmental funds reported combined ending fund balances of \$789.9 million, an increase of \$183.8 million over the prior year's ending fund balances. Of the total ending fund balances, \$515.5 million is available for spending at the County's discretion.
- At the end of FY07, unreserved fund balance for the General Fund was \$309 million, or 13.1 percent of total General Fund expenditures.
- The County's government-wide long-term debt increased by \$185.9 million during FY07. The key factors in this increase are:
 - The issuance of: \$250 million in general obligation (GO) bonds, \$300 million in bond anticipation notes (BANS), and \$12.1 million in capital leases.
 - The retirement of: \$131.2 million in GO bonds, \$250 million in BANS, and \$7.9 million in capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information



Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are reported in columns which add to a total for the primary government. The focus of the statement of net assets is designed to provide bottom line results for the County's governmental and business-type activities. This statement reports governmental funds' current financial resources (i.e., short-term spendable resources) with capital assets and long-term obligations. All infrastructure assets built or purchased by the County, and infrastructure dedicated by developers since 1970, are included in the accompanying government-wide financial statements. The difference between the County's assets and liabilities is reported as net assets. Over time, increases or decreases in net assets 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 statement of activities is focused on both the gross and net cost of various functions, including governmental and business-type activities. This is intended to summarize and simplify the users' analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities included 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 Community 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) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, a reconciliation of the fund financial statements to the government-wide financial statements is presented immediately after the fund financial statements. For example, the fund financial statements will reflect bond proceeds and interfund transfers as other financing sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation will reflect the elimination of these transactions and will incorporate the capital assets and long-term obligations (bonds and others) that are presented in the governmental activities column (in the government-wide statements). The County has three major governmental funds – General, Debt Service, and Capital Projects – and 17 nonmajor funds (16 special revenue funds and one permanent fund).

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 Assets

The following presents a summary of the Statements of Net Assets for the County as of June 30, 2007 and 2006:

Summary of Net Assets *						
June 30, 2007 and 2006						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$ 1,630,704,598	\$ 1,304,315,737	\$ 185,718,501	\$ 173,615,035	\$ 1,816,423,099	\$ 1,477,930,772
Capital assets, net	2,627,754,382	2,543,442,004	224,091,918	222,822,767	2,851,846,300	2,766,264,771
Total Assets	4,258,458,980	3,847,757,741	409,810,419	396,437,802	4,668,269,399	4,244,195,543
Liabilities:						
Long-term liabilities outstanding	2,000,934,120	1,821,440,093	103,188,517	96,784,732	2,104,122,637	1,918,224,825
Other liabilities	359,501,357	343,543,337	40,022,123	35,920,200	399,523,480	379,463,537
Total Liabilities	2,360,435,477	2,164,983,430	143,210,640	132,704,932	2,503,646,117	2,297,688,362
Net assets:						
Invested in capital assets, net of related debt	1,880,672,363	1,769,233,330	160,807,324	152,244,454	1,999,920,988	1,876,884,699
Restricted	440,714,792	338,811,955	72,370,254	80,486,538	513,085,046	419,298,493
Unrestricted (deficit)	(423,363,652)	(425,270,974)	33,422,201	31,001,878	(348,382,752)	(349,676,011)
Total Net Assets	\$ 1,898,023,503	\$ 1,682,774,311	\$ 266,599,779	\$ 263,732,870	\$ 2,164,623,282	\$ 1,946,507,181
* Primary Government						

The County's current and other assets increased by \$338.5 million or 22.9 percent over FY06. The County's assets exceeded its liabilities at the close of FY07 by \$2,164.6 million. By far the largest portion of the County's net assets 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. Governmental capital lease obligations of \$41.6 million, related to business-type activity capital assets, are classified as a component of unrestricted net assets for governmental activities purposes, but reclassified to invested in capital, net of related debt, for total primary government purposes.

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 \$1,109.7 million at June 30, 2007. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted net assets of \$761.4 million. An additional portion of the County's net assets (\$513.1 million or 24 percent) represents resources that are subject to restrictions on how they may be used. This amount includes \$119.6 million in net assets restricted for revenue stabilization for periods of economic downturn.

The County's total net assets increased by \$218.1 million for FY07 or 11.2 percent over FY06. This growth largely reflects general revenue increases in both property and county income taxes. These revenues have outstripped similar increases in ongoing expenses.

Statement of Activities

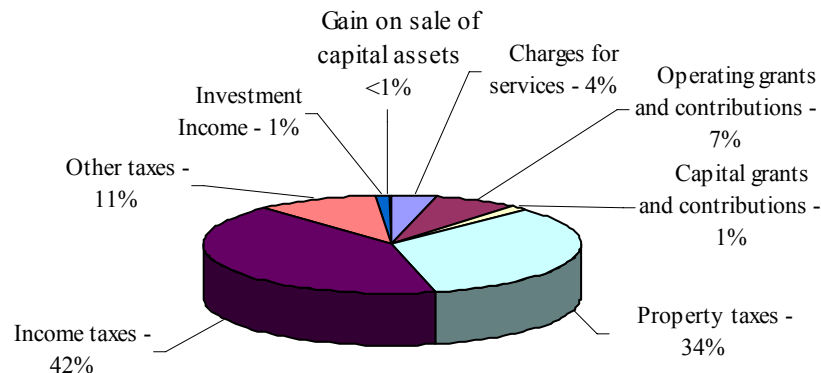
The following table summarizes the County's change in net assets for the years ended June 30, 2007 and 2006:

Summary of Changes in Net Assets *						
For the Fiscal Years Ended June 30, 2007 and 2006						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program Revenues:						
Charges for services	\$ 134,172,562	\$ 142,122,486	\$ 360,435,582	\$ 348,690,179	\$ 494,608,144	\$ 490,812,665
Operating grants and contributions	231,568,832	222,187,806	11,135	-	231,579,967	222,187,806
Capital grants and contributions	51,450,977	44,270,838	-	-	51,450,977	44,270,838
General revenues:						
Property taxes	1,126,632,925	1,064,737,107	9,562,592	9,199,581	1,136,195,517	1,073,936,688
Income taxes	1,388,927,139	1,117,543,440	-	-	1,388,927,139	1,117,543,440
Other taxes	352,310,153	420,485,598	-	-	352,310,153	420,485,598
Investment income	42,003,532	29,769,889	8,339,098	6,267,935	50,342,630	36,037,824
Gain on sale of capital assets	6,209,594	5,187,736	34,637	-	6,244,231	5,187,736
Total Revenues	<u>3,333,275,714</u>	<u>3,046,304,900</u>	<u>378,383,044</u>	<u>364,157,695</u>	<u>3,711,658,758</u>	<u>3,410,462,595</u>
EXPENSES						
Governmental Activities:						
General government	274,005,357	257,586,189	-	-	274,005,357	257,586,189
Public safety	529,748,046	473,624,268	-	-	529,748,046	473,624,268
Public works and transportation	210,395,916	192,228,591	-	-	210,395,916	192,228,591
Health and human services	252,066,273	235,394,838	-	-	252,066,273	235,394,838
Culture and recreation	103,765,006	93,460,648	-	-	103,765,006	93,460,648
Community development and housing	18,213,040	19,280,438	-	-	18,213,040	19,280,438
Environment	12,962,711	9,157,156	-	-	12,962,711	9,157,156
Education	1,669,681,121	1,595,747,791	-	-	1,669,681,121	1,595,747,791
Interest on long-term debt	81,262,618	73,675,523	-	-	81,262,618	73,675,523
Business-type Activities:						
Liquor control	-	-	180,243,618	168,325,049	180,243,618	168,325,049
Solid waste activities	-	-	103,455,706	99,911,970	103,455,706	99,911,970
Parking lot districts	-	-	26,622,097	26,568,228	26,622,097	26,568,228
Permitting services	-	-	23,463,486	21,962,821	23,463,486	21,962,821
Community use of public facilities	-	-	7,657,662	6,810,783	7,657,662	6,810,783
Total Expenses	<u>3,152,100,088</u>	<u>2,950,155,442</u>	<u>341,442,569</u>	<u>323,578,851</u>	<u>3,493,542,657</u>	<u>3,273,734,293</u>
Increase in Net Assets Before Transfers	181,175,626	96,149,458	36,940,475	40,578,844	218,116,101	136,728,302
Transfers	34,073,566	32,433,658	(34,073,566)	(32,433,658)	-	-
Increase in Net Assets	215,249,192	128,583,116	2,866,909	8,145,186	218,116,101	136,728,302
Net Assets, beginning of year	1,682,774,311	1,554,191,195	263,732,870	255,587,684	1,946,507,181	1,809,778,879
Net Assets, end of year	<u>\$ 1,898,023,503</u>	<u>\$ 1,682,774,311</u>	<u>\$ 266,599,779</u>	<u>\$ 263,732,870</u>	<u>\$ 2,164,623,282</u>	<u>\$ 1,946,507,181</u>
* Primary Government						

Governmental Activities

Revenues for the County's governmental activities were \$3,333.3 million for FY07. Sources of revenue are comprised of the following items:

**Revenues by Source - Governmental Activities
For the Fiscal Year Ended June 30, 2007**

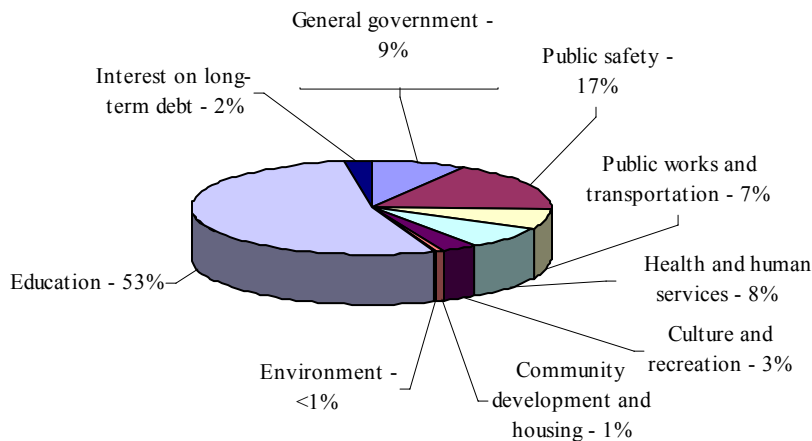


- Taxes constitute the largest source of County revenues, amounting to \$2,867.9 million for FY07. Property and local income tax combined comprise 75.5 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 3.2 percent of the State taxable income for calendar years 2007 and 2006. 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 (\$113.5 million or 49 percent), public works and transportation (\$65.8 million or 28.4 percent) and public safety (\$32.7 million or 14.1 percent).

A more detailed discussion of the County's revenue results for FY07 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 FY07 was \$3,152.1 million. As the chart below indicates, education constitutes the County's largest program and highest priority; education expenses totaled \$1.7 billion. Public safety expenses totaled \$529.7 million, general government services totaled \$274 million, and health and human services, the fourth largest expense for the County, totaled \$252.1 million.

**Expenses by Function - Governmental Activities
For the Fiscal Year Ended June 30, 2007**



The following table presents the cost and program revenues of each of the County's six largest programs – education, public safety, general government, health and human services, public works and transportation, 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).

Net Cost of County's Governmental Activities For the Fiscal Years Ended June 30, 2007 and 2006							
	Expenses		Revenues		Net Cost of Services		
	2007	2006	2007	2006	2007	2006	
Education	\$ 1,669,681,121	\$ 1,595,747,791	\$ -	\$ -	\$ 1,669,681,121	\$ 1,595,747,791	
Public safety	529,748,046	473,624,268	60,750,807	59,085,387	468,997,239	414,538,881	
General government	274,005,357	257,586,189	67,933,964	80,005,768	206,071,393	177,580,421	
Health and human services	252,066,273	235,394,838	117,352,426	104,579,161	134,713,847	130,815,677	
Public works and transportation	210,395,916	192,228,591	113,815,429	108,418,998	96,580,487	83,809,593	
Culture and recreation	103,765,006	93,460,648	42,982,703	37,427,297	60,782,303	56,033,351	
Other	112,438,369	102,113,117	14,357,042	19,064,519	98,081,327	83,048,598	
Total	<u>\$ 3,152,100,088</u>	<u>\$ 2,950,155,442</u>	<u>\$ 417,192,371</u>	<u>\$ 408,581,130</u>	<u>\$ 2,734,907,717</u>	<u>\$ 2,541,574,312</u>	

Of the total cost of governmental activities of \$3,152.1 million, \$417.2 million was paid by those who directly benefited from the programs (\$134.2 million) and other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$283 million). Of the \$2,734.9 million net cost of services, our taxpayers paid for these activities through County taxes which totaled \$2,867.9 million; also available to contribute towards such net costs were investment income and gain on sale of capital assets.

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

- General government includes:
 - \$2.5 million expenses for the first full year of operation of the Office of Consumer Protection, formerly part of the Department of Housing and Community Affairs;
 - \$3.8 million increase in expenses incurred for enhancement of the voting facilities and voting registration process;
 - \$221 million increase in County income tax due to low unemployment and increase in total payroll employment;

- \$62 million decrease in recordation tax due to the slow down in home sales; and
- \$0.4 million received for the first two months of operation for the Speed Camera program
- Public safety includes:
 - \$1.2 million in implementation of the Speed Camera program to ensure the safety of county residents; and
 - \$22 million in implementation of phase one of 4-person staffing on fire apparatus and the enhancement of fire services to five fire stations to improve effectiveness and responsiveness.
- Transportation includes:
 - Additional \$5.5 million for the replacement of new compressed natural gas, diesel and Ride-On buses.

In FY07 federal expenditures decreased by less than one percent or \$1 million from FY06. Although there were substantial decreases and increases in different portions of the Schedule of Federal Awards, the net effect on the total was very small.

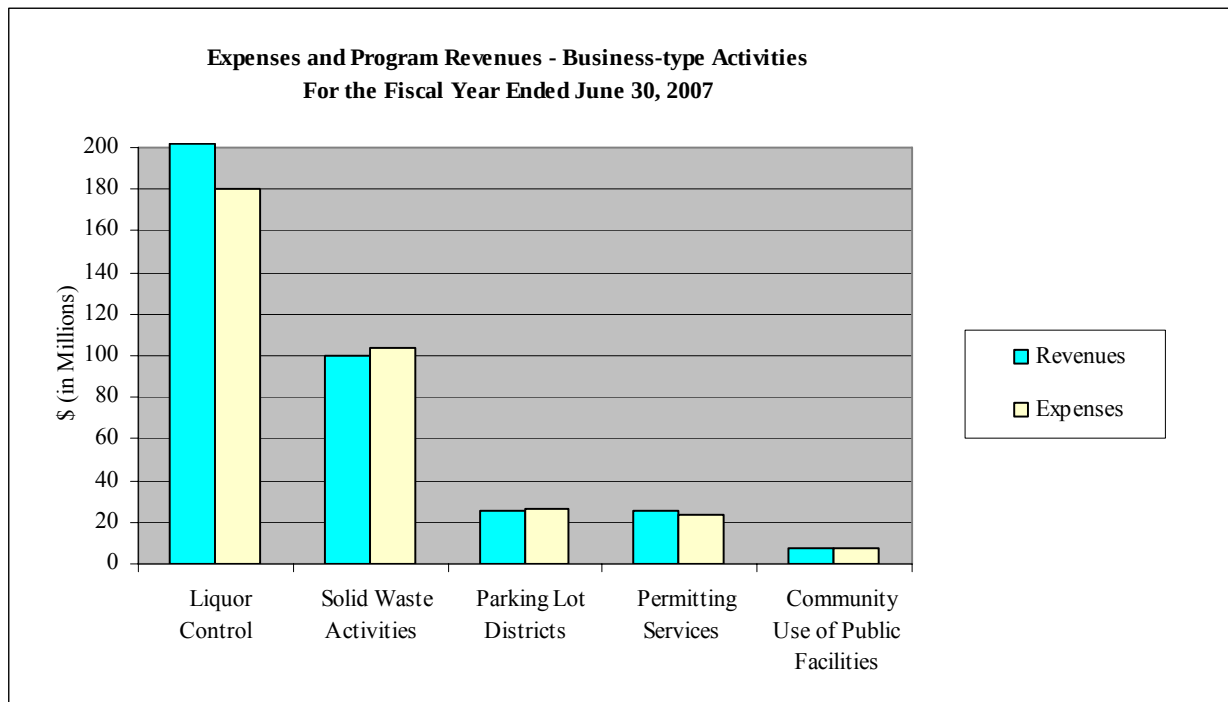
- Department of Agriculture - In FY07, reimbursements for expenditures in programs financed by this federal agency decreased by 19% or \$0.8 million. Most of the decrease can be traced to the program financed by the "Food Stamps Administration" portion of the State House Bill 669. Last fiscal year, this program showed reimbursements in the amount of \$3.7 million, whereas this fiscal year that amount dropped to \$3.1 million.
- Department of Housing and Urban Development - Reimbursements for allowable expenditures from this federal agency increased this period by 10% or \$2.5 million. Federal financing for housing activities in the County come from two main grants: Home Investment Partnership and the Community Development Block Grant. Housing activities in the County this period continued to mirror the population growth, which has steadily increased during the last decade. Therefore, operating expenditures in housing programs grew at 10% as well as the balance of outstanding housing loans, which increased from \$17.2 million to \$18.8 million.
- Department of Transportation - In FY07, County programs financed by this federal agency increased by 17% or \$1.3 million in spite of a lesser number of buses purchased by the County with federal dollars. The main reason for the higher expenditures was higher activities in capital projects. In FY07, the County started the construction of the new Silver Spring Transit Center and during the period received reimbursements for expenditures in the amount of \$4.8 million. Expenditures in the construction of this transit center will continue to increase for several years to total over \$70 million.
- Department of Health and Human Services - Expenditures financed by this federal agency decreased by 11% or \$6.1 million during FY07. All of this drop in reimbursements can be traced to the HB-669, through which the County receives funding from the State of Maryland to finance the Health and Human Services available to County residents. In FY06, the County received \$38.6 million whereas in FY07 that amount dropped to \$31.1 million. Hopefully, this decrease is not a harbinger of future funding levels from the State as a result of its budget deficit adjustments.
- Department of Homeland Security - In FY07, expenditures in programs financed by this federal agency increased by 29% or \$2.3 million. The increment can be traced to a one-time reimbursement in the amount of \$1.4 million received by the County for expenditures incurred as a result of floods in CY05. In addition, the Fire and Rescue Services Department received \$2.6 million reimbursement for the purchase of a vehicle equipped with the latest technology to be used in case of an urban terrorist incident.

Business-type Activities

Highlights of the County's business-type activities for FY07 are as follows:

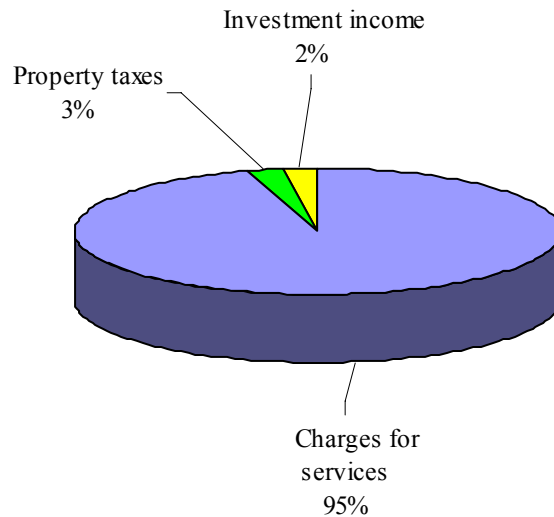
- Business-type activities experienced an increase in net assets of \$2.9 million for FY07. However, this amount is reported after total net transfers out of \$34.1 million. The most significant components of this amount include:
 - \$0.8 million in transfers in from the General Fund to the Silver Spring Parking Lot District, representing the value of donated assets in the form of leased parking garages; netted against
 - \$8.4 million in transfers of parking fees from the Parking Lot Districts to the Mass Transit Fund and Urban Districts; and
 - \$22.1 million in FY07 Liquor Enterprise Fund profits transferred to the General Fund. Under State law, the Montgomery County Department of Liquor Control has a monopoly on the sale of alcoholic beverages within the County.
- Charges for services to users comprise 95.3 percent of revenues, with \$201.7 million (56 percent of charges for services revenue) attributable to liquor control operations and \$100 million (27.7 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 \$9.6 million is the second largest source of revenue at only 2.5 percent.
- Investment income of \$8.3 million reflects an increase of \$2.1 million or 33 percent, primarily because of the continuing increases in interest rates during the year.

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



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

**Revenues by Source - Business-type Activities
For the Fiscal Year Ended June 30, 2007**



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 unreserved 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 FY07, the County's governmental funds reported combined ending fund balances of \$789.9 million, an increase of \$183.8 million from the end of FY06. Of the total ending fund balances, \$515.5 million constitutes the unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of \$274.4 million is unavailable for new spending because it has been reserved for prior period commitments and legal restrictions.

The General Fund is the primary operating fund of the County. At the end of FY07, unreserved and undesignated fund balance of the General Fund was \$140.7 million, while total fund balance was \$316.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 5.3 percent of the total General Fund expenditures and transfers out, while total fund balance represents 12 percent of the same amount.

The fund balance of the County's General Fund increased by \$28 million during FY07, primarily due to higher than originally estimated income taxes.

The Capital Projects Fund has a total fund balance of \$145.6 million, an increase of \$110.9 million from the end of FY06. The increase was primarily due to an increase of \$106.2 million in equity in pooled cash and investments, which was the result of issuing \$300 million of debt during the fiscal year.

The Debt Service Fund accumulates resources for the payment of general long-term debt principal, interest, and related costs. This fund does not maintain a fund balance.

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.

Unrestricted net assets of the Liquor Fund at the end of FY07 amounted to \$18.6 million, and operating income was \$21.5 million. After a subsidy transfer to the General Fund of \$22.1 million, the fund ended FY07 with an decrease in net assets of \$0.3 million.

The Solid Waste Activities Fund total net assets amounted to \$58.3 million, of which the unrestricted net assets were \$11.6 million. Restricted net assets of \$32.1 million are attributable to required debt service reserve accounts for the Solid Waste Disposal revenue bonds.

The Parking Lot Districts Fund increase in net assets amounted to \$3.1 million in FY07, resulting in total ending net assets of \$167.1 million. Of this amount, \$138.5 million (82.9 percent) is invested in capital net of related debt; \$7.4 million (4.4 percent) is restricted for debt service on revenue bonds; and \$21.2 million (12.7 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 \$12.9 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:

- \$9.7 million for snow removal operations, relating to 13 snow events with total snow accumulation of approximately 16 inches, and for wind and rain storm clean up;
- \$1.1 million for increases for the Working Families Income Account to match the State's Refundable Earned Income Tax Credit (EITC) because of the unanticipated jump in the number of eligible recipients;
- \$.6 million to connect the new HOC telephone system to the County's PBX processor;

- \$.3 million to provide emergency service to partially address the service gap left by the closure of the Montgomery Volunteer Dental Clinic; and
- \$.3 million relating to significant increases in occupational medical services.

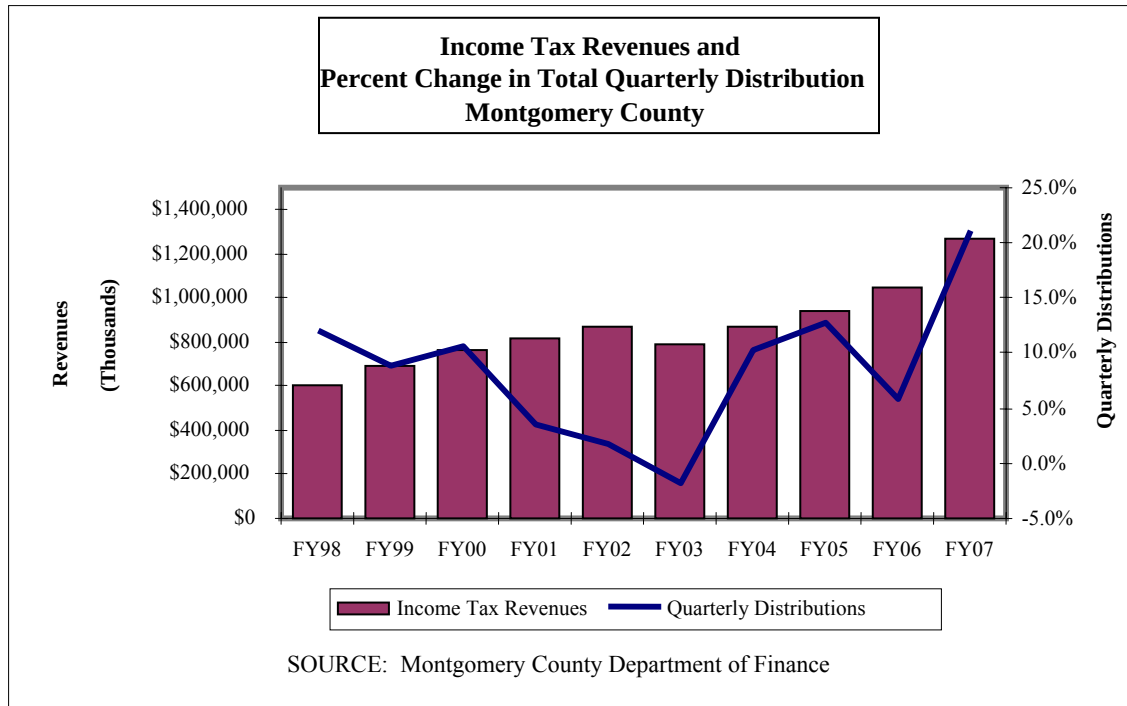
Actual revenues were greater than budget amounts by \$140.4 million, while actual expenditures and net transfers out were less than final budget by \$15.4 million and \$36.3 million, respectively. Highlights of the comparison of final budget to actual figures for expenditures and net transfers for the fiscal year-ended June 30, 2007, include the following:

- Actual expenditures of \$865.9 million were \$15.4 million less than the final budget, which represents 1.7 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 \$47.1 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:

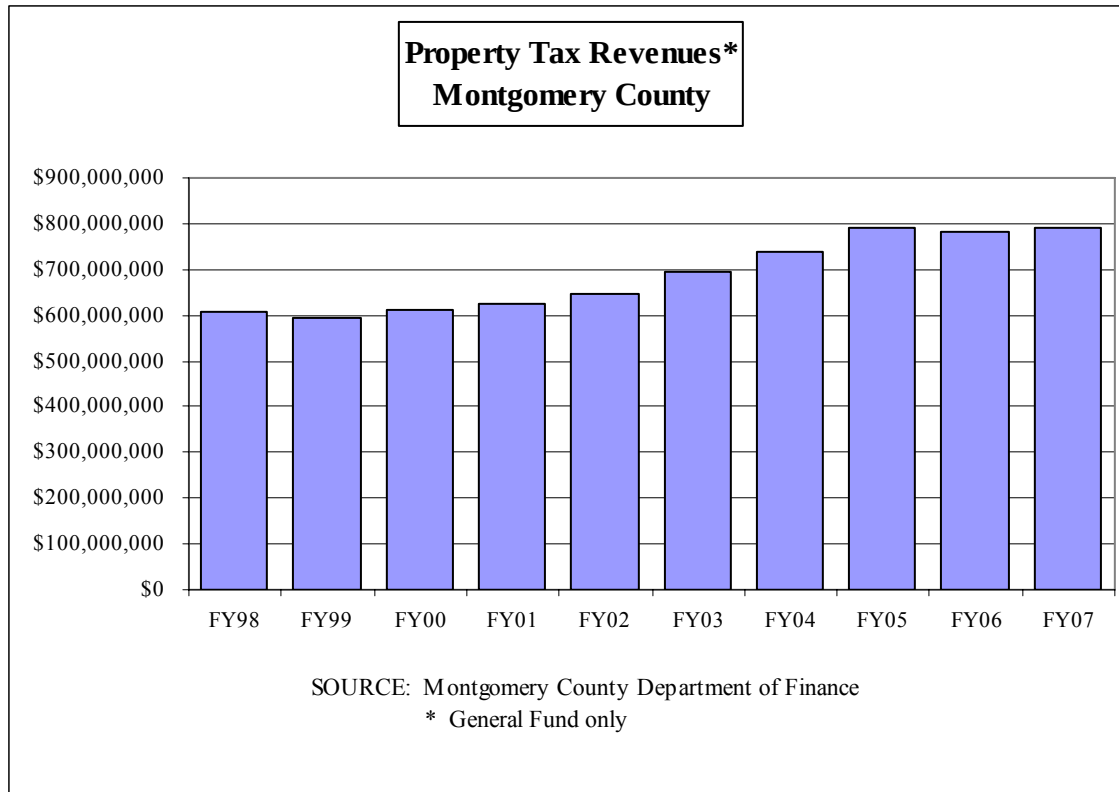
Overview - Actual revenues for the General Fund totaled \$2,598.5 million and were 5.7 percent above the budget estimate for the fiscal year and 7.3 percent above actual revenues for FY06. The three largest contributors to the variance between the budget estimate and actual revenues were the income tax (↑\$186 million above the budget estimate), followed by the transfer tax (↓\$33.7 million below the budget estimate), and finally, the recordation tax (↓\$12.5 million below the estimate). Revenues from excise taxes which include fuel/energy, telephone, hotel/motel, and admissions taxes, were \$168.1 million in FY07. That amount was \$6.2 million or 3.6 percent below the budget estimate. Investment income was approximately \$3.7 million above the budget estimate. Some non-tax sources of revenue came in above the budget estimate. Such sources included licenses and permits (↑5.2%) and miscellaneous revenues (↑7.6%). Intergovernmental revenues were 0.5 percent below the budget estimate. Such decrease was attributed to federal reimbursements which came in 6.1 percent below the budget estimate, and other intergovernmental revenues which were 37.5 percent below the budget estimate. State reimbursements, however, came in 1.5 percent above the budget estimate.

Income Taxes - The largest revenue source for the General Fund is the County income tax. Revenues from the income tax were \$1,265.4 million and represented 52.6 percent of actual tax revenues and 48.7 percent of total actual revenues in FY07. Income tax receipts became the majority source of tax revenues in the General Fund when it surpassed the property tax in size in FY99. The dramatic shift in the reliance on the income tax as a major source of revenue can be attributed to two factors: the expanding employment base in the County and growth in capital gains. With a stock market that recovered in 2004 (↑26.4% in the S&P 500 index) after three consecutive years of decline between 2001 and 2003 (↓10.1%, ↓13%, and ↓23.4%, in the S&P 500 index, respectively) and meager growth in the County's payroll employment during the FY2002-2005 period, revenues increased 6.7 percent in FY02, decreased 9.1 percent in FY03, increased 10.4 percent in FY04, 8.2 percent in FY05, and 11 percent in FY06. With strong employment growth and significant capital gains attributed to home sales and a rebound in the stock market, income taxes increased 21.1 percent in FY07 – the largest increase since FY93. With a significant improvement in employment and the stock market during calendar year 2005 and 2006, actual income tax revenues were up nearly \$220.8 million in FY07 over FY06. As the chart below illustrates, total quarterly distributions for withholding and estimated payments increased +10.2 percent (FY04), +12.7 percent (FY05), +5.8 percent (FY06), and 21.1 percent (FY07).



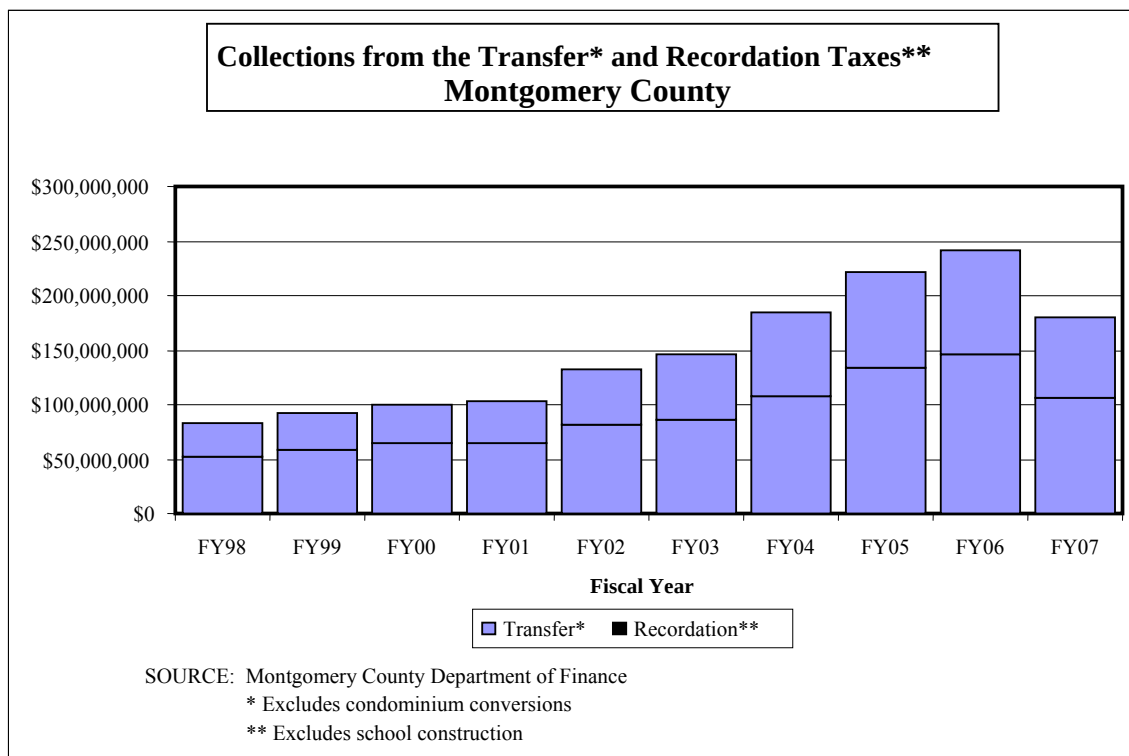
Property Taxes - Property tax collections in the General Fund amounted to \$791.3 million in FY07, which were \$6.6 million (0.8%) above the budget estimate and 1.2 percent above actual revenues in FY06. Actual property taxes, excluding penalty and interest and other items, were \$784.8 million in FY07 – an increase of 0.5 percent over last year. Collections from penalty and interest were \$6.4 million, a six-fold increase compared to FY06. The reason for the modest increase in property tax revenues compared to the budget estimate is attributed to a slightly better increase in personal property taxable assessments and a much greater than expected amount for penalties and interest. The modest increase in property tax collections for the General Fund was also attributed to actions by the County to limit the amount of increase in real property taxes to the rate of inflation as required by the Charter Limit. Such actions by the County included a 5 cent reduction in the overall real property tax rate, an income tax offset to homeowners in the amount of \$54.2 million, and a significantly enhanced County supplemental Homeowner's Tax Credit Program, both of which were applied to (deducted from) the General Fund.

The taxable assessments for real property increased 13.7 percent from FY06 to FY07. This was the largest increase in over eighteen years. New construction, which added \$1.6 billion to the base in FY07, was 4.1 percent higher than in FY06. The real estate market, particularly the annual double-digit price increases during prior fiscal years, fueled the dramatic increase in the reassessment rate from 21.8 percent to 65 percent for Cycle Two reassessments of the County's real property in Levy Year (LY) 2005, that preceded an increase in the rate from 36.3 percent to 63.3 percent for Cycle Three reassessments in LY06, but declined from 51.8 percent to 36.3 percent for Cycle One in LY07. However, because of the homestead credit, annual increases in homeowners' taxable assessments are limited to 10 percent per year although other property such as commercial and investment residential properties are not affected by this credit. While there were dramatic increases in the reassessment rates, which added nearly \$13.6 billion to the assessable base in FY07, such increases were limited by the homestead credit, which excluded \$15 billion in assessments from taxation in FY07.

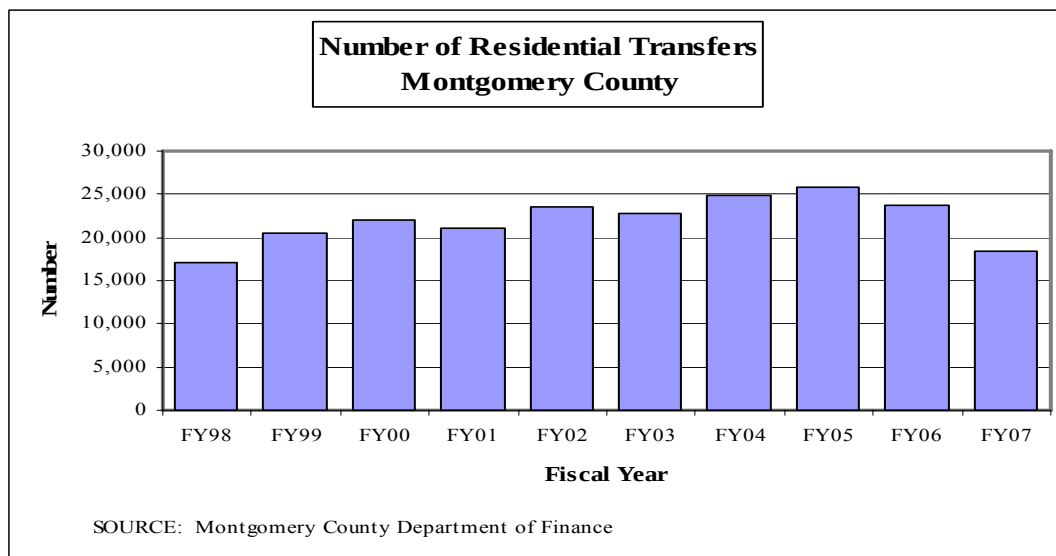


After their decline in FY98, assessments of personal property increased 2.8 percent in FY99, 3.2 percent in FY00, 5.1 percent in FY01, 3 percent in FY02, 0.6 percent in FY03, but declined 6.2 percent in FY04 primarily due to weaknesses in all three categories: individual, public utility, and corporate. Unfortunately, there was no rebound in the subsequent years as illustrated by a 1.5 percent decline in FY05, and another 1.8 percent decline in FY06. The declines in FY05 and FY06 were attributed to adjustments to individual personal property undertaken by the Maryland Department of Assessments and Taxation. However, because of the rebound in personal property for utilities, assessments increased 3.1 percent in FY07. For the past four fiscal years, taxable assessments for personal property declined from a high of \$4.2 billion in FY03 to \$3.9 billion by FY07 – an average annual rate of decline of 1.7 percent. Despite the weaker trend in personal property since FY04, the total taxable assessment grew 9.6 percent in FY05, 11.9 percent in FY06, and 13.4 percent in FY07.

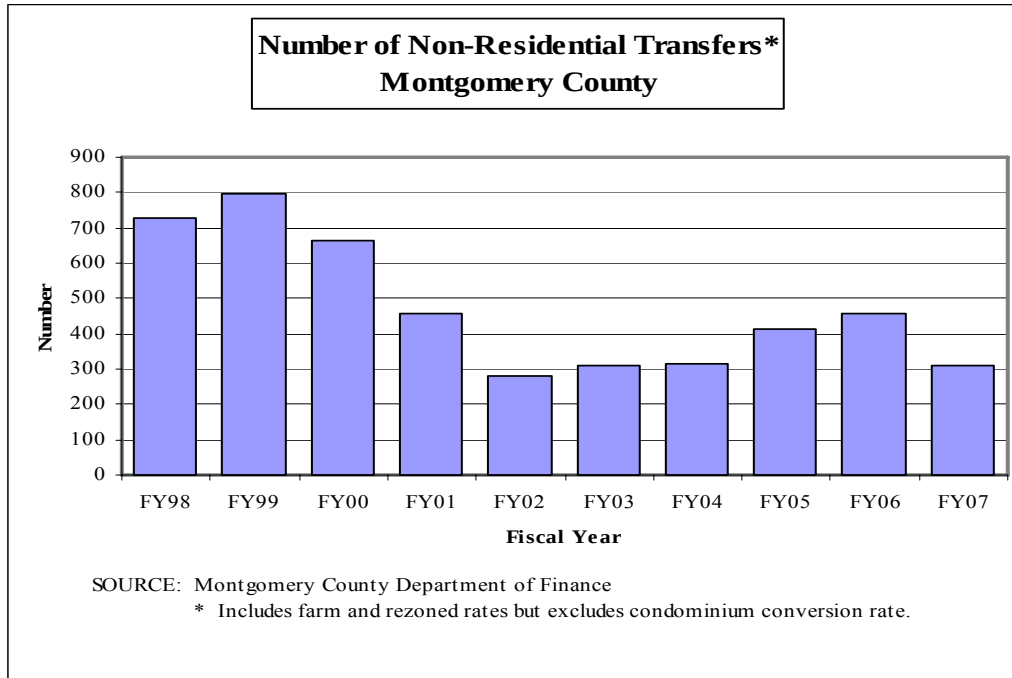
Transfer and Recordation Taxes - The third major category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources were \$179.6 million (excluding recordation tax revenues earmarked for CIP funding of school construction and transfer tax revenues from condominium conversions), and 20.4 percent below the budget estimate and 25.7 percent below actual revenues in FY06. The decline in collections from transfer and recordation taxes was the first in over ten years. The drop in housing sales (↓21.7%) during FY07 was the major factor in the decline. As the accompanying chart illustrates, the amount collected from these taxes increased from \$83 million in FY98 to a peak of \$241.7 million in FY06, before declining to \$179.6 million in FY07, the lowest amount since the increase in the recordation tax beginning in FY03 from \$4.40 per \$1,000 to \$6.90 per \$1,000 of the value of the contract excluding the first \$50,000 exempted from taxation.



Revenues from the transfer tax experienced the greater decline in FY07 (↓26.5%) compared to the recordation tax (↓24.5%). Because of the decrease attributed to a dramatic reduction in sales in FY07, revenues from the residential sector were \$93.2 million, a decrease of 23.3 percent over FY06 – the first significant decrease since FY95. The number of residential transfers declined to approximately 18,400 (↓22.7%) – the lowest level since FY98 (17,100) and reflecting the drop in housing sales (↓21.7%).



The commercial market decline was greater than that for the residential sector with revenues decreasing 49.2 percent from \$19.5 million to \$9.9 million. The number of transfers declined 35.1 percent to 240 – the lowest level of activity since FY02 (169).



Other Taxes - The remaining tax sources – consisting of hotel/motel, fuel/energy, telephone, and admissions and amusement taxes – totaled \$168.1 million and were approximately \$6.2 million, or 3.6 percent, below the budget estimate. The opening of the Conference Center in North Bethesda in late CY04 continued to contribute to growth in revenues from the hotel/motel industry (↑3.2% percent above the budget estimate) during FY07. The remaining consumption taxes were below budget estimates. Revenues from the telephone tax were 2.6 percent below the budget estimate. The decrease in telephone revenues was attributed to the decline in landlines which offset increases in the use of cellular telephones. The fuel/energy tax (↓4.5%) from the budget estimate, which was attributed to a mild winter and therefore a decline in revenues from non-electric energy products such as fuel oil (↓10.7%) and natural gas (↓2.9%); and the dramatic decrease in the admissions tax (↓13.9%) from the budget estimate, which was attributed to the decline in tax receipts from two largest sources of revenues – movie theaters (↓4.7%) and golf activities (↓20.8%).

Investment Income - In the General Fund, investment income increased from \$8.7 million in FY06 to \$13.2 million and was 39.3 percent above the budget estimate. The dramatic increases in FY05, FY06, and FY07 followed declines in FY01, FY02, FY03, and FY04, which were the result of the accommodative policy of the Federal Open Market Committee (FOMC) of the Federal Reserve that reduced interest rates beginning in January 2001. From June 2004 to June 2006, the FOMC raised the target interest rate for federal funds seventeen times from 1 percent to 5.25 percent. Because of this 400 basis point increase over a two-year period, short-term or money market rates increased as well, hence the average yield on cash equity for the County increased from 1.13 percent in FY04, to 2.19 percent in FY05, to 4.12 percent in FY06, and to 5.21 percent in FY07. Total pooled investment income on a budgetary basis, which includes all funds and outside participants excluding unrealized gains or losses, was \$57.2 million or 57.1 percent above last fiscal year. That increase in revenues with a lesser rate of increase in spending is reflected in the daily portfolio balance which increased from \$883.6 to \$930.9 million in FY07.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2007, amounted to \$2,851.8 million (net of accumulated depreciation and amortization), as summarized below:

Capital Assets, Net of Depreciation June 30, 2007				
	Governmental Activities	Business-type Activities	Total FY07	Total FY06
Land	\$ 570,094,938	\$ 52,777,663	\$ 622,872,601	\$ 597,057,651
Buildings	502,217,888	130,352,134	632,570,022	618,043,018
Improvements other than buildings	29,937,806	25,851,637	55,789,443	52,744,726
Furniture, fixtures, equipment and machinery	117,855,254	6,068,346	123,923,600	129,147,867
Leasehold improvements	10,701,654	-	10,701,654	10,765,782
Automobiles and trucks	104,609,300	1,270,557	105,879,857	94,551,882
Infrastructure	1,116,661,608	13,921	1,116,675,529	1,112,270,123
Other assets	588,153	-	588,153	796,126
Construction in progress	175,087,781	7,757,660	182,845,441	150,887,596
Total	<u>\$ 2,627,754,382</u>	<u>\$ 224,091,918</u>	<u>\$ 2,851,846,300</u>	<u>\$ 2,766,264,771</u>

Changes in the County's capital assets for FY07 are summarized as follows:

Change in Capital Assets For the Fiscal Year Ended June 30, 2007				
	Governmental Activities	Business-type Activities	Total FY07	Total FY06
Beginning Balance	\$ 2,543,442,004	\$ 222,822,767	\$ 2,766,264,771	\$ 2,678,847,776
Additions*	172,999,695	12,929,807	185,929,502	192,770,832
Retirements, net*	444,956	22,477	467,433	1,938,853
Depreciation expense	88,242,361	11,638,179	99,880,540	103,414,984
Ending Balance	<u>\$ 2,627,754,382</u>	<u>\$ 224,091,918</u>	<u>\$ 2,851,846,300</u>	<u>\$ 2,766,264,771</u>
* Presented net of transfers from construction in progress; retirements are also net of related accumulated depreciation.				

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

- Roads, including underlying land, valued at \$17 million were transferred to the County by various developers.
- In order to provide congestion relief and improve safe turning movement onto Montrose Road, as well as reduce neighborhood cut-through traffic in neighborhoods abutting Montrose Road, an additional \$12.4 million was spent to construct Montrose Parkway West. This will be a new four-lane road from Montrose Road traveling east to 'old' Old Georgetown Road.

- The County incurred \$4.9 million in construction costs towards improvements to the Solid Waste Disposal Transfer Station.

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, 2007:

Long-Term Debt				
June 30, 2007				
	Governmental Activities	Business-type Activities	Total FY07	Total FY06
General obligation bonds	\$ 1,512,675,607	\$ 2,447	\$ 1,512,678,054	\$ 1,393,888,054
Variable rate demand obligation	100,000,000	-	100,000,000	100,000,000
Bond anticipation notes	150,000,000	-	150,000,000	100,000,000
Revenue bonds	-	61,800,000	61,800,000	70,620,000
Lease revenue bonds	38,255,000	-	38,255,000	39,790,000
Notes payable *	13,975,293	926,268	14,901,561	13,980,419
Capital leases	81,316,156	10,033,172	91,349,328	87,086,843
Compensated absences	58,916,381	4,523,258	63,439,639	59,329,643
Claims and judgements	-	1,200,000	1,200,000	-
Landfill closure costs	-	24,697,923	24,697,923	22,150,923
Total	\$ 1,955,138,437	\$ 103,183,068	\$ 2,058,321,505	\$ 1,886,845,882
* Notes payable include equipment notes, taxable term loans, and HUD loan.				

At June 30, 2007, the County had outstanding general obligation (GO) bonds of \$1,512.7 million, with outstanding variable rate demand obligations (VRDOs) of \$100 million and bond anticipation notes (BANs) of \$150 million. Over the last ten years, the County issued its GO bonds once a year. The County adopted a policy in 1988 of initially financing capital construction 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. Since FY97, the County sold general obligation bond issues, exclusive of refundings, of up to \$250 million. Over the last ten fiscal years, the County's annual issues (including the June 2006 issue of \$100 million of VRDOs) averaged \$162.5 million.

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, Inc. 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.

As of June 30, 2007, Montgomery County is one of only eight 'Triple AAA' rated counties in the nation with a population greater than 900,000. According to Standard and Poor's, a deep, diverse, and growing economy; strong financial management; and a low debt burden are the hallmarks of counties rated 'AAA.' 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.

Continuing Disclosure - For purposes of complying with the County's continuing disclosure undertakings, this Comprehensive Annual Financial Report is provided to each nationally recognized municipal securities information repository and to the state information depository, if any, established for Maryland. The County is currently satisfying its disclosure requirements via electronic filings with the Texas Municipal Advisory Council at <http://www.disclosureusa.org>. Individuals interested in the information to be provided pursuant to such continuing disclosure undertakings should refer to the A Exhibits and Notes to the Financial Statements, as well as Tables 4, 8, 9, 11, 17-21.

Significant bond-related debt activities during FY07 were:

- General Obligation Bonds – This latest installment of the County's annual issue, for \$250 million in May 2007, funds capital expenditures for roads, schools, and government facilities. The proceeds of this bond issue were used to pay off an equivalent amount of the County's BANs.

Significant debt activities relating to capital lease agreements during FY07 were:

- Temperature-Controlled Liquor Warehouse Project – The County entered into a lease financing arrangement in October 2006 to finance the construction of a temperature-controlled liquor warehouse for the Department of Liquor Control. Total proceeds were \$10.6 million, and the lease term is for eight years. The true interest cost of this lease was 3.63%. During FY07, \$0.6 million in expenditures on this project were incurred and capitalized.

The County also managed two debt transactions during FY07 which were outside the County's typical bonding activity. Below is a brief description.

- Conduit Debt – The Department of Finance administers and manages the County's Economic Development Revenue Bond program. In October 2006, the County issued bonds in the amount of \$20 million on behalf of The Heights School. The proceeds will be used to finance, in part, the implementation of a campus master plan on the school's campus. In May 2007, the County issued bonds in the amount of \$15.3 million on behalf of Sidwell Friends School. The proceeds will be used to finance the construction of a new athletic facility, and the renovation and addition of new classrooms, on the school's campus.

Conduit Debt does not constitute indebtedness to which the full faith and credit of Montgomery County or any other public body is pledged. Bonds are issued and sold without direct or indirect cost to the County.

Additional information pertaining to the County's long-term debt can be found in Notes to Financial Statements, Notes I-D7, III-E3, and III-F.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors are reflected in the County's FY08 budget:

- The County's economic projections in the FY08 budget assume a continued modest economic expansion in FY08 with the County experiencing low unemployment and an increase in total payroll employment.
- On a calendar year basis, total payroll employment increased 1.3 percent in CY06, the latest year for which data are available. That rate followed an average annual increase of slightly more than 0.9 percent between CY02 and CY05. Following a modest improvement payroll employment during CY06, the County

anticipates a slight improvement in the growth of payroll employment in CY07 and CY08 with an estimated increase of 1.7 percent and 1.4 percent, respectively.

- The projection in the FY08 budget assumes that personal income will increase 5.7 percent in CY07 and 5.4 percent in CY08. Those rates are slightly below the estimated four-year annual average growth rate of 5.8 percent between CY03-CY06.
- On a calendar year basis, employment in Montgomery County based on the labor force series as opposed to payroll employment, is expected to increase 1.5 percent in CY07 and decelerate to 0.7 percent in CY08. The rate of growth in resident employment is estimated to remain steady at an annual rate of 1.1 percent between CY09 and CY13. That estimate is consistent with the slower estimated growth in County population moderating to 0.8 percent annual growth rate by CY13.
- The deceleration in the growth of employment in FY08 and personal income reflects the estimated slowdown in the national economy. That slowdown is attributed to the efforts of the Federal Open Market Committee (FOMC) of the Board of Governors of the Federal Reserve System (Federal Reserve) to reduce the rate of inflation by holding the target rate on federal funds rate at 5.25 percent through the second half of CY07 and only a 25 basis point cut during the first half of CY08.
- Inflation, as measured by the Consumer Price Index, is expected to increase 3.1 percent in FY08 which follows a 3.4 percent increase in FY07. Because of the anticipated policy directives by the FOMC of the Federal Reserve during FY08, the County's economic projections include a decrease in the yield on its investments from 5.23 percent in FY07 to 5.15 percent for FY08.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, (GASB 45) addresses how state and local governments should account for and report their costs and obligations related to other postemployment 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 anticipates implementing GASB 45 as required in FY08.

In November 2006, the County obtained actuarial valuation information addressing the extent of the County's liability to its retirees for OPEB as of July 1, 2006. The OPEB report is subject to a number of actuarial and economic assumptions; these assumptions were generally similar to the assumptions used in evaluating the County's pension fund liabilities.

Based on the assumptions and qualifications stated therein, the OPEB report concluded that, assuming full prefunding, the FY08 annual required contribution (ARC) for the County and its tax supported agencies is \$240 million, and the related actuarial accrued liability (AAL) is \$2.6 billion. Assuming a five-year phase-in approach to full prefunding, the budgetary impact in FY08 for the tax supported agencies would be \$38.9 million. This includes \$31.9 million to meet the OPEB phase-in obligation and \$7 million related to increased retiree benefit costs.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2007
Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Total
ASSETS				
Equity in pooled cash and investments	\$ 793,046,101	\$ 94,617,411	\$ 887,663,512	\$ 60,602,360
Cash with fiscal agents	32,855,104	-	32,855,104	10,221,585
Cash	182,179	197,945	380,124	8,961,859
Investments-cash equivalents	-	-	-	114,360,274
Investments	4,723,343	-	4,723,343	41,216,214
Receivables (net of allowances for uncollectibles):				
Income taxes	434,040,693	-	434,040,693	-
Property taxes	18,150,328	1,464,862	19,615,190	-
Capital leases	38,255,000	-	38,255,000	38,658,715
Accounts	41,556,794	5,274,586	46,831,380	27,864,444
Special assessments	13,438	-	13,438	-
Notes	5,708,184	-	5,708,184	33,400,000
Parking violations	567,710	2,193,115	2,760,825	-
Mortgages receivable	127,840,721	-	127,840,721	341,083,260
Interest	60,110	-	60,110	5,674,914
Other	266,832	-	266,832	35,249,047
Net internal balance	1,124,965	(1,124,965)	-	-
Due from primary government	-	-	-	71,433,869
Due from component units	57,246,904	686,970	57,933,874	-
Due from other governments	59,967,494	135,747	60,103,241	31,604,960
Inventory of supplies	8,924,560	30,352,675	39,277,235	10,031,597
Prepays	1,176,688	650,386	1,827,074	2,864,192
Deferred charges	4,897,699	994,183	5,891,882	665,364
Other assets	-	135,058	135,058	38,750,404
Restricted Assets:				
Equity in pooled cash and investments	-	34,764,116	34,764,116	-
Cash with fiscal agents	99,751	10,645,654	10,745,405	9,732,046
Cash	-	-	-	457,996
Investments - cash equivalents	-	-	-	101,367,862
Investments	-	4,730,758	4,730,758	172,225,048
Capital Assets:				
Nondepreciable assets	745,182,719	60,535,323	805,718,042	391,940,402
Depreciable assets, net	1,882,571,663	163,556,595	2,046,128,258	1,939,749,016
Total Assets	<u>\$ 4,258,458,980</u>	<u>\$ 409,810,419</u>	<u>\$ 4,668,269,399</u>	<u>\$ 3,488,115,428</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS, CONCLUDED
JUNE 30, 2007
Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Total
LIABILITIES				
Accounts payable	\$ 74,371,757	\$ 24,033,676	\$ 98,405,433	\$ 81,150,565
Interest payable	20,855,016	455,632	21,310,648	17,647,655
Retainage payable	5,764,643	1,211,465	6,976,108	12,131,775
Accrued liabilities	48,495,408	10,695,402	59,190,810	77,922,919
Claims payable	86,072,292	-	86,072,292	24,815,807
Deposits	162,308	410,756	573,064	8,377,294
Due to primary government	-	-	-	58,065,652
Due to component units	70,837,129	596,740	71,433,869	-
Due to other governments	13,239,819	983,836	14,223,655	-
Unearned revenue	39,702,985	1,038,780	40,741,765	28,278,771
Other liabilities	-	595,836	595,836	11,777,455
Noncurrent Liabilities:				
Due within one year	350,660,216	18,141,579	368,801,795	86,033,627
Due in more than one year	1,650,273,904	85,046,938	1,735,320,842	1,051,465,691
Total Liabilities	<u>2,360,435,477</u>	<u>143,210,640</u>	<u>2,503,646,117</u>	<u>1,457,667,211</u>
NET ASSETS				
Invested in capital, net of related debt	1,880,672,363	160,807,324	1,999,920,988	1,885,645,105
Restricted for:				
Capital projects	110,925,610	-	110,925,610	2,577,289
Nonexpendable permanent fund - housing	5,322,443	-	5,322,443	-
General government	140,560,879	-	140,560,879	-
Public safety	19,794,471	-	19,794,471	-
Public works and transportation	9,197,192	72,370,254	81,567,446	-
Recreation	9,060,100	-	9,060,100	-
Community development and housing	141,924,238	-	141,924,238	-
Environment	3,929,859	-	3,929,859	-
Debt service	-	-	-	36,442,245
Other purposes	-	-	-	30,117,305
Unrestricted (deficit)	(423,363,652)	33,422,201	(348,382,752)	75,666,273
Total Net Assets	<u>\$ 1,898,023,503</u>	<u>\$ 266,599,779</u>	<u>\$ 2,164,623,282</u>	<u>\$ 2,030,448,217</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-2

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Government Activities:				
General government	\$ 274,005,357	\$ 58,026,709	\$ 9,906,187	\$ 1,068
Public safety	529,748,046	21,633,121	32,672,761	6,444,925
Public works and transportation	210,395,916	18,262,635	65,774,815	29,777,979
Health and human services	252,066,273	3,894,842	113,457,584	-
Culture and recreation	103,765,006	26,155,477	4,852,256	11,974,970
Community development and housing	18,213,040	245,105	4,568,516	3,252,035
Environment	12,962,711	5,954,673	336,713	-
Education	1,669,681,121	-	-	-
Interest on long-term debt	81,262,618	-	-	-
Total Governmental Activities	<u>3,152,100,088</u>	<u>134,172,562</u>	<u>231,568,832</u>	<u>51,450,977</u>
Business-type Activities:				
Liquor control	180,243,618	201,744,558	-	-
Solid waste disposal and collection	103,455,706	99,990,932	11,135	-
Parking lot districts	26,622,097	25,306,635	-	-
Permitting services	23,463,486	25,523,639	-	-
Community use of public facilities	7,657,662	7,869,818	-	-
Total Business-type Activities	<u>341,442,569</u>	<u>360,435,582</u>	<u>11,135</u>	<u>-</u>
Total Primary Government	<u>\$ 3,493,542,657</u>	<u>\$ 494,608,144</u>	<u>\$ 231,579,967</u>	<u>\$ 51,450,977</u>
Component Units:				
General government (BUP)	\$ 4,076,287	\$ 3,838,061	\$ 295,772	\$ -
Culture and recreation (MCRA)	19,973,068	18,406,512	-	358,171
Community development and housing (HOC)	185,196,037	100,990,296	86,969,258	5,126,988
Education:				
Elementary and secondary education (MCPS)	2,031,589,998	32,863,673	103,624,408	52,928,959
Higher education (MCC)	237,155,429	67,911,834	28,745,322	629,325
Total Component Units	<u>\$ 2,477,990,819</u>	<u>\$ 224,010,376</u>	<u>\$ 219,634,760</u>	<u>\$ 59,043,443</u>
General Revenues:				
Property taxes				
County income taxes				
Real property transfer taxes				
Recordation taxes				
Fuel energy taxes				
Hotel-motel taxes				
Telephone taxes				
Other taxes				
Grants and contributions not restricted to specific programs				
Investment income				
Gain on sale of capital assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (206,071,393)	\$ -	\$ (206,071,393)	\$ -	
(468,997,239)	-	(468,997,239)	-	
(96,580,487)	-	(96,580,487)	-	
(134,713,847)	-	(134,713,847)	-	
(60,782,303)	-	(60,782,303)	-	
(10,147,384)	-	(10,147,384)	-	
(6,671,325)	-	(6,671,325)	-	
(1,669,681,121)	-	(1,669,681,121)	-	
(81,262,618)	-	(81,262,618)	-	
(2,734,907,717)	-	(2,734,907,717)	-	
-	21,500,940	21,500,940	-	
-	(3,453,639)	(3,453,639)	-	
-	(1,315,462)	(1,315,462)	-	
-	2,060,153	2,060,153	-	
-	212,156	212,156	-	
-	19,004,148	19,004,148	-	
(2,734,907,717)	19,004,148	(2,715,903,569)	-	
-	-	-	57,546	
-	-	-	(1,208,385)	
-	-	-	7,890,505	
-	-	-	(1,842,172,958)	
-	-	-	(139,868,948)	
-	-	-	(1,975,302,240)	
1,126,632,925	9,562,592	1,136,195,517	-	
1,388,927,139	-	1,388,927,139	-	
106,902,482	-	106,902,482	-	
72,672,928	-	72,672,928	-	
118,853,224	-	118,853,224	-	
17,476,723	-	17,476,723	-	
29,375,812	-	29,375,812	-	
7,028,984	-	7,028,984	-	
-	-	-	2,125,349,784	
42,003,532	8,339,098	50,342,630	12,952,114	
6,209,594	34,637	6,244,231	24,224	
34,073,566	(34,073,566)	-	-	
2,950,156,909	(16,137,239)	2,934,019,670	2,138,326,122	
215,249,192	2,866,909	218,116,101	163,023,882	
1,682,774,311	263,732,870	1,946,507,181	1,867,424,335	
\$ 1,898,023,503	\$ 266,599,779	\$ 2,164,623,282	\$ 2,030,448,217	

MONTGOMERY COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007
Exhibit A-3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	\$ 239,433,271	\$ 1,055,820	\$ 209,928,009	\$ 206,451,057	\$ 656,868,157
Cash with fiscal agents	1,239,215	27,826,160	3,789,729	-	32,855,104
Cash	151,579	-	-	30,300	181,879
Investments	-	-	-	4,723,343	4,723,343
Receivables (net of allowances for uncollectibles):					
Income taxes	434,040,693	-	-	-	434,040,693
Property taxes	14,118,766	-	-	4,031,562	18,150,328
Capital leases	-	38,255,000	-	-	38,255,000
Accounts	36,908,492	9,545	425,730	3,129,902	40,473,669
Special assessments	-	13,438	-	-	13,438
Notes	-	-	47,984	5,648,772	5,696,756
Parking violations	567,710	-	-	-	567,710
Mortgages receivable	182,905	-	300,000	127,357,816	127,840,721
Interest	-	-	-	60,110	60,110
Other	-	-	1,604	262,199	263,803
Due from other funds	80,112,248	-	-	6,808,954	86,921,202
Due from component units	3,385,963	-	14,268,153	39,035,782	56,689,898
Due from other governments	21,506,107	-	13,742,689	24,370,672	59,619,468
Inventory of supplies	5,121,740	-	567,508	-	5,689,248
Prepays	464,060	-	1,335	469,276	934,671
Total Assets	<u>\$ 837,232,749</u>	<u>\$ 67,159,963</u>	<u>\$ 243,072,741</u>	<u>\$ 422,379,745</u>	<u>\$ 1,569,845,198</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 29,486,944	\$ 328,653	\$ 17,452,569	\$ 20,145,494	\$ 67,413,660
Retainage payable	34,061	-	5,696,451	34,131	5,764,643
Accrued liabilities	26,969,508	-	676,524	10,754,973	38,401,005
Deposits	-	-	-	162,308	162,308
Due to other funds	9,523,976	27,824,160	53,389,483	10,181,092	100,918,711
Due to component units	53,551,366	-	15,143,550	2,064,592	70,759,508
Due to other governments	4,122,674	-	3,349,800	5,754,023	13,226,497
Deferred revenue	396,792,612	39,007,150	1,800,854	45,682,554	483,283,170
Total Liabilities	<u>520,481,141</u>	<u>67,159,963</u>	<u>97,509,231</u>	<u>94,779,167</u>	<u>779,929,502</u>
Fund Balances:					
Reserved for:					
Legal debt restrictions	-	-	80,513,152	-	80,513,152
Long-term receivables	-	-	14,268,153	132,384,872	146,653,025
Inventory	5,121,740	-	567,508	-	5,689,248
Prepays	464,060	-	1,335	442,120	907,515
Fire-Rescue Grant	-	-	-	1,429,112	1,429,112
Donor-specified purposes	-	-	-	1,257,694	1,257,694
Other purposes	2,188,604	-	30,412,458	5,322,443	37,923,505
Total Reserved	<u>7,774,404</u>	<u>-</u>	<u>125,762,606</u>	<u>140,836,241</u>	<u>274,373,251</u>
Unreserved, designated for, reported in:					
Encumbrances	24,603,431	-	19,800,904	17,931,466	62,335,801
General Fund	143,723,513	-	-	-	143,723,513
Special Revenue Funds	-	-	-	25,856,076	25,856,076
Unreserved, undesignated (deficit), reported in:					
General Fund	140,650,260	-	-	-	140,650,260
Special Revenue Funds	-	-	-	142,976,795	142,976,795
Total Unreserved (Deficit)	<u>308,977,204</u>	<u>-</u>	<u>19,800,904</u>	<u>186,764,337</u>	<u>515,542,445</u>
Total Fund Balances	<u>316,751,608</u>	<u>-</u>	<u>145,563,510</u>	<u>327,600,578</u>	<u>789,915,696</u>
Total Liabilities and Fund Balances	<u>\$ 837,232,749</u>	<u>\$ 67,159,963</u>	<u>\$ 243,072,741</u>	<u>\$ 422,379,745</u>	<u>\$ 1,569,845,198</u>

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

MONTGOMERY COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007
Exhibit A-4

Total fund balance - governmental funds (see Exhibit A-3)		\$ 789,915,696
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental fund activities are not financial resources and therefore not reported in the funds:		
Nondepreciable capital assets:		
Land	\$ 570,072,432	
Construction in progress	175,087,781	
Depreciable capital assets:		
Buildings	747,860,840	
Improvements other than buildings	45,356,635	
Furniture, fixtures, equipment and machinery	234,985,051	
Automobiles and trucks	132,508,985	
Infrastructure	1,532,498,928	
Other capital assets	2,079,731	
Total capital assets	3,440,450,383	
Less accumulated depreciation	(844,500,529)	2,595,949,854
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	(1,512,675,607)	
Variable rate demand obligations	(100,000,000)	
Bond anticipation notes payable	(150,000,000)	
Lease revenue bonds payable	(38,255,000)	
Accrued interest payable	(20,848,695)	
Capital leases payable	(81,316,156)	
Notes payable	(13,246,071)	
Compensated absences	(57,461,755)	(1,973,803,284)
Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements:		
Unamortized premiums	(71,004,509)	
Deferred amount on refunding	25,208,826	
Deferred issuance costs	4,897,699	(40,897,984)
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 assets:		
Assets:		
Current and noncurrent assets	147,954,217	
Capital assets	76,289,267	
Less accumulated depreciation	(44,484,739)	
Liabilities	(97,852,132)	
Cumulative loss for certain activities of internal service funds that is reported with business-type activities	710,493	82,617,106
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes	364,700,000	
Property taxes	14,713,560	
Intergovernmental revenue	19,260,054	
Other revenue	45,568,501	444,242,115
Net assets of governmental activities (see Exhibit A-1)		<u>\$ 1,898,023,503</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-5

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,404,365,480	\$ -	\$ 53,802,027	\$ 293,696,556	\$ 2,751,864,063
Licenses and permits	10,496,148	-	-	1,922,436	12,418,584
Intergovernmental	138,069,464	-	25,134,191	104,472,276	267,675,931
Charges for services	31,517,436	169	1,088,293	46,895,917	79,501,815
Fines and forfeitures	10,216,457	-	-	2,372,069	12,588,526
Investment income	12,551,303	5,885,146	2,817,411	12,893,568	34,147,428
Miscellaneous	9,828,650	-	834,140	2,536,368	13,199,158
Total Revenues	<u>2,617,044,938</u>	<u>5,885,315</u>	<u>83,676,062</u>	<u>464,789,190</u>	<u>3,171,395,505</u>
EXPENDITURES					
Current:					
General government	232,629,908	-	-	15,622,114	248,252,022
Public safety	308,405,960	-	-	198,323,370	506,729,330
Public works and transportation	57,598,162	-	-	114,303,672	171,901,834
Health and human services	207,203,634	-	-	44,193,100	251,396,734
Culture and recreation	47,470,093	-	-	40,402,627	87,872,720
Community development and housing	11,935,777	-	-	5,189,799	17,125,576
Environment	3,459,159	-	-	5,161,752	8,620,911
Education	1,490,679,488	-	-	-	1,490,679,488
Debt Service:					
Principal retirement:					
General obligation bonds	-	131,207,553	-	-	131,207,553
Bond anticipation notes	-	250,000,000	-	-	250,000,000
Other notes	-	2,775,866	-	-	2,775,866
Interest:					
General obligation bonds	-	64,370,363	-	-	64,370,363
Variable rate demand obligations	-	3,615,507	-	-	3,615,507
Bond anticipation notes	-	6,784,398	-	-	6,784,398
Other notes	-	363,258	-	-	363,258
Leases and other obligations	-	16,030,672	-	-	16,030,672
Issuing costs	-	1,208,672	-	-	1,208,672
Capital projects	-	-	342,299,052	-	342,299,052
Total Expenditures	<u>2,359,382,181</u>	<u>476,356,289</u>	<u>342,299,052</u>	<u>423,196,434</u>	<u>3,601,233,956</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>257,662,757</u>	<u>(470,470,974)</u>	<u>(258,622,990)</u>	<u>41,592,756</u>	<u>(429,838,451)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	39,178,664	226,238,628	48,175,737	36,295,040	349,888,069
Transfers (out)	(269,862,482)	(6,175,154)	-	(40,394,415)	(316,432,051)
Sale of property	-	-	2,220,612	4,319,907	6,540,519
Financing under notes and leases payable	150,640	-	-	3,108,640	3,259,280
Debt Issued:					
General obligation bonds	-	250,000,000	-	-	250,000,000
Premium on general obligation bonds	-	407,500	18,431,500	-	18,839,000
Bond anticipation notes	-	-	300,000,000	-	300,000,000
Lease revenue bonds	835,614	-	-	-	835,614
Capital lease financing	-	-	663,698	-	663,698
Total Other Financing Sources (Uses)	<u>(229,697,564)</u>	<u>470,470,974</u>	<u>369,491,547</u>	<u>3,329,172</u>	<u>613,594,129</u>
Net Change in Fund Balances	27,965,193	-	110,868,557	44,921,928	183,755,678
Fund Balances (Deficit) - Beginning of Year	288,786,415	-	34,694,953	282,678,650	606,160,018
Fund Balances - End of Year	<u>\$ 316,751,608</u>	<u>\$ -</u>	<u>\$ 145,563,510</u>	<u>\$ 327,600,578</u>	<u>\$ 789,915,696</u>

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

MONTGOMERY COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-6

Net change in fund balances - total governmental funds (see Exhibit A-5) \$ 183,755,678

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

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

Capital outlay	\$ 147,239,165	
Depreciation expense	<u>(81,418,848)</u>	65,820,317

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds all proceeds are reported as financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of capital assets sold. (330,925)

Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources. 17,277,364

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. Deferred revenues increased (decreased) this year, as follows:

Income taxes	123,550,000	
Property taxes	(3,449,440)	
Intergovernmental revenues	(8,292,532)	
Other revenues	<u>(3,409,384)</u>	108,398,644

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

Debt issued or incurred:		
General obligation bonds	(268,839,000)	
Bond anticipation notes	(300,000,000)	
Capital lease financing	(663,698)	
Lease revenue bonds	(835,614)	
Notes payable	(3,259,280)	
Less issuance costs	429,982	
Principal repayments:		
General obligation bonds	131,207,553	
Bond anticipation notes	250,000,000	
Leases payable	2,673,356	
Capital leases	7,270,000	
Notes payable	2,841,050	
Other debt	<u>1,538,393</u>	(177,637,258)

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

Accrued interest payable	(31,049)	
Compensated absences	(3,572,132)	
Amortization	<u>4,124,639</u>	521,458

The current year gain for certain activities of internal service funds is reported with governmental activities. 17,443,914

Change in net assets of governmental activities (see Exhibit A-2) \$ 215,249,192

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

MONTGOMERY COUNTY, MARYLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-7

	Budget					Actual	Variance Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Revisions	Final		
Revenues:							
Taxes:							
Property	\$ -	\$ 779,634,172	\$ 779,634,172	\$ -	\$ 779,634,172	\$ 784,842,352	\$ 5,208,180
Property - penalty and interest	-	5,024,323	5,024,323	-	5,024,323	6,447,102	1,422,779
Other	-	-	-	-	-	10,001	10,001
Total Property Tax	-	784,658,495	784,658,495	-	784,658,495	791,299,455	6,640,960
County Income Tax	-	1,079,350,000	1,079,350,000	-	1,079,350,000	1,265,377,139	186,027,139
Other Local Taxes:							
Real property transfer	-	140,560,000	140,560,000	-	140,560,000	106,902,482	(33,657,518)
Recordation	-	85,170,000	85,170,000	-	85,170,000	72,672,928	(12,497,072)
Fuel energy	-	124,400,000	124,400,000	-	124,400,000	118,853,224	(5,546,776)
Hotel - motel	-	16,940,000	16,940,000	-	16,940,000	17,476,723	536,723
Telephone	-	30,170,000	30,170,000	-	30,170,000	29,375,812	(794,188)
Other	-	2,796,000	2,796,000	-	2,796,000	2,407,717	(388,283)
Total Other Local Taxes	-	400,036,000	400,036,000	-	400,036,000	347,688,886	(52,347,114)
Total Taxes	-	2,264,044,495	2,264,044,495	-	2,264,044,495	2,404,365,480	140,320,985
Licenses and Permits:							
Business	-	5,409,500	5,409,500	-	5,409,500	5,795,681	386,181
Non business	-	4,564,510	4,564,510	-	4,564,510	4,700,467	135,957
Total Licenses and Permits	-	9,974,010	9,974,010	-	9,974,010	10,496,148	522,138
Intergovernmental Revenue:							
State Aid and Reimbursements:							
DHR State reimbursement - HB669	-	36,751,910	36,751,910	-	36,751,910	37,400,005	648,095
Highway user revenue	-	40,385,532	40,385,532	-	40,385,532	38,104,839	(2,280,693)
Police protection	-	13,000,000	13,000,000	-	13,000,000	13,387,425	387,425
Health and human services programs	-	6,474,150	6,474,150	-	6,474,150	7,570,506	1,096,356
Public libraries	-	4,035,390	4,035,390	-	4,035,390	4,180,166	144,776
911 Emergency	-	4,928,050	4,928,050	-	4,928,050	7,508,125	2,580,075
Electric regulation	-	2,766,000	2,766,000	-	2,766,000	2,765,553	(447)
Other	-	2,719,320	2,719,320	-	2,719,320	1,814,773	(904,547)
Total State Aid and Reimbursements	-	111,060,352	111,060,352	-	111,060,352	112,731,392	1,671,040
Federal Reimbursements:							
Federal financial participation	-	20,333,750	20,333,750	-	20,333,750	19,270,822	(1,062,928)
Other	-	4,253,252	4,253,252	943,708	5,196,960	4,703,942	(493,018)
Total Federal Reimbursements	-	24,587,002	24,587,002	943,708	25,530,710	23,974,764	(1,555,946)
Other Intergovernmental	-	1,568,140	1,568,140	614,674	2,182,814	1,363,308	(819,506)
Total Intergovernmental Revenue	-	137,215,494	137,215,494	1,558,382	138,773,876	138,069,464	(704,412)
Charges for Services:							
General government	-	1,576,910	1,576,910	-	1,576,910	1,696,998	120,088
Public safety	-	9,396,450	9,396,450	-	9,396,450	8,321,395	(1,075,055)
Health and human services	-	1,655,200	1,655,200	-	1,655,200	1,603,970	(51,230)
Culture and recreation	-	10,600	10,600	-	10,600	20,173	9,573
Environment	-	200,000	200,000	-	200,000	212,217	12,217
Public works and transportation	-	55,000	55,000	-	55,000	124,708	69,708
Total Charges for Services	-	12,894,160	12,894,160	-	12,894,160	11,979,461	(914,699)
Fines and forfeitures	-	13,506,210	13,506,210	-	13,506,210	10,216,457	(3,289,753)
Investment Income:							
Pooled investment income	-	9,490,000	9,490,000	-	9,490,000	13,231,785	3,741,785
Other interest income	-	10,000	10,000	-	10,000	4,486	(5,514)
Total Investment Income	-	9,500,000	9,500,000	-	9,500,000	13,236,271	3,736,271
Miscellaneous Revenue:							
Property rentals	-	3,863,150	3,863,150	-	3,863,150	4,668,166	805,016
Sundry	-	5,550,720	5,550,720	-	5,550,720	5,457,024	(93,696)
Total Miscellaneous Revenue	-	9,413,870	9,413,870	-	9,413,870	10,125,190	711,320
Total Revenues	-	2,456,548,239	2,456,548,239	1,558,382	2,458,106,621	2,598,488,471	140,381,850
Expenditures:							
Departments or Offices:							
County Council:							
Personnel	-	7,331,580	7,331,580	71,060	7,402,640	7,030,482	372,158
Operating	62,414	846,360	908,774	-	908,774	892,324	16,450
Totals	62,414	8,177,940	8,240,354	71,060	8,311,414	7,922,806	388,608
Board of Appeals:							
Personnel	-	491,940	491,940	4,140	496,080	493,592	2,488
Operating	-	72,900	72,900	-	72,900	60,585	12,315
Totals	-	564,840	564,840	4,140	568,980	554,177	14,803
Legislative Oversight:							
Personnel	-	1,168,642	1,168,642	14,180	1,182,822	1,044,981	137,841
Operating	356	63,900	64,256	(356)	63,900	27,309	36,591
Totals	356	1,232,542	1,232,898	13,824	1,246,722	1,072,290	174,432
Merit System Protection Board:							
Personnel	-	128,379	128,379	1,230	129,609	126,010	3,599
Operating	-	15,610	15,610	-	15,610	13,849	1,761
Totals	-	143,989	143,989	1,230	145,219	139,859	5,360
Zoning and Administrative Hearings:							
Personnel	-	358,940	358,940	28,620	387,560	387,557	3
Operating	-	94,620	94,620	(9,460)	85,160	54,588	30,572
Totals	-	453,560	453,560	19,160	472,720	442,145	30,575

(Continued)

MONTGOMERY COUNTY, MARYLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-7

	Budget					Actual	Variance Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Revisions	Final		
Inspector General:							
Personnel	\$ -	\$ 521,731	\$ 521,731	\$ 1,260	\$ 522,991	\$ 503,400	\$ 19,591
Operating	140	55,530	55,670	(3,720)	51,950	27,498	24,452
Capital outlay	-	-	-	3,720	3,720	3,715	5
Totals	140	577,261	577,401	1,260	578,661	534,613	44,048
People's Counsel:							
Personnel	-	211,178	211,178	6,820	217,998	217,994	4
Operating	-	13,990	13,990	(1,390)	12,600	4,838	7,762
Totals	-	225,168	225,168	5,430	230,598	222,832	7,766
Circuit Court:							
Personnel	-	7,716,286	7,716,286	(347,590)	7,368,696	7,019,152	349,544
Operating	215,633	2,186,730	2,402,363	301,687	2,704,050	2,697,835	6,215
Capital outlay	80,530	-	80,530	32,490	113,020	113,019	1
Totals	296,163	9,903,016	10,199,179	(13,413)	10,185,766	9,830,006	355,760
State's Attorney:							
Personnel	-	10,480,619	10,480,619	33,480	10,514,099	10,432,607	81,492
Operating	6,485	504,050	510,535	69,645	580,180	580,171	9
Totals	6,485	10,984,669	10,991,154	103,125	11,094,279	11,012,778	81,501
County Executive:							
Personnel	-	4,127,918	4,127,918	64,170	4,192,088	4,192,087	1
Operating	20,000	339,340	359,340	49,700	409,040	409,030	10
Totals	20,000	4,467,258	4,487,258	113,870	4,601,128	4,601,117	11
Commission for Women:							
Personnel	-	1,064,310	1,064,310	(16,385)	1,047,925	1,013,333	34,592
Operating	-	171,000	171,000	30,435	201,435	193,683	7,752
Totals	-	1,235,310	1,235,310	14,050	1,249,360	1,207,016	42,344
Regional Service Centers:							
Personnel	-	2,992,938	2,992,938	21,576	3,014,514	2,877,335	137,179
Operating	35,198	903,821	939,019	29,374	968,393	906,291	62,102
Totals	35,198	3,896,759	3,931,957	50,950	3,982,907	3,783,626	199,281
Ethics Commission:							
Personnel	-	214,639	214,639	26,530	241,169	241,167	2
Operating	1,303	10,250	11,553	3,595	15,148	15,141	7
Totals	1,303	224,889	226,192	30,125	256,317	256,308	9
Intergovernmental Relations:							
Personnel	-	612,489	612,489	-	612,489	610,721	1,768
Operating	17,186	114,440	131,626	(1,423)	130,203	119,630	10,573
Totals	17,186	726,929	744,115	(1,423)	742,692	730,351	12,341
Board of Liquor License Commissioners:							
Personnel	-	900,820	900,820	44,470	945,290	945,283	7
Operating	15,000	142,250	157,250	(14,220)	143,030	133,704	9,326
Totals	15,000	1,043,070	1,058,070	30,250	1,088,320	1,078,987	9,333
Public Information:							
Personnel	-	1,034,277	1,034,277	78,560	1,112,837	1,112,832	5
Operating	33,249	208,480	241,729	106,895	348,624	348,623	1
Totals	33,249	1,242,757	1,276,006	185,455	1,461,461	1,461,455	6
Board of Elections:							
Personnel	-	2,578,250	2,578,250	458,740	3,036,990	3,036,990	-
Operating	55,090	4,587,410	4,642,500	(352,330)	4,290,170	3,819,152	471,018
Totals	55,090	7,165,660	7,220,750	106,410	7,327,160	6,856,142	471,018
County Attorney:							
Personnel	-	4,632,470	4,632,470	(54,050)	4,578,420	4,578,418	2
Operating	118,979	542,140	661,119	87,946	749,065	749,058	7
Totals	118,979	5,174,610	5,293,589	33,896	5,327,485	5,327,476	9
Management and Budget:							
Personnel	-	3,644,711	3,644,711	(161,700)	3,483,011	3,482,322	689
Operating	72,808	164,150	236,958	44,869	281,827	280,925	902
Totals	72,808	3,808,861	3,881,669	(116,831)	3,764,838	3,763,247	1,591
Finance:							
Personnel	-	8,580,824	8,580,824	(446,450)	8,134,374	8,134,367	7
Operating	612,959	1,966,780	2,579,739	(482,663)	2,097,076	2,096,339	737
Capital outlay	-	-	-	44,610	44,610	44,605	5
Totals	612,959	10,547,604	11,160,563	(884,503)	10,276,060	10,275,311	749
Human Resources:							
Personnel	-	5,140,808	5,140,808	(92,349)	5,048,459	5,047,223	1,236
Operating	391,913	2,366,360	2,758,273	419,004	3,177,277	3,177,277	-
Totals	391,913	7,507,168	7,899,081	326,655	8,225,736	8,224,500	1,236
Technology Services:							
Personnel	-	17,471,278	17,471,278	(1,066,870)	16,404,408	16,403,792	616
Operating	3,666,244	16,315,130	19,981,374	(103,841)	19,877,533	19,876,623	910
Capital outlay	133,367	152,630	285,997	202,010	488,007	488,004	3
Totals	3,799,611	33,939,038	37,738,649	(968,701)	36,769,948	36,768,419	1,529
Procurement:							
Personnel	-	2,697,021	2,697,021	20,290	2,717,311	2,690,382	26,929
Operating	46,817	232,750	279,567	(8,673)	270,894	260,016	10,878
Totals	46,817	2,929,771	2,976,588	11,617	2,988,205	2,950,398	37,807
Consumer Protection:							
Personnel	-	2,398,128	2,398,128	6,450	2,404,578	2,382,158	22,420
Operating	-	194,050	194,050	-	194,050	155,098	38,952
Totals	-	2,592,178	2,592,178	6,450	2,598,628	2,537,256	61,372

(Continued)

MONTGOMERY COUNTY, MARYLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-7

	Budget					Actual	Variance Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Revisions	Final		
Corrections and Rehabilitation:							
Personnel	\$ -	\$ 51,828,048	\$ 51,828,048	\$ 1,082,750	\$ 52,910,798	\$ 52,910,794	\$ 4
Operating	16,901	6,876,782	6,893,683	1,154,356	8,048,039	8,048,039	-
Capital outlay	-	-	-	104,060	104,060	104,051	9
Totals	16,901	58,704,830	58,721,731	2,341,166	61,062,897	61,062,884	13
Human Relations Commission:							
Personnel	-	2,079,257	2,079,257	53,470	2,132,727	2,132,727	-
Operating	722	194,160	194,882	(12,830)	182,052	182,047	5
Totals	722	2,273,417	2,274,139	40,640	2,314,779	2,314,774	5
Police:							
Personnel	-	173,231,936	173,231,936	(1,738,500)	171,493,436	171,492,576	860
Operating	836,030	30,419,770	31,255,800	81,234	31,337,034	31,287,002	50,032
Capital outlay	-	-	-	11,190	11,190	11,185	5
Totals	836,030	203,651,706	204,487,736	(1,646,076)	202,841,660	202,790,763	50,897
Sheriff:							
Personnel	-	15,898,981	15,898,981	(357,733)	15,541,248	15,541,248	-
Operating	251,562	2,408,360	2,659,922	341,319	3,001,241	3,001,238	3
Totals	251,562	18,307,341	18,558,903	(16,414)	18,542,489	18,542,486	3
Homeland Security:							
Personnel	-	4,765,643	4,765,643	8,230	4,773,873	4,435,379	338,494
Operating	171,892	1,305,220	1,477,112	(15,246)	1,461,866	1,447,084	14,782
Totals	171,892	6,070,863	6,242,755	(7,016)	6,235,739	5,882,463	353,276
Public Works and Transportation:							
Personnel	-	34,268,229	34,268,229	1,974,590	36,242,819	36,242,801	18
Operating	3,520,733	31,869,930	35,390,663	10,501,929	45,892,592	45,892,592	-
Totals	3,520,733	66,138,159	69,658,892	12,476,519	82,135,411	82,135,393	18
Health and Human Services:							
Personnel	-	113,118,220	113,118,220	494,360	113,612,580	113,308,572	304,008
Operating	2,642,107	91,686,170	94,328,277	(514,655)	93,813,622	84,526,900	9,286,722
Capital outlay	-	-	-	396,400	396,400	396,399	1
Totals	2,642,107	204,804,390	207,446,497	376,105	207,822,602	198,231,871	9,590,731
Libraries:							
Personnel	-	30,257,915	30,257,915	(2,002,865)	28,255,050	28,254,818	232
Operating	1,403,089	7,957,820	9,360,909	193,082	9,553,991	9,553,721	270
Capital outlay	-	-	-	76,250	76,250	75,960	290
Totals	1,403,089	38,215,735	39,618,824	(1,733,533)	37,885,291	37,884,499	792
Housing and Community Affairs:							
Personnel	-	4,873,418	4,873,418	26,500	4,899,918	4,528,005	371,913
Operating	148,927	646,960	795,887	(1,107)	794,780	758,684	36,096
Totals	148,927	5,520,378	5,669,305	25,393	5,694,698	5,286,689	408,009
Economic Development:							
Personnel	-	4,280,679	4,280,679	(4,530)	4,276,149	4,276,145	4
Operating	165,966	2,852,850	3,018,816	180,452	3,199,268	3,199,259	9
Totals	165,966	7,133,529	7,299,495	175,922	7,475,417	7,475,404	13
Environmental Protection:							
Personnel	-	3,392,480	3,392,480	(413,490)	2,978,990	2,978,531	459
Operating	246,185	1,209,649	1,455,834	(295,750)	1,160,084	1,159,746	338
Totals	246,185	4,602,129	4,848,314	(709,240)	4,139,074	4,138,277	797
Total Departments	14,989,785	734,187,324	749,177,109	10,467,552	759,644,661	747,298,618	12,346,043
Nondepartmental:							
State retirement contribution - operating	-	848,350	848,350	250	848,600	848,591	9
Retirees group insurance - operating	-	23,924,080	23,924,080	-	23,924,080	23,924,080	-
State positions supplement - personnel	-	173,469	173,469	-	173,469	120,901	52,568
Judges special pension contribution - personnel	-	3,740	3,740	770	4,510	4,508	2
Compensation adjustment - personnel	-	2,515,660	2,515,660	(1,248,410)	1,267,250	1,267,247	3
Compensation adjustment - operating	98,000	576,600	674,600	(57,660)	616,940	606,357	10,583
Municipal tax duplication - operating	-	7,488,240	7,488,240	-	7,488,240	7,488,235	5
Tax grants to municipalities - operating	-	28,020	28,020	-	28,020	28,012	8
Rebate - Takoma Park police - operating	-	564,670	564,670	65,740	630,410	630,408	2
Rebate - Takoma Park library - operating	-	103,620	103,620	6,880	110,500	110,492	8
Homeowners' association roadways - operating	-	392,510	392,510	-	392,510	369,360	23,150
Contribution to risk management - operating	-	8,938,480	8,938,480	(99,460)	8,839,020	8,654,964	184,056
Historical activities - operating	-	337,530	337,530	-	337,530	337,530	-
Conference and Visitors Bureau - operating	9,430	592,900	602,330	126,800	729,130	729,129	1
Arts Council - operating	-	5,966,490	5,966,490	215,000	6,181,490	6,181,490	-
Community grants - operating	2,840,624	9,240,790	12,081,414	(77,401)	12,004,013	11,932,473	71,540
Conference Center - personnel	-	94,852	94,852	-	94,852	83,412	11,440
Conference Center - operating	94,559	500,000	594,559	-	594,559	181,849	412,710
County associations - operating	-	64,290	64,290	770	65,060	65,059	1
Metropolitan Washington C O G - operating	-	734,500	734,500	-	734,500	734,500	-
Public Technology, Inc. - operating	-	27,500	27,500	-	27,500	20,000	7,500
Independent audit - operating	-	326,190	326,190	-	326,190	313,000	13,190
Prisoner medical services - operating	-	10,000	10,000	37,240	47,240	47,234	6
Boards, committees and commissions - operating	-	15,000	15,000	7,150	22,150	22,144	6
Charter Review Commission - operating	-	100	100	-	100	-	100
Closing costs assistance - operating	-	144,080	144,080	-	144,080	144,080	-
Working families income supplement - operating	-	10,123,800	10,123,800	1,079,080	11,202,880	9,986,203	1,216,677
Interagency tech, policy & coord comm - operating	-	30,000	30,000	-	30,000	4,549	25,451
County Leases - personnel	-	-	-	3,450	3,450	3,442	8
County Leases - operating	5,096	14,202,430	14,207,526	(1,053,546)	13,153,980	13,153,288	692
Rockville parking district - operating	260,000	130,000	390,000	202,630	592,630	570,000	22,630
Inauguration & Transition - personnel	-	-	-	8,620	8,620	8,613	7

(Continued)

MONTGOMERY COUNTY, MARYLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONCLUDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-7

	Budget						Variance Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Revisions	Final	Actual	
Inauguration & Transition - operating	\$ -	\$ 100,000	\$ 100,000	\$ (8,620)	\$ 91,380	\$ 91,061	\$ 319
Desktop computer modernization - operating	854,804	6,470,880	7,325,684	(2,746)	7,322,938	6,347,026	975,912
Utilities - operating	31,831	23,640,870	23,672,701	(25,293)	23,647,408	23,625,625	21,783
Total - Nondepartmental	4,194,344	118,309,641	122,503,985	(818,756)	121,685,229	118,634,862	3,050,367
Total Expenditures	19,184,129	852,496,965	871,681,094	9,648,796	881,329,890	865,933,480	15,396,410
Excess of Revenues over (under) Expenditures	(19,184,129)	1,604,051,274	1,584,867,145	(8,090,414)	1,576,776,731	1,732,554,991	155,778,260
Other Financing Sources (Uses):							
Transfers In:							
Special Revenue Funds:							
Fire Tax District	-	120,750	120,750	-	120,750	120,750	-
Recreation	-	4,822,490	4,822,490	-	4,822,490	4,822,490	-
Mass Transit	-	5,581,210	5,581,210	-	5,581,210	5,581,210	-
Water Quality Protection	-	150,900	150,900	-	150,900	150,900	-
Urban Districts	-	338,990	338,990	-	338,990	338,990	-
Housing Activities	-	93,040	93,040	-	93,040	257,474	164,434
Cable TV	-	2,643,910	2,643,910	-	2,643,910	2,643,910	-
Total Special Revenue Funds	-	13,751,290	13,751,290	-	13,751,290	13,915,724	164,434
Enterprise Funds:							
Liquor	-	22,149,060	22,149,060	-	22,149,060	22,149,060	-
Parking Lot Districts	-	451,520	451,520	-	451,520	451,520	-
Solid Waste Activities	-	1,735,420	1,735,420	-	1,735,420	1,735,420	-
Community Use of Public Facilities	-	266,840	266,840	-	266,840	266,840	-
Permitting Services	-	2,982,940	2,982,940	-	2,982,940	2,982,940	-
Total Enterprise Funds	-	27,585,780	27,585,780	-	27,585,780	27,585,780	-
Total Transfers In	-	41,337,070	41,337,070	-	41,337,070	41,501,504	164,434
Transfers In - Component Units:							
Montgomery County Public Schools	-	328,420	328,420	-	328,420	328,420	-
Montgomery Community College	-	-	-	-	-	277,763	277,763
Total Transfers In - Component Units	-	328,420	328,420	-	328,420	606,183	277,763
Transfers (Out):							
Special Revenue Funds:							
Recreation	-	(1,294,400)	(1,294,400)	-	(1,294,400)	(1,294,400)	-
Urban Districts	-	(1,046,720)	(1,046,720)	-	(1,046,720)	(1,046,720)	-
Mass Transit	-	(515,580)	(515,580)	(973,440)	(1,489,020)	(1,489,020)	-
Revenue Stabilization	-	-	-	-	-	(11,860,987)	(11,860,987)
Fire Tax District	-	-	-	(550,370)	(550,370)	(550,370)	-
Housing Activities	-	(7,811,920)	(7,811,920)	-	(7,811,920)	(7,811,920)	-
Economic Development	-	(3,071,030)	(3,071,030)	-	(3,071,030)	(3,071,030)	-
Grants	-	-	-	(644,985)	(644,985)	(489,732)	155,253
Total Special Revenue Funds	-	(13,739,650)	(13,739,650)	(2,168,795)	(15,908,445)	(27,614,179)	(11,705,734)
Internal Service Funds:							
Motor Pool	-	(1,119,700)	(1,119,700)	(373,191)	(1,492,891)	(1,171,249)	321,642
Total Internal Service Funds	-	(1,119,700)	(1,119,700)	(373,191)	(1,492,891)	(1,171,249)	321,642
Enterprise Funds:							
Community Use of Public Facilities	-	(254,770)	(254,770)	-	(254,770)	(254,770)	-
Parking Lot Districts	(96,712)	-	(96,712)	(1,198,000)	(1,294,712)	(1,207,055)	87,657
Solid Waste Activities	-	(1,704,140)	(1,704,140)	-	(1,704,140)	(1,704,140)	-
Permitting Services	-	(1,104,990)	(1,104,990)	-	(1,104,990)	(1,104,990)	-
Total Enterprise Funds	(96,712)	(3,063,900)	(3,160,612)	(1,198,000)	(4,358,612)	(4,270,955)	87,657
Debt Service Fund	-	(201,553,900)	(201,553,900)	(1,830,407)	(203,384,307)	(203,384,307)	-
Capital Projects Fund	(25,137,925)	(18,519,000)	(43,656,925)	(22,984,165)	(66,641,090)	(36,435,691)	30,205,399
Total Transfers (Out)	(25,234,637)	(237,996,150)	(263,230,787)	(28,554,558)	(291,785,345)	(272,876,381)	18,908,964
Transfers (Out) - Component Units and Joint Ventures:							
Montgomery County Public Schools - operating	-	(1,382,153,860)	(1,382,153,860)	(400,000)	(1,382,553,860)	(1,382,553,860)	-
Montgomery County Public Schools - capital	(13,608,609)	-	(13,608,609)	(3,572,000)	(17,180,609)	(13,295,252)	3,885,357
Total Montgomery County Public Schools	(13,608,609)	(1,382,153,860)	(1,395,762,469)	(3,972,000)	(1,399,734,469)	(1,395,849,112)	3,885,357
Montgomery Community College - operating	-	(92,247,640)	(92,247,640)	-	(92,247,640)	(92,247,640)	-
Montgomery Community College - capital	(2,912,963)	(7,208,000)	(10,120,963)	(4,057,680)	(14,178,643)	(2,582,736)	11,595,907
Total Montgomery Community College	(2,912,963)	(99,455,640)	(102,368,603)	(4,057,680)	(106,426,283)	(94,830,376)	11,595,907
Housing Opportunity Commission - operating	-	(6,118,170)	(6,118,170)	-	(6,118,170)	(6,118,168)	2
Housing Opportunity Commission - capital	-	(2,005,598)	(2,005,598)	-	(2,005,598)	(582,963)	1,422,635
Total Housing Opportunity Commission	-	(8,123,768)	(8,123,768)	-	(8,123,768)	(6,701,131)	1,422,637
M-NCPPC - operating	-	-	-	(269,934)	(269,934)	(235,185)	34,749
Total Transfers (Out) - Component Units and JV	(16,521,572)	(1,489,733,268)	(1,506,254,840)	(8,299,614)	(1,514,554,454)	(1,497,615,804)	16,938,650
Total Other Financing Sources (Uses)	(41,756,209)	(1,686,063,928)	(1,727,820,137)	(36,854,172)	(1,764,674,309)	(1,728,384,498)	36,289,811
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(60,940,338)	(82,012,654)	(142,952,992)	(44,944,586)	(187,897,578)	4,170,493	192,068,071
Fund Balance - Beginning of Year	60,940,338	231,577,485	292,517,823	(902,723)	291,615,100	291,615,100	-
Fund Balance - End of Year	\$ -	\$ 149,564,831	\$ 149,564,831	\$ (45,847,309)	\$ 103,717,522	\$ 295,785,593	\$ 192,068,071

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007
Exhibit A-8

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Totals	
ASSETS						
Current Assets:						
Equity in pooled cash and investments	\$ 9,748,742	\$ 45,107,765	\$ 21,029,097	\$ 18,731,807	\$ 94,617,411	\$ 136,177,944
Cash	36,450	3,000	158,445	50	197,945	300
Receivables (net of allowances for uncollectibles):						
Property taxes	-	-	1,464,862	-	1,464,862	-
Accounts	3,165,485	2,095,002	5,003	9,096	5,274,586	1,083,125
Notes	-	-	-	-	-	11,428
Parking violations	-	-	2,193,115	-	2,193,115	-
Due from other funds	-	3,970	-	-	3,970	6,059,308
Due from component units	-	59,816	627,154	-	686,970	557,006
Due from other governments	-	135,747	-	-	135,747	348,026
Inventory of supplies	30,352,675	-	-	-	30,352,675	3,235,312
Prepays	642,650	1,399	5,589	748	650,386	382,017
Other assets	135,058	-	-	-	135,058	-
Total Current Assets	44,081,060	47,406,699	25,483,265	18,741,701	135,712,725	147,854,466
Noncurrent Assets:						
Restricted Assets:						
Equity in pooled cash and equivalents	-	28,667,668	6,096,448	-	34,764,116	-
Cash with fiscal agents	10,569,308	-	76,346	-	10,645,654	99,751
Investments	-	3,475,968	1,254,790	-	4,730,758	-
Restricted Assets	10,569,308	32,143,636	7,427,584	-	50,140,528	99,751
Unamortized debt costs	9,647	351,131	633,405	-	994,183	-
Capital Assets:						
Land, improved and unimproved	481,430	17,834,755	34,461,478	-	52,777,663	22,506
Improvements other than buildings	-	72,672,595	50,292,321	-	122,964,916	268,565
Infrastructure	-	14,351	-	-	14,351	-
Buildings	7,388,354	23,595,649	180,268,603	-	211,252,606	315,732
Furniture, fixtures, equipment, and machinery	5,575,224	10,323,678	984,902	2,390,493	19,274,297	4,477,940
Automobiles and trucks	3,645,686	447,140	91,763	195,622	4,380,211	71,204,524
Construction in progress	2,202,597	5,299,649	255,414	-	7,757,660	-
Subtotal	19,293,291	130,187,817	266,354,481	2,586,115	418,421,704	76,289,267
Less: Accumulated depreciation	11,321,337	96,015,631	85,056,588	1,936,230	194,329,786	44,484,739
Total Capital Assets (net of accumulated depreciation)	7,971,954	34,172,186	181,297,893	649,885	224,091,918	31,804,528
Total Noncurrent Assets	18,550,909	66,666,953	189,358,882	649,885	275,226,629	31,904,279
Total Assets	62,631,969	114,073,652	214,842,147	19,391,586	410,939,354	179,758,745
LIABILITIES						
Current Liabilities:						
Accounts payable	12,095,512	9,119,972	2,625,081	193,111	24,033,676	6,958,097
Interest payable	-	71,292	384,340	-	455,632	6,323
Retainage payable	-	373,706	837,759	-	1,211,465	-
Deposits	410,756	-	-	-	410,756	-
Claims payable	-	-	-	-	-	86,072,292
Accrued liabilities	2,208,105	1,069,368	398,323	11,160,405	14,836,201	2,551,144
Due to other funds	319,168	137,832	41,026	372,062	870,088	278,527
Due to component units	-	-	-	596,740	596,740	77,621
Due to other governments	529,278	445,701	8,857	-	983,836	13,322
Capital lease payable	1,186,449	-	-	-	1,186,449	-
Equipment notes payable	-	-	141,327	94,912	236,239	134,823
Unearned revenue	499	-	-	1,038,281	1,038,780	881,334
General obligation bonds payable	-	2,447	-	-	2,447	-
Revenue bonds payable	-	3,160,000	3,955,000	-	7,115,000	-
Landfill closure costs	-	5,009,000	-	-	5,009,000	-
Other liabilities	-	-	595,836	-	595,836	-
Total Current Liabilities	16,749,767	19,389,318	8,987,549	13,455,511	58,582,145	96,973,483
Noncurrent Liabilities:						
Capital lease payable	8,846,723	-	-	-	8,846,723	-
Equipment notes payable	-	-	540,370	149,659	690,029	514,993
Revenue bonds payable	-	16,546,482	38,143,966	-	54,690,448	-
Landfill closure costs	-	19,688,923	-	-	19,688,923	-
Compensated absences	422,848	192,553	75,897	439,516	1,130,814	363,656
Total Noncurrent Liabilities	9,269,571	36,427,958	38,760,233	589,175	85,046,937	878,649
Total Liabilities	26,019,338	55,817,276	47,747,782	14,044,686	143,629,082	97,852,132
NET ASSETS						
Invested in capital, net of related debt	7,421,523	14,463,257	138,517,230	405,314	160,807,324	31,254,463
Restricted for debt service	10,569,308	32,143,636	7,351,238	-	50,064,182	-
Restricted for other purposes	-	-	76,346	-	76,346	99,751
Unrestricted	18,621,800	11,649,483	21,149,551	4,941,586	56,362,420	50,552,399
Total Net Assets	\$ 36,612,631	\$ 58,256,376	\$ 167,094,365	\$ 5,346,900	267,310,272	\$ 81,906,613
ADJUSTMENTS						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(710,493)	
Net assets of business-type activities					\$ 266,599,779	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-9

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Totals	
OPERATING REVENUES						
Sales - net	\$ 201,721,589	\$ -	\$ -	\$ -	\$ 201,721,589	\$ -
Charges for services	15,000	99,844,705	16,854,453	10,139,292	126,853,450	232,908,398
Licenses and permits	-	11,360	-	23,132,643	23,144,003	-
Fines and penalties	-	83,050	7,486,963	121,522	7,691,535	-
Claim recoveries	-	-	-	-	-	1,427,598
Total Operating Revenues	<u>201,736,589</u>	<u>99,939,115</u>	<u>24,341,416</u>	<u>33,393,457</u>	<u>359,410,577</u>	<u>234,335,996</u>
OPERATING EXPENSES						
Cost of goods sold	145,266,678	-	-	-	145,266,678	-
Personnel costs	20,441,669	11,151,543	3,214,887	22,034,421	56,842,520	19,828,890
Postage	56,947	31,759	1,792	42,856	133,354	1,644,817
Self-insurance incurred and estimated claims	-	-	-	27,752	27,752	132,440,267
Insurance	590,630	773,847	30,630	10,940	1,406,047	20,165,677
Supplies and materials	423,589	566,707	444,586	406,580	1,841,462	22,810,683
Contractual services	5,571,456	79,634,153	5,477,577	3,973,212	94,656,398	11,489,371
Communications	424,732	198,261	161,218	365,478	1,149,689	355,670
Transportation	572,379	1,846,296	209,953	577,610	3,206,238	201,954
Public utility services	834,909	138,793	2,829,371	1,564,850	5,367,923	782,335
Rentals	4,163,359	28,265	1,510,519	1,802,580	7,504,723	707,581
Maintenance	618,317	1,059,282	1,958,115	241,073	3,876,787	8,149,330
Depreciation	774,830	2,108,867	8,624,035	130,447	11,638,179	6,823,513
Landfill closure expense	-	4,196,000	-	-	4,196,000	-
Other	449,967	742,156	51,462	134,611	1,378,196	197,274
Total Operating Expenses	<u>180,189,462</u>	<u>102,475,929</u>	<u>24,514,145</u>	<u>31,312,410</u>	<u>338,491,946</u>	<u>225,597,362</u>
Operating Income (Loss)	<u>21,547,127</u>	<u>(2,536,814)</u>	<u>(172,729)</u>	<u>2,081,047</u>	<u>20,918,631</u>	<u>8,738,634</u>
NONOPERATING REVENUES (EXPENSES)						
Property taxes	-	-	9,562,592	-	9,562,592	-
Intergovernmental	-	11,135	-	-	11,135	1,130,813
Gain (loss) on disposal of capital assets	(22,479)	57,116	-	-	34,637	81,267
Investment income	548,546	5,013,053	1,845,898	931,601	8,339,098	7,863,411
Interest expense	(265,485)	(1,071,902)	(2,132,825)	(5,950)	(3,476,162)	(20,546)
Other revenue	7,969	51,817	965,219	-	1,025,005	6,779
Insurance recoveries	-	-	-	-	-	148,549
Total Nonoperating Revenues (Expenses)	<u>268,551</u>	<u>4,061,219</u>	<u>10,240,884</u>	<u>925,651</u>	<u>15,496,305</u>	<u>9,210,273</u>
Income (Loss) Before Capital Contributions and Transfers	<u>21,815,678</u>	<u>1,524,405</u>	<u>10,068,155</u>	<u>3,006,698</u>	<u>36,414,936</u>	<u>17,948,907</u>
Capital Contributions	-	-	835,614	-	835,614	-
Transfers In (Out):						
Transfers in	-	-	1,207,055	50,000	1,257,055	1,453,162
Transfers out	(22,149,060)	(1,735,420)	(9,031,975)	(3,249,780)	(36,166,235)	-
Total Transfers In (Out)	<u>(22,149,060)</u>	<u>(1,735,420)</u>	<u>(7,824,920)</u>	<u>(3,199,780)</u>	<u>(34,909,180)</u>	<u>1,453,162</u>
Change in Net Assets	(333,382)	(211,015)	3,078,849	(193,082)	2,341,370	19,402,069
Total Net Assets - Beginning of Year	<u>36,946,013</u>	<u>58,467,391</u>	<u>164,015,516</u>	<u>5,539,982</u>		<u>62,504,544</u>
Total Net Assets - End of Year	<u>\$ 36,612,631</u>	<u>\$ 58,256,376</u>	<u>\$ 167,094,365</u>	<u>\$ 5,346,900</u>		<u>\$ 81,906,613</u>
Adjustment to reflect the consolidation of internal service fund activities relating to enterprise funds					525,539	
Change in net assets of business-type activities					\$ 2,866,909	

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, 2007
Exhibit A-10

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 205,508,941	\$ 98,155,374	\$ 23,869,835	\$ 32,266,853	\$ 359,801,003	\$ 234,856,367
Payments to suppliers	(163,526,480)	(84,889,443)	(11,435,631)	(9,230,323)	(269,081,877)	(69,204,786)
Payments to employees	(20,103,664)	(11,129,310)	(3,173,583)	(21,839,262)	(56,245,819)	(19,628,878)
Internal activity - operating payments from other funds	-	2,519,330	-	1,104,990	3,624,320	-
Other operating receipts	-	-	-	4,714,185	4,714,185	426,152
Other operating payments	-	-	-	(3,848,372)	(3,848,372)	-
Claims paid	-	-	-	(27,752)	(27,752)	(135,392,394)
Other revenue	7,969	51,817	965,219	-	1,025,005	6,779
Net Cash Provided (Used) by Operating Activities	<u>21,886,766</u>	<u>4,707,768</u>	<u>10,225,840</u>	<u>3,140,319</u>	<u>39,960,693</u>	<u>11,063,240</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Property tax collections	-	-	9,763,635	-	9,763,635	-
Operating subsidies and transfers from other funds	-	-	1,207,055	50,000	1,257,055	-
Operating subsidies and transfers to other funds	(22,149,060)	(1,735,420)	(9,031,975)	(3,249,780)	(36,166,235)	-
Intergovernmental revenue	-	11,135	-	-	11,135	1,130,813
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(22,149,060)</u>	<u>(1,724,285)</u>	<u>1,938,715</u>	<u>(3,199,780)</u>	<u>(25,134,410)</u>	<u>1,130,813</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	10,605,352	-	750,000	290,531	11,645,883	715,000
Proceeds from sale of capital assets	-	57,116	-	-	57,116	343,847
Purchases and disposal of capital assets	986,140	(5,108,772)	(7,683,913)	(354,899)	(12,161,444)	(8,688,415)
Principal paid on capital debt	(581,828)	(3,007,447)	(5,883,303)	(45,960)	(9,518,538)	(65,184)
Interest paid on capital debt	(188,588)	(1,004,964)	(2,036,714)	(5,950)	(3,236,216)	(14,223)
Internal activity - payments from other funds	-	-	-	-	-	1,453,162
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>10,821,076</u>	<u>(9,064,067)</u>	<u>(14,853,930)</u>	<u>(116,278)</u>	<u>(13,213,199)</u>	<u>(6,255,813)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income from pooled investments	234,221	4,808,804	1,771,459	931,601	7,746,085	7,837,342
Investment income from nonpooled investments	314,325	18,722	92	-	333,139	26,069
Net Cash Provided (Used) by Investing Activities	<u>548,546</u>	<u>4,827,526</u>	<u>1,771,551</u>	<u>931,601</u>	<u>8,079,224</u>	<u>7,863,411</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,107,328	(1,253,058)	(917,824)	755,862	9,692,308	13,801,651
Balances - Beginning of Year	9,247,172	75,031,491	28,278,160	17,975,995	130,532,818	122,476,344
Balances - End of Year	<u>\$ 20,354,500</u>	<u>\$ 73,778,433</u>	<u>\$ 27,360,336</u>	<u>\$ 18,731,857</u>	<u>\$ 140,225,126</u>	<u>\$ 136,277,995</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 21,547,127	\$ (2,536,814)	\$ (172,729)	\$ 2,081,047	\$ 20,918,631	\$ 8,738,634
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	774,830	2,108,867	8,624,035	130,447	11,638,179	6,823,513
Other revenue	7,969	51,817	965,219	-	1,025,005	6,779
Changes in assets and liabilities:						
Receivables, net	(1,085,496)	735,588	(473,811)	4,497	(819,222)	950,734
Inventories, prepaids and other assets	(1,067,778)	869	2,225	654	(1,064,030)	(170,338)
Accounts payable and other liabilities	1,396,359	4,346,814	1,230,479	(137,299)	6,836,353	(4,271,050)
Accrued expenses	313,755	627	50,422	1,060,973	1,425,777	(1,015,032)
Net Cash Provided (Used) by Operating Activities	<u>\$ 21,886,766</u>	<u>\$ 4,707,768</u>	<u>\$ 10,225,840</u>	<u>\$ 3,140,319</u>	<u>\$ 39,960,693</u>	<u>\$ 11,063,240</u>
Noncash investing, capital and financing activities:						
Capital asset disposals	\$ 22,479	\$ -	\$ -	\$ -	\$ 22,479	\$ 71,775
Change in fair value of investments that are not cash equivalents	-	50,050	74,347	-	124,397	-

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007
Exhibit A-11

	Pension and Other Employee Benefit Trusts	Investment Trust	Private- Purpose Trusts	Agency Funds
ASSETS				
Current Assets:				
Equity in pooled cash and investments	\$ 800,295	\$ 31,429,080	\$ 234,765	\$ 59,993,689
Cash	-	-	-	51,035
Investments:				
U.S. Government and agency obligations	301,386,117	-	-	-
Asset-backed securities	57,774,486	-	-	-
Municipal/Provincial bonds	1,174,270	-	-	-
Corporate bonds	295,897,623	-	-	-
Collateralized mortgage obligations	13,898,231	-	-	-
Commercial mortgage-backed securities	64,854,406	-	-	-
Common and preferred stock	1,643,956,241	-	-	-
Mutual and commingled funds	369,057,705	-	-	-
Short-term investments	181,339,966	-	-	-
Cash collateral received under securities lending agreements	384,513,936	-	-	-
Real estate	30,928,663	-	-	-
Private equity	108,944,183	-	-	-
Total investments	3,453,725,827	-	-	-
Receivables (net of allowances for uncollectibles):				
Dividends and accrued interest	10,001,833	-	-	-
Property taxes	-	-	-	5,288,785
Accounts	84,189	-	-	196,535
Due from other funds	9,086,579	-	-	-
Due from component units	131,778	-	-	-
Due from other governments	35,433	-	-	-
Total Current Assets	3,473,865,934	31,429,080	234,765	65,530,044
Total Assets	3,473,865,934	31,429,080	234,765	\$ 65,530,044
LIABILITIES				
Current Liabilities:				
Accounts payable	388,693,396	-	-	6,162
Accrued liabilities	206,121	-	-	-
Deposits	-	-	-	982,072
Due to other funds	3,733	-	-	-
Due to other governments	-	-	-	2,268,904
Uncollected property taxes due to governments	-	-	-	4,963,716
Undistributed taxes and refunds	-	-	-	19,036,252
Unearned revenue	106,385	-	-	-
Tax sale surplus and redemptions payable	-	-	-	3,156,790
Other liabilities	-	-	-	35,116,148
Total Current Liabilities	389,009,635	-	-	65,530,044
Noncurrent Liabilities:				
Compensated absences	44,843	-	-	-
Total Liabilities	389,054,478	-	-	\$ 65,530,044
NET ASSETS				
Held in trust for pension benefits, external investment pool participants, and other purposes	\$ 3,084,811,456	\$ 31,429,080	\$ 234,765	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-12

	Pension and Other Employee Benefit Trusts	Investment Trust	Private- Purpose Trusts
ADDITIONS			
Contributions:			
Employers	\$ 120,663,349	\$ -	\$ -
Members	39,809,023	-	52,466
Share purchases	-	22,839,722	-
Total Contributions	<u>160,472,372</u>	<u>22,839,722</u>	<u>52,466</u>
Investment income	499,540,841	1,532,656	10,058
Less: Investment expenses	29,699,860	-	-
Net Investment Income	<u>469,840,981</u>	<u>1,532,656</u>	<u>10,058</u>
Other income - forfeitures	<u>573,691</u>	<u>-</u>	<u>-</u>
Total Additions, net	<u>630,887,044</u>	<u>24,372,378</u>	<u>62,524</u>
DEDUCTIONS			
Benefits:			
Annuities:			
Retirees	98,652,678	-	-
Survivors	5,951,967	-	-
Disability	32,228,463	-	-
Total Benefits	<u>136,833,108</u>	<u>-</u>	<u>-</u>
Share redemptions	-	19,935,000	-
Member refunds	17,657,260	-	-
Program expenses	-	-	1,388,025
Administrative expenses	<u>2,724,645</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>157,215,013</u>	<u>19,935,000</u>	<u>1,388,025</u>
Net Increase (Decrease)	473,672,031	4,437,378	(1,325,501)
Net Assets - Beginning of Year	<u>2,611,139,425</u>	<u>26,991,702</u>	<u>1,560,266</u>
Net Assets - End of Year	<u>\$ 3,084,811,456</u>	<u>\$ 31,429,080</u>	<u>\$ 234,765</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2007
Exhibit A-13

	MCPS	HOC	Nonmajor Component Units	Total
ASSETS				
Equity in pooled cash and investments	\$ 14,371,621	\$ 7,093,577	\$ 39,137,162	\$ 60,602,360
Cash with fiscal agents	-	7,939,925	2,281,660	10,221,585
Cash	5,226,411	14,737	3,720,711	8,961,859
Investments-cash equivalents	36,804,128	62,151,430	15,404,716	114,360,274
Investments	5,119,755	-	36,096,459	41,216,214
Receivables (net of allowances for uncollectibles):				
Capital leases	-	-	38,658,715	38,658,715
Accounts	13,938,042	3,945,851	9,980,551	27,864,444
Notes	-	-	33,400,000	33,400,000
Mortgages receivable	-	341,083,260	-	341,083,260
Interest	-	5,674,914	-	5,674,914
Other	1,130,960	32,215,307	1,902,780	35,249,047
Due from primary government	61,210,915	2,301,898	7,921,056	71,433,869
Due from other governments	25,876,885	2,993,239	2,734,836	31,604,960
Inventory of supplies	7,863,860	417,639	1,750,098	10,031,597
Prepays	776,203	1,253,212	834,777	2,864,192
Deferred charges	-	-	665,364	665,364
Other assets	-	37,108,309	1,642,095	38,750,404
Restricted Assets:				
Cash with fiscal agents	-	1,205,761	8,526,285	9,732,046
Cash	-	-	457,996	457,996
Investments - cash equivalents	-	95,630,530	5,737,332	101,367,862
Investments	-	172,225,048	-	172,225,048
Capital Assets:				
Nondepreciable assets	244,748,456	85,508,603	61,683,343	391,940,402
Depreciable assets, net	1,422,416,840	303,280,919	214,051,257	1,939,749,016
Total Assets	<u>1,839,484,076</u>	<u>1,162,044,159</u>	<u>486,587,193</u>	<u>3,488,115,428</u>
LIABILITIES				
Accounts payable	30,666,951	26,650,691	23,832,923	81,150,565
Interest payable	16,635	16,679,759	951,261	17,647,655
Retainage payable	11,903,420	-	228,355	12,131,775
Accrued liabilities	71,442,043	5,720,938	759,938	77,922,919
Claims payable	24,815,807	-	-	24,815,807
Deposits	-	8,367,294	10,000	8,377,294
Due to primary government	748,569	55,775,961	1,541,122	58,065,652
Unearned revenue	4,364,847	18,953,846	4,960,078	28,278,771
Other liabilities	-	11,777,455	-	11,777,455
Noncurrent Liabilities:				
Due within one year	27,123,162	52,421,491	6,488,974	86,033,627
Due in more than one year	112,629,916	782,476,120	156,359,655	1,051,465,691
Total Liabilities	<u>283,711,350</u>	<u>978,823,555</u>	<u>195,132,306</u>	<u>1,457,667,211</u>
NET ASSETS				
Invested in capital, net of related debt	1,640,303,491	30,707,613	214,634,001	1,885,645,105
Restricted for:				
Capital projects	-	-	2,577,289	2,577,289
Debt service	-	31,886,160	4,556,085	36,442,245
Other purposes	1,569,402	3,639,351	24,908,552	30,117,305
Unrestricted (deficit)	(86,100,167)	116,987,480	44,778,960	75,666,273
Total Net Assets	<u>\$ 1,555,772,726</u>	<u>\$ 183,220,604</u>	<u>\$ 291,454,887</u>	<u>\$ 2,030,448,217</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit A-14

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	MCPS	HOC	Nonmajor Component Units	Total	
Component units:									
General government	\$ 4,076,287	\$ 3,838,061	\$ 295,772	\$ -	\$ -	\$ -	\$ 57,546	\$ 57,546	
Culture and recreation	19,973,068	18,406,512	-	358,171	-	-	(1,208,385)	(1,208,385)	
Community development and housing	185,196,037	100,990,296	86,969,258	5,126,988	-	7,890,505	-	7,890,505	
Education:									
Secondary education	2,031,589,998	32,863,673	103,624,408	52,928,959	(1,842,172,958)	-	-	(1,842,172,958)	
Higher education	237,155,429	67,911,834	28,745,322	629,325	-	-	(139,868,948)	(139,868,948)	
Total component units	<u>\$ 2,477,990,819</u>	<u>\$ 224,010,376</u>	<u>\$ 219,634,760</u>	<u>\$ 59,043,443</u>	<u>(1,842,172,958)</u>	<u>7,890,505</u>	<u>(141,019,787)</u>	<u>(1,975,302,240)</u>	
General revenues:									
Grants and contributions not restricted to specific programs					1,976,591,896	-	148,757,888	2,125,349,784	
Investment income					1,925,324	2,778,897	8,247,893	12,952,114	
Gain (loss) on sale of capital assets					-	-	24,224	24,224	
Total general revenues					<u>1,978,517,220</u>	<u>2,778,897</u>	<u>157,030,005</u>	<u>2,138,326,122</u>	
Change in net assets					<u>136,344,262</u>	<u>10,669,402</u>	<u>16,010,218</u>	<u>163,023,882</u>	
Net assets - beginning					<u>1,419,428,464</u>	<u>172,551,202</u>	<u>275,444,669</u>	<u>1,867,424,335</u>	
Net assets - ending					<u>\$ 1,555,772,726</u>	<u>\$ 183,220,604</u>	<u>\$ 291,454,887</u>	<u>\$ 2,030,448,217</u>	

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

MONTGOMERY COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A REPORTING ENTITY
- B GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- C MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL
STATEMENT PRESENTATION
- D ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY
- E ACCOUNTING CHANGES

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A BUDGETARY INFORMATION
- B DEFICIT FUND EQUITY

NOTE III – DETAILED NOTES ON ALL FUNDS

- A CASH AND INVESTMENTS
- B RECEIVABLES
- C CAPITAL ASSETS
- D INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS
- E LEASES
- F LONG-TERM DEBT
- G SEGMENT INFORMATION
- H FUND EQUITY
- I SIGNIFICANT TRANSACTIONS WITH DISCRETELY PRESENTED
COMPONENT UNITS

NOTE IV – OTHER INFORMATION

- A RISK MANAGEMENT
- B SIGNIFICANT COMMITMENTS AND CONTINGENCIES
- C SUBSEQUENT EVENTS
- D JOINT VENTURES
- E EMPLOYEE BENEFITS
- F PENSION PLAN OBLIGATIONS

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) provides public education in kindergarten through twelfth grade to children residing within Montgomery County. Members of the Board of Education are elected by the voters. (One nonvoting student member is elected by secondary students.) 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 (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) 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) 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) 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, a not-for-profit corporation, 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 Community College 900 Hungerford Drive Rockville, MD 20850	Montgomery County Revenue Authority 101 Monroe Street, 4 th Floor Rockville, MD 20850
Housing Opportunities Commission of Montgomery County, Maryland 10400 Detrick Avenue Kensington, MD 20895-2484	Bethesda Urban Partnership, Inc. 7700 Old Georgetown Road Bethesda, MD 20814	

Joint Ventures

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), Metropolitan Washington Council of Governments (COG), and Northeast Maryland Waste Disposal Authority (NEMWDA). Disclosure of the County's participation in these joint ventures is presented in Note IV-D. Complete financial statements can be obtained at the joint ventures' offices listed below:

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	Metropolitan Washington Council of Governments 777 N. Capitol Street, NE, #300 Washington, DC 20002	Northeast Maryland Waste Disposal Authority 100 South Charles St, Tower II-Suite 402 Baltimore, MD 21201-2705

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 being 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 Assets – 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 Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. Net assets are divided into three categories – 1) invested in capital assets, net of related debt; 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 assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses.

General Fund Budget-to-Actual Comparison Statement - 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. For this reason, the County has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. The County and many other governments revise their original budgets over the course of the year for a variety of reasons; such revisions are reflected in a separate column in this statement.

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. 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.

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 revenue. At year-end, deferred 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. Deferred revenue relating to income taxes primarily includes amounts related to late filers, delinquent returns and audits, and remaining unallocated withholding.

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

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 deferred revenue.

Financial Statement Presentation

The County reports the following 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.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Special assessment activities are accounted for in the Debt Service Fund for practical purposes because they differ significantly from traditional special assessment practices. The principal and interest collected annually on such assessments are used as a partial source of funding for debt service on all outstanding general obligation road and storm drainage bonds. The remaining debt service requirement is financed from current governmental revenues and transfers, generally from the General Fund.

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

The County reports the following major enterprise funds:

Liquor Enterprise Fund - This fund accounts for the operations of twenty-five liquor stores and the Montgomery County Liquor Warehouse. Under State law, the Montgomery County Department of Liquor Control has a monopoly on the sale of alcoholic beverages 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, for the County. 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 downcounty residents during the late fall/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.

Additionally, the County reports the following 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. Permanent funds 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.

The County reports the following 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) and Deferred Compensation Plan, including accumulation of resources for, and payment of, retirement annuities and/or other benefits and administrative costs.

Investment Trust Fund - This fund accounts for the portion of the external investment pool, sponsored by the County, that belongs to participating governments that are not part of the County reporting entity.

Private-Purpose Trust Funds - These funds account for arrangements under which principal and interest are legally held in trust for parties outside of the County, such as court appointed guardians, and others, and must be expended in accordance with their designated purposes.

Agency Funds - These funds are used to account for assets, such as property taxes, held in a purely custodial capacity, where the County receives, temporarily invests, and remits such resources to individuals, private organizations, or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

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

1) Cash and Investments

Pooled Cash and Investments – 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. See Note III-A for additional information.

Non-pooled Investments:

Governmental Fund Types – Investments of the Housing Opportunities Commission (HOC) Treasury Bonds Permanent Fund (a Primary Government fund) are stated at fair value.

Proprietary Fund Types – The Solid Waste Activities and the Parking Lot District enterprise funds investment in U.S. Government securities are stated at fair value.

Pension and Other Employee Benefit Trust Fiduciary Fund Type – Investments are stated at fair value determined primarily on the basis of market quotations. If the quotations are not readily available then investments may be valued by another method which reflects fair value. Pension investments are comprised of an actively managed pool of equities, bonds, real estate commingled funds, and short-term securities, and passively managed index funds, managed by professional investment advisory firms under contract with the Board of Investment Trustees. Commingled funds are pooled investment vehicles. The Employees' Retirement System Pension and Other Employee Benefit Trust Fund (System) invests in derivatives, in accordance with the policy of the Board of Investment Trustees. The policy prohibits the investment in derivatives for the purpose of leveraging its investment portfolio. During FY07, investments in derivatives included asset-backed securities, collateralized mortgage obligations, exchanged-traded future contracts, forward currency contracts, swaps, and floating rate securities. The System entered into these investments either to increase earnings or to hedge against potential losses, but these investments were not used to leverage the portfolio. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the credit worthiness of the related parties to the contracts. The System also participates in securities lending transactions (see Note III-A).

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 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 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, the reserve for inventory is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

Prepaids – Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaids.

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, 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 \$5,000 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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) 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, 75 percent and 25 percent of such accrued leave is classified as current and long-term, respectively. 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.

7) 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 assets. 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. Bond issuance costs are generally reported as a deferred asset and amortized over the term of the related debt using the straight-line method.

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.

8) Fund Equity

In the government-wide financial statements, the County has reported negative unrestricted net assets. 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 capital assets related to component units are reported on the financial statements of MCPS and MCC, and this amount is also classified as net assets invested in capital, net of related debt (of which there is none) in the Component Units column of the government-wide Statement of Net Assets (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 assets (deficit) in the Governmental Activities column of the government-wide Statement of Net Assets. At June 30, 2007, the County has reported outstanding general obligation bond and variable rate demand obligation debt related to MCPS, MCC, and M-NCPPC amounting to \$1,109,741,009. Absent the effect of this relationship, the County would have reported positive unrestricted net assets of governmental activities in the amount of \$761,358,257.

In the government-wide Statement of Net Assets (Exhibit A-1), the amount reported in the Business-type Activities column for net assets invested in capital, net of related debt, includes \$53,553,520 in capital assets acquired by the Silver Spring Parking Lot District. Since the related capital lease liability of \$41,558,699 at June 30, 2007, is an obligation of the Governmental Activities (see Note III-E3), and the debt does not relate to a governmental capital asset, the impact of such debt is reported in the unrestricted portion of net assets in the Governmental Activities column. However, in the Total Primary Government column, the impact of such debt has been reclassified and reflected with the associated capital asset, in net assets invested in capital, net of related debt.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. However, long-term receivables in the Grants Special Revenue Fund, a nonmajor governmental fund, have not met the “available” criteria for revenue recognition, and are, therefore, offset by deferred revenue rather than reserved fund balance. In the Capital Projects Fund, fund balance reserved for other purposes represents recordation and impact tax collections on hand that are legally restricted for use on projects of other component unit and municipality governments.

Designations of fund balances represent tentative management plans that are subject to change, which are described more fully in Note III-H.

9) Property Taxes

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was levied above the constant yield rate for FY07. Following the Fairness in Taxation (FIT) legislation, the County Charter requires an affirmative vote of seven 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 2006 (i.e., FY07), in conjunction with an enhanced homeowner’s tax credit program and a one-time income tax offset credit, met 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 property owners pay their tax on a semi-annual schedule, with the first and second installments due on September 30 and December 31, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30.

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

E) Accounting Changes

The County has adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which did not have a significant impact on the County's financial statements.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) 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 except for those related to Federal and State grants and those related to the Capital Projects Fund lapse at year-end.

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 a designation 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.

Starting in FY07, the Department of Public Libraries is appropriated by program; the three programs within the Department of Public Libraries' budget to actual expenditures are as follows:

	Budget	Actual	Variance Positive (Negative)
Administration, Outreach and Support Services:			
Personnel	\$ 1,868,117	\$ 1,868,117	\$ -
Operating	1,745,081	1,745,077	4
Capital Outlay	290	-	290
Totals	<u>3,613,488</u>	<u>3,613,194</u>	<u>294</u>
Library Services to the Public:			
Personnel	24,413,661	24,413,661	-
Operating	561,329	561,329	-
Capital Outlay	75,960	75,960	-
Totals	<u>25,050,950</u>	<u>25,050,950</u>	<u>-</u>
Collection Management:			
Personnel	1,973,272	1,973,040	232
Operating	7,247,581	7,247,315	266
Totals	<u>9,220,853</u>	<u>9,220,355</u>	<u>498</u>
Total Personnel	28,255,050	28,254,818	232
Total Operating	9,553,991	9,553,721	270
Total Capital Outlay	76,250	75,960	290
Grand Total	<u>\$ 37,885,291</u>	<u>\$ 37,884,499</u>	<u>\$ 792</u>

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 three major categories (personnel costs, operating, and capital outlay) with the unencumbered appropriation authority expiring the following June 30. Encumbered appropriations are reappropriated and carried forward to the subsequent fiscal year. With the exception of the Grants Special Revenue Fund (see Note III-H1), such encumbrances are designated as part 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 FY07, the County Council increased the operating budget through supplemental and special appropriations by \$73.1 million. In addition, supplemental appropriations increased the CIP budget by \$35 million.

Presentation

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

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

Adjustments necessary to reconcile the General Fund budgetary and GAAP statements are as follows:

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
General Fund:				
As reported - budgetary basis	\$ 2,598,488,471	\$ 865,933,480	\$ (1,728,384,498)	\$ 4,170,493
Reconciling items:				
Cancellation of prior year encumbrances	(902,723)	-	-	(902,723)
Elimination of encumbrances outstanding	-	(24,603,431)	-	24,603,431
Unrealized gains (losses)	(684,968)	-	-	(684,968)
Financing under capital lease	-	835,614	835,614	-
Financing under notes payable	-	150,640	150,640	-
Conference Center activity	17,215,135	16,436,175	-	778,960
Interfund activities budgeted as transfers:				
Recreation facility maintenance costs	2,322,840	-	(2,322,840)	-
Public agency permits	-	1,104,989	1,104,989	-
Solid waste tipping fees	-	1,704,140	1,704,140	-
Community use of public facilities for elections	-	204,770	204,770	-
Component Unit activities budgeted as transfers:				
Component Units - Transfer in	606,183	-	(606,183)	-
Component Units - Transfer out	-	1,497,615,804	1,497,615,804	-
As reported - GAAP basis	<u>\$ 2,617,044,938</u>	<u>\$ 2,359,382,181</u>	<u>\$ (229,697,564)</u>	<u>\$ 27,965,193</u>

B) Deficit Fund Equity

Central Duplicating - The \$160,288 unrestricted deficit in the Central Duplicating Internal Service Fund results primarily from a revenue shortfall in covering expenses associated with records management/imaging services which started in FY05. Revenue adjustments implemented in FY06 reduced the fund's unrestricted deficit from \$641,914 in FY05 to \$238,827 in FY06 and to \$160,288 in FY07. While these adjustments were expected to fully recover the deficit, additional adjustments are still required. County actions subsequent to year-end include implementation of a policy requiring substantially all printing services to be performed through Central Duplicating, and implementing future rate adjustments. These additional actions are anticipated to recover the existing unrestricted deficit by the end of FY09.

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, 2007, totaled \$5,041,242,297 of which \$4,522,097,053 is related to the Primary Government, as presented below and in the government-wide financial statements. These funds are held in several pools, various non-pooled investments, and cash funds. The following is a schedule of total cash and investments:

	Primary Government	Component Units	Total Reporting Entity
<u>Statement of Net Asset Amounts:</u>			
Equity in pooled cash and investments	\$ 980,121,341	\$ 60,602,360	\$ 1,040,723,701
Cash with fiscal agents	32,855,104	10,221,585	43,076,689
Cash	431,159	8,961,859	9,393,018
Investments - cash equivalents	-	114,360,274	114,360,274
Investments	3,458,449,170	41,216,214	3,499,665,384
Restricted equity in pooled cash and investments	34,764,116	-	34,764,116
Restricted cash with fiscal agents	10,745,405	9,732,046	20,477,451
Restricted cash	-	457,996	457,996
Restricted investments - cash equivalents	-	101,367,862	101,367,862
Restricted investments	4,730,758	172,225,048	176,955,806
Total	<u>\$ 4,522,097,053</u>	<u>\$ 519,145,244</u>	<u>\$ 5,041,242,297</u>
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 132,339,453	\$ (1,148,863)	\$ 131,190,590
Investments	4,345,725,932	363,664,823	4,709,390,755
Cash on hand, fiscal agents, safe deposit escrow	44,031,668	156,629,284	200,660,952
Total	<u>\$ 4,522,097,053</u>	<u>\$ 519,145,244</u>	<u>\$ 5,041,242,297</u>

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

Government-wide	\$ 975,862,362
Fiduciary funds	<u>3,546,234,691</u>
Total	<u>\$ 4,522,097,053</u>

PRIMARY GOVERNMENT

2) External Investment Pool

Overview:

The County maintains an external investment pool that is subject to oversight by the County's Internal Investment Committee, but is not subject to regulatory oversight by the Securities and Exchange Commission (SEC). Participants in the pool include the County, certain component unit agencies, and other legally separate entities. The equity position of each fund and component unit is reported as an asset by the funds and component units. The external portion of the pool (i.e., participation by legally separate entities) is reported as the Investment Trust Fund in the accompanying financial statements. Participants' shares redeemed during the year are based on actual cost; participants' shares are then

adjusted to fair value at year-end. The County has not provided or obtained any legally binding guarantees during the year to support the value of shares.

During the year, investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. Investments are marked-to-market at year-end, since the pool does not meet the strict definition of “2a-7 like.” The fair value of U. S. Government securities, commercial paper and bankers’ acceptances are provided by the County’s custodian, which are based on various industry standard pricing sources. Fair value of investments in repurchase agreements are estimated based on an industry accepted index, with comparable collateral or credit quality, as appropriate. For interest-bearing investments, market value quotations did not include accrued interest. However, for reporting purposes, immaterial amounts of accrued interest have been classified with the fair value of investments in the accompanying financial statements.

Investment income during the year, and the 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 for the current year related to all County funds (exclusive of legally separate entities’ accounts reflected in the Investment Trust Fund) is recorded in the General Fund, since this amount is not material.

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

	Primary Government	Component Units	Total Reporting Entity
<u>Balance Sheet Amounts:</u>			
Equity in pooled cash and investments	\$ 980,121,341	\$ 13,110,010	\$ 993,231,351
Restricted equity in pooled cash and investments	34,764,116	-	34,764,116
Total	<u>\$ 1,014,885,457</u>	<u>\$ 13,110,010</u>	<u>\$ 1,027,995,467</u>
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 132,339,453	\$ -	\$ 132,339,453
Investments	882,546,004	13,110,010	895,656,014
Total	<u>\$ 1,014,885,457</u>	<u>\$ 13,110,010</u>	<u>\$ 1,027,995,467</u>

Deposits:

Custodial Credit Risk

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

Deposits include bank accounts and non-negotiable certificates of deposit. Deposits at financial institutions were fully insured or collateralized at year-end.

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. There were no unusual variations in the mix or volume of the investment portfolio throughout the year. The County was in compliance with all applicable investment statutes throughout the fiscal year.

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Maturity Range</u>	<u>Interest Rate Range</u>
Repurchase agreements	\$ 284,557,677	\$ 285,000,000	July - August 07	5.26 - 5.38 %
U. S. Government securities	326,134,816	324,976,840	July 07 - June 08	5.00 - 5.56
Commercial paper	44,553,222	44,435,164	July - December 07	5.39 - 5.44
Bankers' acceptances	132,852,311	131,781,086	July - December 07	5.27 - 5.37
Money market mutual funds	107,557,988	107,557,988	n/a	5.25 - 5.31
Total	<u>\$ 895,656,014</u>	<u>\$ 893,751,078</u>		

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to maturities of one year or less. However, a portion of the portfolio may be invested in investments with longer maturities (up to two years); any investment with a maturity of over 12 months must be approved by the Director of Finance prior to execution. As of June 30, 2007, the County's investment maturities are as follows:

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-2</u>
Repurchase agreements	\$ 284,557,677	\$ 284,557,677	\$ -
U. S. Government securities	326,134,816	326,134,816	-
Commercial paper	44,553,222	44,553,222	-
Bankers' acceptances	132,852,311	132,852,311	-
Money market mutual funds	107,557,988	107,557,988	-
Total	<u>\$ 895,656,014</u>	<u>\$ 895,656,014</u>	<u>\$ -</u>

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 Maryland Local Government Investment Pool (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.

As of June 30, 2007, the County's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
Repurchase agreements ¹	N/R	N/R	N/R
U.S. Government securities ² :			
Agency discounts	A-1+	F1+	P-1
Federal Agricultural Mortgage Corp discount notes	N/R	N/R	N/R
Federal National Mortgage Association mortgage backed securities discount notes	N/R	N/R	N/R
Other U.S. Government securities	AAA	AAA	Aaa
Commercial paper ³	A-1	F1	P-1
Bankers' acceptances ⁴	N/R	N/R	N/R
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.

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, 2007, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. It is the County's policy to diversify by investment type and institution in order to avoid unreasonable risks, with maximum limits as follows:

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

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

* At time of purchase

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

As of June 30, 2007, five percent or more of the County's investments, excluding amounts issued or explicitly guaranteed by the U.S. Government, mutual funds, and pooled investments, are invested in:

<u>Issuer</u>	<u>Fair Value</u>
Bank of America	\$ 72,449,119
Federal Home Loan Bank	151,410,397
Federal Home Loan Mortgage Corp	59,709,739
Federal National Mortgage Association	85,033,780
Morgan Stanley	195,326,727
RBC Dain Rauscher	149,956,027
Wachovia	39,560,100

External Investment Pool Condensed Financial Statements:

The condensed financial statements of the County's external investment pool at June 30, 2007, are as follows:

Statement of Net Assets
June 30, 2007

Assets:	
Investment in securities, at fair value	\$ 895,656,014
Cash	132,339,453
Total assets and net assets	<u>\$ 1,027,995,467</u>
Net assets consist of:	
Internal participants' units outstanding (\$1.00 par)	\$ 996,566,387
External participants' units outstanding (\$1.00 par)	31,429,080
Net assets	<u>\$ 1,027,995,467</u>
Participants net asset value, offering price and redemption price per share (\$1,027,995,467 / 1,033,435,338 units)	<u>\$ 1.00</u>

Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2007

Investment Income *	\$ 47,731,815
Distributions to participants:	
Distributions paid and payable	(47,731,815)
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	\$ 9,600,628,228
Redemption of units	<u>(9,422,939,800)</u>
Net increase in net assets and shares resulting from share transactions	<u>177,688,428</u>
Total increase in net assets	177,688,428
Net assets, July 1, 2006	<u>850,307,039</u>
Net assets, June 30, 2007	<u>\$ 1,027,995,467</u>

* The pool has no expenses.

3) Major and Nonmajor Fund Deposit and Investment Risks

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

Debt Service Fund - Cash with fiscal agents of \$27,826,160 is held for approximately one day in bank accounts that are not in the County's name and are not collateralized. Per the Montgomery County Code, banks receiving County funds in trust, for the purpose of paying principal and interest on bonds or other County obligations, need not furnish security for those funds.

Capital Projects Fund – Cash with fiscal agents of \$3,789,729 is held in money market mutual funds and U.S Government securities.

Liquor – Cash with fiscal agents of \$10,569,308 is held in money market for the purpose of disbursement of construction cost for a temperature control warehouse.

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

4) Fiduciary Funds

Employees' Retirement System:

Investment Overview

Section 33-61C of the County Code (Code), authorizes the Board of Investment Trustees (Board) (see Note IV-F) to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the Employees' Retirement System (System) is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolios and by monitoring the financial markets, the System's asset allocation and the investment managers hired by the System. Each investment manager has a specific benchmark and investment guidelines appropriate for the type of investments they are managing. Section 33-60 of the Code prohibits the Board from investing in any bonds, notes, or debt instruments issued by the County, any political subdivision within the County, any agency supported or financed wholly or partly by taxes levied by the Montgomery County Council, or any agency supported by bond issues underwritten by the County. Investments in real property are limited to a pooled investment arrangement in which the Board has no power or right to manage the real estate property, provided that the pooled arrangement does not invest more than 10 percent of its assets in real property located in the County.

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 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 organization that represent 5 percent or more of net assets 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, 2007, are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	\$ 153,343,540	16.73 %
	AA	1,526,456	0.17
Foreign Government Obligations	AAA	124,112,720	13.54
	A	14,801,884	1.62
	BBB	2,011,624	0.22
	BB	4,659,748	0.51
	B	400,428	0.04
	Unrated	529,717	0.06
Asset-Backed Securities	AAA	54,919,248	5.99
	AA	355,508	0.04
	A	679,593	0.07
	B	140,437	0.02
	Unrated	1,679,700	0.18
Commercial Mortgage-Backed Securities	AAA	29,209,946	3.19
Collateralized Mortgage Obligations	AAA	13,898,231	1.52
Municipal/Provincial Bonds	AA	881,698	0.10
	Unrated	292,572	0.03
Corporate Bonds	AAA	13,356,025	1.46
	AA	19,083,811	2.08
	A	23,340,781	2.55
	BBB	31,873,292	3.48
	BB	37,755,073	4.12
	B	71,239,004	7.77
	CCC	23,618,993	2.58
	CC	279,000	0.03
	D	4,291	0.00
	Unrated	13,572,801	1.48
Fixed Income Pooled Funds	AA	99,719,669	10.88
	Unrated	43,164,604	4.71
Short-term Investments and Other	NA	135,874,705	14.83
Total Fixed Income Securities		<u>\$ 916,325,099</u>	<u>100.00 %</u>

*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 up/down by 8 percent.

As of June 30, 2007, 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	1.06	\$ 154,869,996	16.90 %
Foreign Government Obligations	7.41	146,516,121	15.99
Asset-Backed Securities	0.73	57,774,486	6.30
Commercial Mortgage-Backed Securities	4.08	29,209,946	3.19
Collateralized Mortgage Obligations	1.50	13,898,231	1.52
Municipal/Provincial Bonds	7.41	1,174,270	0.13
Corporate Bonds	3.80	234,123,071	25.55
Fixed Income Pooled Funds	2.13	142,884,273	15.59
Short-term Investments and Other	N/A	135,874,705	14.83
Total Fixed Income Securities		<u>\$ 916,325,099</u>	<u>100.00 %</u>

Foreign Currency Risk

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

International Securities	Equity	Fixed Income	Short-term and Other	Total Non-U.S. Dollar
European Currency Unit	\$ 158,480,677	\$ 46,055,264	\$ (42,284,391)	\$ 162,251,550
Japanese Yen	104,323,018	-	27,260,744	131,583,762
British Pound Sterling	69,046,942	40,510,225	(26,847,735)	82,709,432
Hong Kong Dollar	25,165,837	-	5,511	25,171,348
New Zealand Dollar	687,925	1,075,204	20,545,897	22,309,026
Philippine Peso	7,029,724	-	-	7,029,724
Malaysian Ringgit	4,464,726	1,175,526	-	5,640,252
South African Rand	5,469,135	-	567	5,469,702
Danish Krone	5,380,322	-	(48,928)	5,331,394
Australian Dollar	4,337,145	-	585,067	4,922,212
Other Currencies	51,411,157	58,999,041	(106,365,610)	4,044,588
Total International Securities	<u>\$ 435,796,608</u>	<u>\$ 147,815,260</u>	<u>\$ (127,148,878)</u>	<u>\$ 456,462,990</u>

Derivatives

The System invests in derivative instruments on a limited basis in accordance with the Board's Derivatives Policy. During FY07, the System invested directly in various derivatives including asset-backed securities, collateralized mortgage obligations, exchanged-traded future contracts, forward currency contracts, swaps, and floating rate securities. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. The System entered into these investments either to increase earnings or to hedge against potential losses. 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 Derivatives Policy 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.

As permitted by the Board's policies, the System holds off-financial statement derivatives in the form of exchange-traded financial futures and options. The futures and options with fair values of approximately \$15,445,000 are held for investment purposes and included within the financial statements at June 30, 2007. Gains and losses on futures and options are determined based upon fair market values and recorded in the Statement of Changes in Plan Net Assets.

Interest rate swaps, foreign currency exchange swaps, and forward foreign currency exchange contracts are held for investment purposes. At June 30, 2007, the System had approximately \$109,974,000 net exposure in foreign currency exchange and interest rate swaps and \$144,450,000 negative net exposure in forward foreign currency exchange contracts.

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 assets. The Board does not restrict the amount of loans the lending agent may make on its behalf. 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, 2007, the fair value of securities on loan was \$394,768,927. Cash received as collateral and the related liability of \$384,513,936 as of June 30, 2007, is shown on the Statement of Plan Net Assets. 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 \$18,460,425 and \$17,654,765, 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, 2007:

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for Cash Collateral:			
U.S. Government Obligations	\$ 62,759,833	\$ -	\$ 63,977,115
Foreign Government Obligations	17,355,965	-	17,784,537
Corporate Bonds	66,555,379	-	68,045,636
Equities	227,554,706	-	234,706,648
Lent for Non-Cash Collateral:			
U.S. Government Obligations	8,654,384	8,838,198	-
Corporate Bonds	5,785,026	5,888,478	-
Equities	6,103,634	6,254,322	-
Total	<u>\$ 394,768,927</u>	<u>\$ 20,980,998</u>	<u>\$ 384,513,936</u>

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, 2007, 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, 2007, the fair value of the mutual and commingled investment funds was \$119,063,075. The fair value of the investments in international mutual funds was \$4,903,686.

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, 2007, the fair value of the mutual and commingled investment funds was \$248,948,643. The fair value of the investments in international mutual funds included in the County Plan was \$22,233,050.

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, 2007, were entirely insured or collateralized with securities held by HOC's agent in HOC's name. HOC's investments are subject to interest rate, credit, and custodial risk as described below:

Interest Rate Risk

HOC's investment policy which applies to the General Fund, Public Fund and the Opportunity Housing Fund, requires that the majority of HOC's investments must be on a short-term basis (less than one year); however a portion of the portfolio may be invested in investments with longer maturities (up to two years).

The investment requirements for the Multi-Family Fund and Single Family Fund are specified within each of the bond trust indentures. The bond trustee is required to invest money in obligations with the objective that sufficient money will be available to pay the interest due on the bonds and will mature or be subject to redemption with the objective that sufficient money will be available for the purposes intended in accordance with the Indenture.

Credit Risk

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

The Single Family and Multi-Family Bond Funds require that the trustee invest moneys on deposit under the indenture in investment obligations as defined by the respective bond indenture agreements. Investment obligations are defined as the following: (i) Government obligations; (ii) bond debentures or other obligation 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 Mercantile-Safe Deposit and Trust's account at the Federal Reserve Bank.

At June 30, 2007, HOC had the following cash, cash equivalents, investments and maturities:

Cash Equivalents	Fair Value	Less than 1 year		
<u>Cash Equivalents:</u>				
General Fund:				
Repurchase Agreement	\$ 5,584,869	\$ 5,584,869		
Money Market Accounts	6,108,098	6,108,098		
U. S. Treasury Bills	7,806,243	7,806,243		
Opportunity Housing Fund:				
Investment in County Local Investment Pool	7,093,577	7,093,577		
Investment in MLGIP	509,108	509,108		
Money Market Accounts	22,916,302	22,916,302		
Public Fund:				
Investment in MLGIP	5,242,905	5,242,905		
Money Market Accounts	7,689,912	7,689,912		
Multi-Family Fund - Money Market Accounts	55,456,719	55,456,719		
Single Family Fund - Money Market Accounts	45,193,100	45,193,100		
Total	<u>\$ 163,600,833</u>	<u>\$ 163,600,833</u>		
<u>Short-term Investments:</u>				
Multi-Family Fund				
Freddie Mac	\$ 470,645	\$ 470,645		
GNMA Pool	889,271	889,271		
US Treasuries	246,140	246,140		
Single Family Fund:				
Federal Home Loan Banks	29,184,328	29,184,328		
Society General Repurchase Agreement	18,291,033	18,291,033		
Total	<u>\$ 49,081,417</u>	<u>\$ 49,081,417</u>		
Long-Term Investments	Fair Value	1-5 years	Long-Term	Rating
<u>Long-term Investments:</u>				
Multi-Family Fund:				
Bank One Investment Agreement	\$ 591,525	\$ -	\$ 591,525	AA/Aa2
Fannie Mae	3,646,856	-	3,646,856	AAA
Freddie Mac	3,568,047	2,147,342	1,420,705	AAA
GNMA Pool	73,326,438	-	73,326,438	AAA
JP Morgan Chase Repurchase Agreement	2,602,247	-	2,602,247	AAA
U. S. Treasury Bond	4,452,801	-	4,452,801	AAA
Single Family Fund:				
Federal Farm Credit Banks	5,510,343	-	5,510,343	AAA
Federal Home Loan Banks	2,109,584	768,377	1,341,207	AAA
Fannie Mae	849,394	-	849,394	AAA
Solomon Repurchase Agreement	2,345,800	-	2,345,800	AA1
Trinity Plus Investment Agreement	12,979,585	12,979,585	-	AAA
Tennessee Valley Authority	3,256,608	-	3,256,608.00	AAA
U. S. Treasury Bond	7,904,403	-	7,904,403	AAA
Total	<u>123,143,631</u>	<u>15,895,304</u>	<u>107,248,327</u>	
Cash balances	<u>1,685,240</u>			
Total Cash, Cash Equivalents and Investments	<u>\$ 337,511,121</u>			

B) Receivables**1) Accounts Receivable**

The allowance for doubtful accounts at June 30, 2007, reported in the enterprise funds, amounted to:

Liquor	\$ 682,159
Solid Waste Activities	12,064
Parking Lot Districts	<u>2,037,252</u>
	<u>\$ 2,731,475</u>

2) Due from/to Component Units

The balances at June 30, 2007, were:

Due from Component Units /

Due to Primary Government:

Due from Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due to Primary Government:						
General	\$ 657,222	\$ 1,350,000	\$ -	\$ 1,378,741	\$ -	\$ 3,385,963
Capital Projects	-	-	-	14,268,153	-	14,268,153
Solid Waste Activities Enterprise	56,251	389	-	586	2,590	59,816
Nonmajor governmental	-	-	-	39,035,782	-	39,035,782
Major Enterprise	-	-	-	627,154	-	627,154
Internal Service	35,096	(111)	143,797	363,448	14,776	557,006
Fiduciary	-	-	29,681	102,097	-	131,778
Total Due to Primary Government	<u>\$ 748,569</u>	<u>\$ 1,350,278</u>	<u>\$ 173,478</u>	<u>\$55,775,961</u>	<u>\$ 17,366</u>	<u>\$ 58,065,652</u>

Due to Component Units /

Due from Primary Government:

Due to Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due from Primary Government:						
General	\$51,860,234	\$ 99,577	\$ -	\$ 1,591,555	\$ -	\$ 53,551,366
Capital Projects	7,053,427	7,755,510	-	334,613	-	15,143,550
Nonmajor governmental	1,622,893	29,426	-	375,730	36,543	2,064,592
Nonmajor Enterprise	596,740	-	-	-	-	596,740
Internal Service	77,621	-	-	-	-	77,621
Total Due from Primary Government	<u>\$61,210,915</u>	<u>\$ 7,884,513</u>	<u>\$ -</u>	<u>\$ 2,301,898</u>	<u>\$ 36,543</u>	<u>\$ 71,433,869</u>

In the nonmajor governmental funds, \$30,277,244 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 \$2,213,324, 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. To date the project has not generated cash flows. This loan is offset by deferred revenue. 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. Fund balance has been reserved for the remaining loans. During FY07, approximately \$401,100 in loans to HOC was forgiven by the County.

3) **Due From Other Governments**

The total amount due from other governments at June 30, 2007, was comprised of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Solid Waste Activities</u>	<u>Nonmajor Governmental</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
Federal government	\$ -	\$ 312,638	\$ 846	\$ 15,060,052	\$ 291,030	\$ -	\$ 15,664,566
State of Maryland	21,396,431	12,427,749	6,784	8,756,763	20,372	25,884	42,633,983
Other	109,676	1,002,302	128,117	553,857	36,624	9,549	1,840,125
Total	<u>\$ 21,506,107</u>	<u>\$ 13,742,689</u>	<u>\$ 135,747</u>	<u>\$ 24,370,672</u>	<u>\$ 348,026</u>	<u>\$ 35,433</u>	<u>\$ 60,138,674</u>

C) Capital Assets

PRIMARY GOVERNMENT

Capital asset activity for the year ended June 30, 2007, was as follows:

	July 1, 2006	Increases	Decreases	June 30, 2007
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 544,279,988	\$ 25,814,950	\$ -	\$ 570,094,938
Construction in progress	146,347,682	98,571,202	69,831,103	175,087,781
Total Nondepreciable Capital Assets	690,627,670	124,386,152	69,831,103	745,182,719
Depreciable Capital Assets:				
Buildings	708,412,348	39,764,224	-	748,176,572
Improvements other than buildings	44,349,270	1,275,930	-	45,625,200
Furniture, fixtures, equipment and machinery	215,798,805	16,660,243	5,773,959	226,685,089
Leasehold improvements	12,072,573	705,329	-	12,777,902
Automobiles and trucks	182,308,625	25,342,700	3,937,816	203,713,509
Infrastructure	1,497,802,708	34,696,220	-	1,532,498,928
Other assets	2,079,731	-	-	2,079,731
Total Capital Assets being Depreciated	2,662,824,060	118,444,646	9,711,775	2,771,556,931
Less Accumulated Depreciation for:				
Buildings	226,076,895	19,881,789	-	245,958,684
Improvements other than buildings	14,393,258	1,294,136	-	15,687,394
Furniture, fixtures, equipment and machinery	92,652,447	21,989,101	5,811,713	108,829,835
Leasehold improvements	1,306,791	769,457	-	2,076,248
Automobiles and trucks	88,764,145	13,795,170	3,455,106	99,104,209
Infrastructure	385,532,585	30,304,735	-	415,837,320
Other assets	1,283,605	207,973	-	1,491,578
Total Accumulated Depreciation	810,009,726	88,242,361	9,266,819	888,985,268
Total Depreciable Assets, net	1,852,814,334	30,202,285	444,956	1,882,571,663
Governmental Activities Capital Assets, net	\$ 2,543,442,004	\$ 154,588,437	\$ 70,276,059	\$ 2,627,754,382
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	\$ 52,777,663	\$ -	\$ -	\$ 52,777,663
Construction in progress	4,539,914	12,650,001	9,432,255	7,757,660
Total Nondepreciable Capital Assets	57,317,577	12,650,001	9,432,255	60,535,323
Depreciable Capital Assets:				
Buildings	209,542,534	1,710,072	-	211,252,606
Improvements other than buildings	116,965,469	5,999,447	-	122,964,916
Furniture, fixtures, equipment and machinery	18,833,445	1,499,198	1,058,346	19,274,297
Infrastructure	-	14,351	-	14,351
Automobiles and trucks	3,907,274	488,993	16,056	4,380,211
Total Capital Assets being Depreciated	349,248,722	9,712,061	1,074,402	357,886,381
Less Accumulated Depreciation for:				
Buildings	73,834,969	7,065,503	-	80,900,472
Improvements other than buildings	94,176,755	2,936,524	-	97,113,279
Furniture, fixtures, equipment and machinery	12,831,936	1,409,884	1,035,869	13,205,951
Infrastructure	-	430	-	430
Automobiles and trucks	2,899,872	225,838	16,056	3,109,654
Total Accumulated Depreciation	183,743,532	11,638,179	1,051,925	194,329,786
Total Depreciable Assets, net	165,505,190	(1,926,118)	22,477	163,556,595
Business-Type Activities Capital Assets, net	\$ 222,822,767	\$ 10,723,883	\$ 9,454,732	\$ 224,091,918

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

Governmental activities:

General government	\$ 10,749,522
Public safety	25,403,595
Public works and transportation	41,675,538
Health and human services	1,625,892
Culture and recreation	7,532,492
Community development and housing	1,056,574
Environment	198,748
Total depreciation expense-governmental activities	<u>\$ 88,242,361</u>

Business-type activities:

Liquor	\$ 774,830
Solid waste activities	2,108,867
Parking lot districts	8,624,035
Permitting services	128,102
Community use of public facilities	2,345
Total depreciation expense-business-type activities	<u>\$ 11,638,179</u>

Construction commitments as of June 30, 2007, are as follows:

General Government	\$ 10,852,038
Public Safety	25,019,510
Public Works and Transportaion	59,262,569
Culture & Recreation	2,265,352
Community Development & Housing	5,227,039
Environment	3,523,393
Total	<u>\$ 106,149,901</u>

COMPONENT UNITS

Capital assets of MCPS, amounting to \$1,667,165,296 at June 30, 2007, are significant in relation to the total component unit capital assets.

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 67,966,869	\$ 177,432	\$ 3,677	\$ 68,140,624
Construction in progress	219,314,700	165,933,213	208,640,081	176,607,832
Total nondepreciable capital assets	<u>287,281,569</u>	<u>166,110,645</u>	<u>208,643,758</u>	<u>244,748,456</u>
Depreciable capital assets:				
Buildings and improvements	1,659,903,532	186,720,894	13,180,543	1,833,443,883
Land improvements	131,397,637	22,397,482	-	153,795,119
Machinery and equipment	135,633,758	16,552,030	15,422,009	136,763,779
Total depreciable capital assets	<u>1,926,934,927</u>	<u>225,670,406</u>	<u>28,602,552</u>	<u>2,124,002,781</u>
Less accumulated depreciation for:				
Buildings and improvements	575,568,134	40,877,579	13,023,162	603,422,551
Land improvements	27,882,185	3,214,683	-	31,096,868
Machinery and equipment	76,695,383	11,343,192	15,282,375	72,756,200
Total accumulated depreciation	<u>680,145,702</u>	<u>55,435,454</u>	<u>28,305,537</u>	<u>707,275,619</u>
Total depreciable capital assets, net	<u>1,246,789,225</u>	<u>170,234,952</u>	<u>297,015</u>	<u>1,416,727,162</u>
Government activities capital assets, net	<u>\$ 1,534,070,794</u>	<u>\$ 336,345,597</u>	<u>\$ 208,940,773</u>	<u>1,661,475,618</u>
Business-Type Activities				
Depreciable capital assets:				
Buildings	\$ 17,831	\$ -	\$ -	17,831
Machinery and equipment	19,218,495	1,229,771	879,357	19,568,909
Total depreciable capital assets	<u>19,236,326</u>	<u>1,229,771</u>	<u>879,357</u>	<u>19,586,740</u>
Less accumulated depreciation for:				
Buildings	11,590	1,783	-	13,373
Machinery and equipment	13,578,212	1,102,134	796,657	13,883,689
Total accumulated depreciation	<u>13,589,802</u>	<u>1,103,917</u>	<u>796,657</u>	<u>13,897,062</u>
Business-type activities capital assets, net	<u>\$ 5,646,524</u>	<u>\$ 125,854</u>	<u>\$ 82,700</u>	<u>5,689,678</u>
Total MCPS government-wide capital assets				<u>\$ 1,667,165,296</u>

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

Governmental activities:	
Regular instruction	\$ 45,597,956
Special education	282,706
School administration	47,288
Student personnel services	5,468
Student transportation	7,318,363
Operation of plant	138,179
Maintenance of plant	857,806
Administration	1,187,688
Total depreciation expense-governmental activities	<u>\$ 55,435,454</u>
Business-type activities:	
Food services	\$ 1,084,473
Adult education and summer entrepreneurial	17,660
Real estate management	1,784
Total depreciation expense-business type activities	<u>\$ 1,103,917</u>

D) Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of June 30, 2007, is as follows:

Due To Fund	Due From Fund					Total
	General	Solid Waste Activities	Nonmajor Governmental	Internal Service	Fiduciary	
General	\$ -	\$ 1,267	\$ -	\$ 3,836,725	\$ 5,685,984	\$ 9,523,976
Debt Service	26,710,046	-	1,114,114	-	-	27,824,160
Capital Projects	47,533,077	-	5,694,840	79,759	81,807	53,389,483
Liquor	-	589	-	175,031	143,548	319,168
Solid Waste Activities	-	-	-	65,331	72,501	137,832
Parking Lot Districts	-	2,064	-	19,897	19,065	41,026
Nonmajor Governmental	5,869,125	50	-	1,573,752	2,738,165	10,181,092
Nonmajor Enterprise	-	-	-	155,530	216,532	372,062
Internal Service	-	-	-	150,254	128,273	278,527
Fiduciary	-	-	-	3,029	704	3,733
Total	<u>\$ 80,112,248</u>	<u>\$ 3,970</u>	<u>\$ 6,808,954</u>	<u>\$ 6,059,308</u>	<u>\$ 9,086,579</u>	<u>\$ 102,071,059</u>

Included in the amounts presented above are the following short-term loans from the General Fund that were or will be repaid during FY08:

- \$22.4 million to the Capital Projects Fund to cover construction payments, due primarily to the timing of reimbursements from Federal, State and other agencies, and to lag time between programming and collection of certain impact taxes; and
- \$27.8 million to the Debt Service Fund relating to a debt service payment due on the first day of the next fiscal year, that must be remitted to the County's fiscal agent one working day prior to the debt service due date.

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, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2007, consisted of the following:

		Transfers In Fund						
		General	Debt Service	Capital Projects	Parking Lot Districts	Nonmajor Governmental	Nonmajor Enterprise	Internal Service
								Total
Transfers Out Fund								
General	\$ -	\$ 203,384,307	\$ 36,435,692	\$ 2,042,669	\$ 27,614,179	\$ 50,000	\$ 1,171,249	\$ 270,698,096
Debt Service	-	-	6,175,154	-	-	-	-	6,175,154
Liquor	22,149,060	-	-	-	-	-	-	22,149,060
Solid Waste Activities	1,735,420	-	-	-	-	-	-	1,735,420
Parking Lot Districts	451,520	-	201,730	-	8,378,725	-	-	9,031,975
Nonmajor Governmental	11,592,884	22,854,321	5,363,161	-	302,136	-	281,913	40,394,415
Nonmajor Enterprise	3,249,780	-	-	-	-	-	-	3,249,780
Total	\$ 39,178,664	\$ 226,238,628	\$ 48,175,737	\$ 2,042,669	\$ 36,295,040	\$ 50,000	\$ 1,453,162	\$ 353,433,900

Primary activities include:

- Transfers from the General and various non-major governmental funds to the Debt Service Fund to provide funding for debt service principal and interest payments;
- Transfers of current receipt and pay-go funding from the General Fund to the Capital Projects Fund;
- Transfer of Liquor Enterprise Fund profits to the General Fund; and
- Transfer of certain revenues in excess of statutory formulas from the General Fund to the Revenue Stabilization Special Revenue Fund.

Included in the amounts above is \$7,811,920 contributed by the General Fund to the Housing Initiative Special Revenue Fund to provide supplemental funding to the program.

Transfers at the government-wide financial statement level include \$835,614 associated with the General Fund and Silver Spring Parking Lot District (SSPLD) relating to general governmental capital lease obligations for capital assets accounted for in the SSPLD. At the fund level, such transfers are classified as capital contributions in the SSPLD, and expenditures and an other financing source in the General Fund, in accordance with generally accepted accounting principles (see Note III-E3).

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 \$13,069,000 for FY07. Future minimum lease payments under significant non-cancelable operating leases are as follows:

Fiscal Year Ending June 30	
2008	\$ 15,311,000
2009	13,764,000
2010	11,891,000
2011	9,359,000
2012	8,528,000
2013 - 2017	10,115,000
2018 - 2022	198,000
2023 - 2026	138,000
Total	<u>\$ 69,304,000</u>

2) Capital Lease Receivable

Pursuant to the issue of the 2002 Lease Revenue Bonds and 2004 Lease Revenue Bonds (See Note III-F5), 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.

The composition of the capital lease receivable is as follows:

	Shady Grove	Grosvenor	Total
Minimum lease payments receivable	\$ 28,286,899	\$ 27,813,354	\$ 56,100,253
Unearned lease income	(8,992,769)	(8,852,484)	(17,845,253)
Net investment in direct financing leases	<u>\$ 19,294,130</u>	<u>\$ 18,960,870</u>	<u>\$ 38,255,000</u>

At June 30, 2007, the minimum future lease payments due under the direct financing capital lease agreements are as follows:

Fiscal Year Ending June 30	
2008	\$ 3,292,339
2009	3,295,276
2010	3,294,214
2011	3,292,009
2012	3,296,303
2013-2017	16,533,297
2018-2022	16,662,895
2023-2024	6,433,920
Total minimum lease payments	<u>\$ 56,100,253</u>

3) Capital Lease Obligations

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

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

Land	\$ 13,449,033
Land improvements	1,661,214
Buildings	53,783,181
Furniture, fixtures, equipment and machinery	159,291
Subtotal	69,052,719
Less accumulated depreciation	(18,161,893)
Total asset value under capital leases	<u>\$ 50,890,826</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	
2008	\$ 5,577,713
2009	5,194,455
2010	5,203,801
2011	4,859,933
2012	4,862,605
2013-2017	17,834,900
2018-2022	8,645,680
2023-2024	996,400
Total minimum lease payments	53,175,487
Less: amount representing interest	(13,850,487)
Present value of minimum lease payments	<u>\$ 39,325,000</u>

Included in the schedules above 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.

The County has entered into a lease agreement as lessee with the Maryland Economic Development Corporation (MEDCO) to lease from MEDCO the Town Square Garage 61 and Wayne Avenue Garages, located in the Silver Spring Parking Lot District (SSPLD). The construction of these garages is being funded through the issuance of lease revenue bonds by MEDCO. The ownership of the garages will transfer to the County at the end of the lease term. Although this capital lease is a general governmental obligation, the asset is reflected in the SSPLD, as required by law, and is offset by a capital contribution. For government-wide financial statement purposes, the capital lease obligation in the governmental activities and capital asset in the business-type activities are offset by transfers out and

transfers in, respectively, since any amounts that ultimately may be repaid by the SSPLD are not expected to be repaid within a reasonable time.

The assets acquired through this capital lease are as follows:

	<u>Town Square</u>	<u>Wayne Avenue</u>	<u>Total</u>
Buildings	\$ 29,573,442	\$ 29,601,352	\$ 59,174,794
Less accumulated depreciation	(2,729,741)	(2,891,533)	(5,621,274)
Total asset value under capital leases	<u>\$ 26,843,701</u>	<u>\$ 26,709,819</u>	<u>\$ 53,553,520</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Town Square</u>	<u>Wayne Ave</u>	<u>Total</u>
2008	\$ 2,482,246	\$ 3,108,763	\$ 5,591,009
2009	2,477,591	3,075,925	5,553,516
2010	2,476,851	3,113,475	5,590,326
2011	2,470,554	3,073,775	5,544,329
2012	2,469,739	3,084,425	5,554,164
2013-2017	<u>12,250,546</u>	<u>15,523,974</u>	<u>27,774,520</u>
Total minimum lease payments	24,627,527	30,980,337	55,607,864
Less: amount representing interest	<u>(4,602,527)</u>	<u>(6,600,337)</u>	<u>(11,202,864)</u>
Present value of minimum lease payments	<u>\$ 20,025,000</u>	<u>\$ 24,380,000</u>	<u>\$ 44,405,000</u>

The County has entered into a capital lease agreement with Banc of America Public Capital Corporation, to finance the construction of a temperature-controlled liquor warehouse for the Department of Liquor Control. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date of the lease. The obligations of the County under this financing agreement are payable from the Department of Liquor Control revenues. The ownership of the warehouse will transfer to the County at the end of the lease agreement. Costs incurred at year-end totaling \$715,249 are recorded as construction in progress.

The future minimum lease obligation and net present value of these minimum lease payments as of June 30, 2007, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	
2008	\$ 1,540,373
2009	1,540,373
2010	1,540,373
2011	1,540,373
2012	1,540,373
2013-2015	<u>3,850,932</u>
Total minimum lease payments	11,552,797
Less: amount representing interest	<u>(1,519,625)</u>
Present value of minimum lease payments	<u>\$ 10,033,172</u>

Other Restricted Assets:

Restricted assets related to business activities, classified as “Cash with Fiscal Agents” for statement of net asset purposes, including the following:

<u>Purpose</u>	<u>Silver Spring Parking Lot District</u>	<u>Liquor Control</u>	<u>Central Duplicating</u>
Liquor Control Account -			
Available for construction of temperature control warehouse	\$ -	\$ 10,569,308	\$ -
Central Duplicating Account -			
Available for equipment purchase	-	-	99,751
Silver Spring Parking lot Account -			
Available for meters purchase	76,346	-	-
Total	<u>\$ 76,346</u>	<u>\$ 10,569,308</u>	<u>\$ 99,751</u>

F) Long-Term Debt

PRIMARY GOVERNMENT

1) General Obligation Bonds Payable

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

General obligation bonds that are reported in the Solid Waste Activities Enterprise Fund are payable first from revenues of that fund.

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, is reflected as Reserved Fund Balance of the Capital Projects Fund.

In November 2001, \$143,000,000 in general obligation bonds, which mature in FY09 and beyond, were defeased. In November 2002, \$95,750,000 in general obligation bonds, which mature in FY07 and beyond, were defeased. These defeasances were affected by placing the proceeds of general obligation refunding 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 these financial statements. As of June 30, 2007, \$45,500,000, and \$24,000,000 respectively, in general obligation bonds referred to above are considered to be defeased.

General obligation bond issues outstanding as of June 30, 2007, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2007	Unamortized Premium **	Unamortized Deferred Difference	Carrying Value June 30, 2007
07/01/92 *	1993-10	2.75 - 5.8	\$ 273,038,054	\$ 39,943,054	\$ -	\$ -	\$ 39,943,054
04/15/97	1998-17	5.0 - 5.375	115,000,000	5,750,000	-	-	5,750,000
01/01/98 *	2003-15	3.9 - 5.25	69,510,000	67,295,000	-	-	67,295,000
04/01/98	1999-18	4.875	115,000,000	11,500,000	-	-	11,500,000
04/01/99	2000-19	4.0 - 5.0	120,000,000	24,000,000	-	-	24,000,000
01/01/00	2001-20	5.0 - 6.0	130,000,000	26,000,000	-	-	26,000,000
02/01/01	2002-21	4.0 - 5.0	140,000,000	42,000,000	-	-	42,000,000
11/15/01 *	2003-19	3.6 - 5.25	146,375,000	126,840,000	4,649,748	(5,956,514)	125,533,234
02/01/02	2003-22	3.0 - 5.0	160,000,000	64,000,000	1,267,861	-	65,267,861
11/15/02 *	2005-13	2.75 - 5.25	93,595,000	81,165,000	3,724,210	(2,815,421)	82,073,789
05/01/03	2004-23	1.5 - 4.0	155,000,000	124,000,000	894,247	-	124,894,247
05/01/03*	2004-11	2.0 - 5.0	49,505,000	30,730,000	1,199,094	(542,536)	31,386,558
03/15/04	2005-24	3.0 - 5.0	154,600,000	131,410,000	7,605,970	-	139,015,970
08/15/04*	2008-17	3.0 - 5.25	97,690,000	97,690,000	4,966,540	(6,080,410)	96,576,130
05/15/05	2006-25	4.0 - 5.0	200,000,000	180,000,000	11,763,958	-	191,763,958
06/01/05*	2005-16	3.781	120,355,000	120,355,000	11,955,083	(9,813,945)	122,496,138
05/01/06	2006-17	3.871	100,000,000	90,000,000	4,315,886	-	94,315,886
05/01/07	2007-27	4.082	250,000,000	250,000,000	18,540,088	-	268,540,088
Total			<u>\$ 2,489,668,054</u>	<u>\$ 1,512,678,054</u>	<u>\$ 70,882,685</u>	<u>\$ (25,208,826)</u>	<u>\$ 1,558,351,913</u>

* Issue represents refunding bonds.

** GAAP require amortization of premiums and issue costs to occur prospectively, beginning with the year of implementation.

As a result, unamortized premiums and issue costs for issues prior to FY02, are not reflected above.

Changes in general obligation bonds during FY07 are as follows:

	Balance July 1, 2006	Bonds Issued	Bonds Retired	Bonds Refunded	Balance June 30, 2007
Governmental Activities:					
General County	\$ 232,393,326	\$ 32,500,000	\$ 20,235,034	\$ -	\$ 244,658,292
Roads and Storm Drainage	343,996,799	47,000,000	35,121,209	-	355,875,590
Parks	52,638,864	6,000,000	4,268,398	-	54,370,466
Public Schools	671,262,014	149,600,000	63,198,718	-	757,663,296
Community College	56,348,182	10,400,000	4,040,935	-	62,707,247
Consolidated Fire Tax District	23,660,326	4,500,000	2,219,778	-	25,940,548
Mass Transit	12,979,316	-	1,878,636	-	11,100,680
Public Housing	604,333	-	244,845	-	359,488
	<u>1,393,883,160</u>	<u>250,000,000</u>	<u>131,207,553</u>	<u>-</u>	<u>1,512,675,607</u>
Business-Type Activities/Enterprise Funds:					
Solid Waste Activities:					
General County	4,894	-	2,447	-	2,447
	<u>4,894</u>	<u>-</u>	<u>2,447</u>	<u>-</u>	<u>2,447</u>
Total	<u>\$ 1,393,888,054</u>	<u>\$ 250,000,000</u>	<u>\$ 131,210,000</u>	<u>\$ -</u>	<u>\$ 1,512,678,054</u>

For the general obligation bonds carried in the enterprise funds, \$2,447 from the Solid Waste Activities Fund is classified as a current liability.

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

Fiscal Year Ending June 30	General Obligation Bond Requirements		
	Principal	Interest	Total
2008	\$ 143,440,000	\$ 70,663,590	\$ 214,103,590
2009	122,286,683	76,373,882	198,660,565
2010	120,887,086	66,534,454	187,421,540
2011	117,744,285	55,734,204	173,478,489
2012	113,025,000	47,286,509	160,311,509
2013-2017	494,000,000	158,719,879	652,719,879
2018-2022	295,585,000	64,436,589	360,021,589
2023-2027	<u>105,710,000</u>	<u>13,689,900</u>	<u>119,399,900</u>
Total	<u>\$ 1,512,678,054</u>	<u>\$ 553,439,007</u>	<u>\$ 2,066,117,061</u>

Article 25A, Section 5(P), of the Annotated Code of Maryland, authorizes borrowing of funds and issuance of bonds to a maximum of 6 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, 2007, is \$6,372,313,393.

General obligation bonds authorized and unissued as of June 30, 2007, are as follows:

Purpose	Authority		Amount	Amount Unissued
	Chapter	Act		
General County, Parks, and Consolidated Fire Tax District	17	2003	\$ 63,600,000	\$ 32,590,000
	18	2004	31,200,000	31,200,000
	19	2005	44,100,000	44,100,000
	43	2006	92,000,000	92,000,000
			<u>230,900,000</u>	<u>199,890,000</u>
Roads and Storm Drainage	18	2004	97,500,000	39,440,000
	19	2005	53,500,000	53,500,000
	43	2006	66,700,000	66,700,000
			<u>217,700,000</u>	<u>159,640,000</u>
Public Schools and Community College	19	2005	131,100,000	71,268,000
	43	2006	157,100,000	157,100,000
			<u>288,200,000</u>	<u>228,368,000</u>
Mass Transit	17	2001	6,700,000	5,205,000
	21	2002	1,600,000	1,600,000
	17	2003	900,000	900,000
			<u>9,200,000</u>	<u>7,705,000</u>
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
			<u>5,630,000</u>	<u>5,570,000</u>
Parking Districts: Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
			<u>4,165,000</u>	<u>3,265,000</u>
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts			<u>13,315,000</u>	<u>8,130,000</u>
Total General Obligation Bonds			<u>\$ 764,945,000</u>	<u>\$ 609,303,000</u>

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

2) Variable Rate Demand Obligations

On June 7, 2006, the County for the first time issued variable rate demand obligations (VRDOs), 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 these obligations, the County entered into a standby note purchase agreement on June 7, 2006 with Dexia Credit Local, acting through its New York Branch. Under the agreement, Dexia is obligated to purchase, through the registrar and paying agent, obligations that are tendered by their owners and have not been remarketed by the remarketing agent. The standby note purchase agreement will expire on June 7, 2011. 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 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, 2007, are as follows:

<u>Dated Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally Issued</u>	<u>Balance June 30, 2007</u>
06/07/06	2017-26	Variable	\$ 50,000,000	\$ 50,000,000
06/07/06	2017-26	Variable	50,000,000	50,000,000
Total			<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>

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

Changes in VRDOs during FY07 are as follows:

	Balance July 1, 2006	VRDOs Issued	VRDOs Retired	Balance June 30, 2007
Governmental Activities:				
General County	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Roads and Storm Drainage	26,000,000	-	-	26,000,000
Parks	1,000,000	-	-	1,000,000
Public Schools	64,000,000	-	-	64,000,000
Community College	4,000,000	-	-	4,000,000
Consolidated Fire Tax District	2,100,000	-	-	2,100,000
Mass Transit	400,000	-	-	400,000
Total	<u>\$ 100,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000,000</u>

VRDO requirements to maturity are as follows:

Fiscal Year Ending June 30	Variable Rate Demand Obligation Requirements		
	Principal	Interest*	Total
2008	\$ -	\$ 3,885,000	\$ 3,885,000
2009	-	3,885,000	3,885,000
2010	-	3,885,000	3,885,000
2011	-	3,885,000	3,885,000
2012	-	3,885,000	3,885,000
2013-2017	-	19,425,000	19,425,000
2018-2022	50,000,000	13,597,500	63,597,500
2023-2026	50,000,000	3,885,000	53,885,000
Total	<u>\$ 100,000,000</u>	<u>\$ 56,332,500</u>	<u>\$ 156,332,500</u>

* Includes interest on VRDOs at estimated rates of 3.87 percent for Series A and 3.90 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 rates at year-end.

3) Revenue Bonds Payable

Revenue bonds are authorized, issued, and outstanding to finance specific projects such as parking garages for the Bethesda and Silver Spring Parking Lot Districts and Solid Waste facilities. Net revenues of Bethesda and Silver Spring Parking Lot Districts including parking fees, fines and dedicated property taxes and net revenues of the Solid Waste Disposal 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 pledge revenues are as follows:

	Terms of Commitment	Approximate amount of Pledge
Parking Lot Districts:		
Bethesda Parking Lot District	19	\$ 55,554,234
Silver Spring Parking Lot District	2	1,696,125
Solid Waste Disposal Fund:	6	22,868,950
Total		<u>\$ 80,119,309</u>

The pledge net revenues recognized during FY07 for the payment of the outstanding principal and interest of the revenue bonds are as follows:

	Net Available Revenue for Debt Service	Principal	Debt Service Interest	Total
Parking Lot District:				
Bethesda Parking Lot District	\$ 13,468,254	\$3,550,000	\$ 1,848,185	\$ 5,398,185
Silver Spring Parking Lot District	6,611,627	2,265,000	173,438	2,438,438
Solid Waste Disposal Fund:	4,315,354	3,005,000	1,004,700	4,009,700

Revenue bond issues outstanding as of June 30, 2007, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2007	Unamortized Premium/ (Discount)	Unamortized Deferred Difference	Carrying Value June 30, 2007
Parking Revenue Refunding 2002:								
Bethesda Parking Lot District	05/01/02	2003-09	3.00 - 5.00	\$ 14,560,000	\$ 3,060,000	\$ 24,671	\$ (51,084)	\$ 3,033,587
Silver Spring Parking Lot District	05/01/02	2003-09	3.00 - 5.00	12,130,000	1,605,000	17,105	(28,692)	1,593,413
Parking Revenue 2002A:								
Bethesda Parking Lot District	06/01/02	2003-21	3.00 - 4.75	26,000,000	20,880,000	(16,052)	-	20,863,948
Solid Waste Refunding 2003A	04/03/03	2004-13	3.00 - 5.00	31,075,000	19,760,000	564,597	(618,115)	19,706,482
Parking Revenue 2005:								
Bethesda Parking Lot District	08/31/05	2007-25	3.62 - 5.00	16,495,000	16,495,000	113,019	-	16,608,019
Total				<u>\$ 100,260,000</u>	<u>\$ 61,800,000</u>	<u>\$ 703,340</u>	<u>\$ (697,891)</u>	<u>\$ 61,805,449</u>

Changes in revenue bond principal during FY07 are as follows:

	Balance July 1, 2006	Bonds Issued	Bonds Retired	Balance June 30, 2007
Bethesda Parking Lot District	\$ 43,985,000	\$ -	\$ 3,550,000	\$ 40,435,000
Silver Spring Parking Lot District	3,870,000	-	2,265,000	1,605,000
Solid Waste Disposal	22,765,000	-	3,005,000	19,760,000
Total	<u>\$ 70,620,000</u>	<u>\$ -</u>	<u>\$ 8,820,000</u>	<u>\$ 61,800,000</u>

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Bethesda Parking Lot District		Silver Spring Parking Lot District	
	Principal	Interest	Principal	Interest
2008	\$ 3,175,000	\$ 1,709,435	\$ 780,000	\$ 60,187
2009	3,340,000	1,566,585	825,000	30,938
2010	1,840,000	1,429,335	-	-
2011	1,915,000	1,355,235	-	-
2012	1,995,000	1,278,135	-	-
2013-2017	11,400,000	5,049,355	-	-
2018-2022	12,175,000	2,339,408	-	-
2023-2026	4,595,000	391,746	-	-
Total	<u>\$ 40,435,000</u>	<u>\$ 15,119,234</u>	<u>\$ 1,605,000</u>	<u>\$ 91,125</u>

Fiscal Year Ending June 30	Solid Waste Disposal		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2008	\$ 3,160,000	\$ 854,450	\$ 7,115,000	\$ 2,624,072	\$ 9,739,072
2009	3,255,000	751,750	7,420,000	2,349,273	9,769,273
2010	3,420,000	589,000	5,260,000	2,018,335	7,278,335
2011	3,550,000	460,750	5,465,000	1,815,985	7,280,985
2012	3,690,000	318,750	5,685,000	1,596,885	7,281,885
2013-2017	2,685,000	134,250	14,085,000	5,183,605	19,268,605
2018-2022	-	-	12,175,000	2,339,408	14,514,408
2023-2026	-	-	4,595,000	391,746	4,986,746
Total	<u>\$ 19,760,000</u>	<u>\$ 3,108,950</u>	<u>\$ 61,800,000</u>	<u>\$ 18,319,309</u>	<u>\$ 80,119,309</u>

Revenue bonds authorized and unissued as of June 30, 2007, are as follows:

Purpose	Resolution Number	Year	Amount Authorized	Amount Unissued
Parking Lot Districts	11-1383	1989	\$ 51,163,000	\$ 25,593,000
Parking Lot Districts	14-921	2001	35,000,000	9,000,000
Solid Waste Disposal	12-1010	1993	56,935,000	6,255,000
Total			<u>\$ 143,098,000</u>	<u>\$ 40,848,000</u>

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

Purpose	Bethesda Parking Lot District	Silver Spring Parking Lot District	Solid Waste Disposal
Operation and Maintenance Account - Available to pay current expenses	\$ 1,163,678	\$ 1,454,509	\$ -
Debt Service Account - Used to pay debt service on bonds	408,245	70,016	-
Debt Service Reserve Account - (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available	1,254,790	-	3,475,968
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	1,500,000	1,500,000	3,463,985
Rate Covenant Cash Reserve - Available to fund operating activities for a minimum of three months	-	-	22,120,103
Rate Stabilization Account - In case of short-term extraordinary expenses	-	-	3,083,580
Total	<u>\$ 4,326,713</u>	<u>\$ 3,024,525</u>	<u>\$ 32,143,636</u>

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

4) **Bond Anticipation Notes Payable**

Commercial paper bond anticipation notes (BANs) are authorized, issued, and outstanding as financing sources for capital construction and improvements. Changes in BANs during FY07 are as follows:

	Balance July 1, 2006	BANs Issued	BANs Retired	Balance June 30, 2007
BAN Series 2002-I	\$ 100,000,000	\$ -	\$ 100,000,000	\$ -
BAN Series 2002-J	-	150,000,000	150,000,000	-
BAN Series 2002-K	-	150,000,000	-	150,000,000
Total	<u>\$ 100,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 250,000,000</u>	<u>\$ 150,000,000</u>

BAN Notes, Series 2002-I and Series 2002-J totaling \$250,000,000 were retired with proceeds from general obligation bonds dated May 1, 2007.

The interest rate changes based on market conditions; during FY07, the rate of interest varied from 3.60 to 3.78 percent. Interest earned on BAN proceeds totaled \$2,209,468 during FY07, which was accounted for in the Debt Service Fund.

BANs totaling \$300 million were issued during FY07 at varying maturities to a maximum of 270 days, under a program whose authority was adopted on June 11, 2002, and was amended on July 16, 2002, July 29, 2003, July 27, 2004, July 26, 2005 and November 30, 2006, to consolidate additional authority to borrow money and incur indebtedness. The County reissued the notes upon maturity and will continue to do so, until they are replaced with long-term bonds. The County will issue long-term bonds in FY08, and intends to use the proceeds for capital construction and improvements. In connection with these BANs, the County

entered into a line of credit agreement on June 15, 2005, with Fortis Bank S.A./N.V., acting through its Connecticut branch, under which the County may borrow, on a revolving basis, up to \$300 million to pay the principal on the notes, and up to \$22,191,781 to pay the 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.

Per Resolution No. 14-1307 dated June 11, 2002, Resolution No. 14-1374 dated July 16, 2002, Resolution No. 15-318 dated July 29, 2003, Resolution No. 15-729 dated July 27, 2004, Resolution No. 15-1124 dated July 26, 2005 and Resolution 15-1729 dated November 30, 2006 the amount of BANs authorized and unissued as of June 30, 2007, is \$448,903,000.

5) **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 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 \$56,100,253. WMATA's obligation to make payments under the leases are payable solely from amounts held in a Surcharge Reserve Account which is funded by revenues from a surcharge on the parking facilities. WMATA is not obligated to pay the principal or interest on the bonds. In the event that the County's Reserve Subfund of \$3,358,689, included in Capital Projects 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.

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 in June 1, 2024. In FY07, the pledged revenue of \$3,294,214 equals the principal and interest on the lease revenue bonds.

Lease Revenue Bonds outstanding as of June 30, 2007, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2007	Unamortized Premium	Carrying Value June 30, 2007
Lease Revenue Bonds	06/01/02	2005-24	4.6064%	\$ 37,880,000	\$ 34,025,000	\$ 101,882	\$ 34,126,882
Lease Revenue Bonds	09/01/04	2005-24	3.7908%	4,745,000	4,230,000	19,942	4,249,942
Total				<u>\$ 42,625,000</u>	<u>\$ 38,255,000</u>	<u>\$ 121,824</u>	<u>\$ 38,376,824</u>

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

Fiscal Year Ending June 30	Lease Revenue Bond Requirements		
	Principal	Interest	Total
2008	\$ 1,585,000	\$ 1,707,339	\$ 3,292,339
2009	1,645,000	1,650,276	3,295,276
2010	1,705,000	1,589,214	3,294,214
2011	1,770,000	1,522,009	3,292,009
2012	1,845,000	1,451,303	3,296,303
2013-2017	10,500,000	6,033,297	16,533,297
2018-2022	13,210,000	3,452,895	16,662,895
2023-2024	5,995,000	438,920	6,433,920
Total	<u>\$ 38,255,000</u>	<u>\$ 17,845,253</u>	<u>\$ 56,100,253</u>

6) **Taxable Term Loans**

During FY04, the County entered into two taxable term loan agreements with U.S. Bank. The first term loan of \$4,000,000, which commenced on February 2, 2004, was used to finance the purchase of the Kay property in Germantown, which will be used for development of a biotechnology and information technology business park. The repayment period is 5 years, requiring semi-annual payments of principal and interest at 3.24 percent. The second term loan of \$1,332,000, which commenced on March 30, 2004, was used to purchase kitchen and audio-visual equipment to be used in the County's conference center project which opened in November 2004. The repayment period is 5 years, requiring semi-annual payments of principal and interest at 2.91 percent. On November 15, 2005, the County borrowed an additional \$95,432 for conference center furniture which was combined with the first term loan above. All other terms of the first term loan remain unchanged. The principal amount payable at June 30, 2007, under the taxable term loans is \$2,275,328.

7) **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, 2007, for this loan is \$741,000.

8) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Governmental Activities					
Bonds and Notes Payable:					
General obligation bonds	\$ 1,393,883,160	\$ 250,000,000	\$ (131,207,553)	\$ 1,512,675,607	\$ 143,437,553
Variable rate demand obligations	100,000,000	-	-	100,000,000	-
Bond anticipation notes	100,000,000	300,000,000	(250,000,000)	150,000,000	150,000,000
Lease revenue bonds	39,790,000	-	(1,535,000)	38,255,000	1,585,000
Equipment notes	9,825,735	3,974,280	(2,841,050)	10,958,965	3,007,700
Taxable term loans	3,370,684	-	(1,095,356)	2,275,328	1,119,677
HUD loan	784,000	-	(43,000)	741,000	43,000
Subtotal	1,647,653,579	553,974,280	(386,721,959)	1,814,905,900	299,192,930
Add remaining original issue premium	60,555,745	18,839,000	(8,390,236)	71,004,509	-
Less deferred amount on refundings	(29,130,221)	-	3,921,395	(25,208,826)	-
Total Bonds and Notes Payable	1,679,079,103	572,813,280	(391,190,800)	1,860,701,583	299,192,930
Other Liabilities:					
Compensated absences	55,274,147	44,426,643	(40,784,409)	58,916,381	44,187,286
Capital leases	87,086,843	1,499,313	(7,270,000)	81,316,156	7,280,000
Total Other Liabilities	142,360,990	45,925,956	(48,054,409)	140,232,537	51,467,286
Governmental Activities Long-Term Liabilities	\$ 1,821,440,093	\$ 618,739,236	\$ (439,245,209)	\$ 2,000,934,120	\$ 350,660,216
Business-Type Activities					
General Obligation Bonds:					
Solid waste disposal	\$ 4,894	\$ -	\$ (2,447)	\$ 2,447	\$ 2,447
Revenue Bonds:					
Parking revenue bonds	47,855,000	-	(5,815,000)	42,040,000	3,955,000
Solid waste disposal revenue refunding bonds	22,765,000	-	(3,005,000)	19,760,000	3,160,000
Subtotal	70,624,894	-	(8,822,447)	61,802,447	7,117,447
Add remaining original issue premium	991,018	-	(271,626)	719,392	-
Less remaining original issue discount	(18,116)	-	2,064	(16,052)	-
Less deferred amount on refundings	(1,019,483)	-	321,592	(697,891)	-
Total General Obligation and Revenue Bonds	70,578,313	-	(8,770,417)	61,807,896	7,117,447
Other Liabilities:					
Compensated absences	4,055,496	469,925	(2,163)	4,523,258	3,392,444
Capital leases	-	10,615,000	(581,828)	10,033,172	1,186,449
Equipment notes	-	1,040,531	(114,263)	926,268	236,239
Landfill closure costs	22,150,923	4,196,000	(1,649,000)	24,697,923	5,009,000
Claims and judgments	-	1,200,000	-	1,200,000	1,200,000
Total Other Liabilities	26,206,419	17,521,456	(2,347,254)	41,380,621	11,024,132
Business-Type Activities Long-Term Liabilities	\$ 96,784,732	\$ 17,521,456	\$ (11,117,671)	\$ 103,188,517	\$ 18,141,579

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$1,454,626 (\$1,090,970 due within one year and \$363,656 due in more than one year) of internal service fund compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and claims and judgments are generally liquidated by the governmental fund to which the liability relates.

9) 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 has issued Industrial Revenue Bonds and Economic Development Revenue Bonds for the purposes of financing or refinancing costs of acquiring facilities for third party facility users or of refunding outstanding bonds. Facility users may be individuals, public or private corporations, or other entities. The bonds are secured by the facilities financed 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, 2007, there were 38 issues of Industrial Revenue Bonds and Economic Development Revenue Bonds outstanding. Of these, 24 were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 2007, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$182,675,000. The principal amount payable at June 30, 2007, for bonds issued after July 1, 1996, totaled \$398,242,302.

10) Special Taxing Districts

The County has 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, 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 with high priority for new development or redevelopment.

In December 1999, the County issued \$2.4 million in special obligation bonds for the Kingsview Village Center Development District. Special taxes and assessment 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 \$11,600,000 of Senior Series 2002A bonds and \$4,315,000 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. Bonds have not yet been issued for the Clarksburg Town Center development district.

The County was petitioned by property owners to form two additional development districts in the Clarksburg area, Clarksburg Village and Clarksburg Skylark (currently marketed as Aurora Hills). These districts are in the evaluation phase.

COMPONENT UNITS

At June 30, 2007, HOC's noncurrent liabilities are comprised of the following:

	Due within one year	Long-Term	Total
Revenue bonds payable	\$ 43,539,581	\$ 604,112,190	\$ 647,651,771
Capital leases payable	221,010	20,724,750	20,945,760
Notes payable	8,660,900	157,639,180	166,300,080
Total	<u>\$ 52,421,491</u>	<u>\$ 782,476,120</u>	<u>\$ 834,897,611</u>

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

<u>Purpose</u>	
Multi-Family Mortgage Purchase Program Fund	\$ 403,739,568
Single Family Mortgage Purchase Program Fund	243,912,203
Total	<u>\$ 647,651,771</u>

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 1.45 to 11.25 percent and 1.65 to 8.5 percent, respectively, as of June 30, 2007.

Pursuant to Section 2-103 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 Ending	Guaranteed Revenue Bond Requirements		
	Principal	Interest	Total
2008	\$ 310,000	\$ 2,437,753	\$ 2,747,753
2009	36,675,000	1,949,816	38,624,816
2010	340,000	510,490	850,490
2011	355,000	496,023	851,023
2012	370,000	480,555	850,555
2013-2017	790,000	2,174,822	2,964,822
2018-2022	2,880,000	1,875,075	4,755,075
2023-2027	-	1,371,075	1,371,075
2028-2032	5,430,000	411,322	5,841,322
Total	<u>\$ 47,150,000</u>	<u>\$ 11,706,931</u>	<u>\$ 58,856,931</u>

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

Fiscal Year Ending June 30	Total Revenue Bond Requirements		
	Principal	Interest	Total
2008	\$ 43,539,581	\$ 24,341,269	\$ 67,880,850
2009	49,984,436	23,393,676	73,378,112
2010	14,030,530	21,594,681	35,625,211
2011	27,392,591	21,212,355	48,604,946
2012	15,138,104	20,782,775	35,920,879
2013-2017	73,882,067	96,280,145	170,162,212
2018-2022	68,244,144	88,197,051	156,441,195
2023-2027	68,761,763	80,841,140	149,602,903
2028-2032	126,297,457	49,558,799	175,856,256
2033-2037	111,264,020	20,859,597	132,123,617
2038-2042	25,100,000	8,655,726	33,755,726
2043-2047	25,505,000	2,123,480	27,628,480
Unamortized Bond Discount	(1,487,922)	-	(1,487,922)
Total	<u>\$ 647,651,771</u>	<u>\$ 457,840,694</u>	<u>\$ 1,105,492,465</u>

Changes in the HOC revenue bonds during FY07 are as follows:

Purpose	Balance July 1, 2006	Bonds Issued*	Bonds Retired	Balance June 30, 2007
Multi-Family Mortgage Purchase Program Fund	\$ 354,377,125	\$ 55,532,443	\$ 6,170,000	\$ 403,739,568
Single Family Mortgage Purchase Program Fund	239,287,036	129,235,475	124,610,308	243,912,203
Total	<u>\$ 593,664,161</u>	<u>\$ 184,767,918</u>	<u>\$ 130,780,308</u>	<u>\$ 647,651,771</u>

* Includes accretions and bond discounts.

HOC has issued a number of individual bonds for financing multi-family developments for which HOC has no legal liability for repayment or administration (conduit debt), and 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, 2006	\$ 331,669,000
Issuances during the year	7,600,000
Redemptions during the year	(831,848)
Bonds outstanding, June 30, 2007	<u>\$ 338,437,152</u>

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

G) Segment Information

The County has issued revenue bonds to finance activities relating to Solid Waste Disposal operations, including recycling, and the Silver Spring and Bethesda Parking Lot districts (PLDs). The Solid Waste Disposal operations and the Silver Spring and Bethesda PLDs are accounted for within the Solid Waste Activities Fund and the Parking Lot Districts Fund, respectively. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each activity as of and for the year ended June 30, 2007, is presented below:

Condensed Statements of Net Assets

	<u>Solid Waste Disposal *</u>	<u>Silver Spring PLD</u>	<u>Bethesda PLD</u>
ASSETS			
Current assets	\$ 45,137,620	\$ 4,749,767	\$ 17,831,747
Due from component units	59,816	-	627,154
Other assets	32,494,767	3,135,013	4,925,976
Capital assets	<u>34,154,959</u>	<u>91,345,906</u>	<u>83,151,551</u>
Total Assets	<u>111,847,162</u>	<u>99,230,686</u>	<u>106,536,428</u>
LIABILITIES			
Current liabilities	18,758,868	2,639,265	6,047,238
Due to other funds	126,813	16,558	21,803
Long-term liabilities	<u>36,401,707</u>	<u>1,390,783</u>	<u>37,363,346</u>
Total Liabilities	<u>55,287,388</u>	<u>4,046,606</u>	<u>43,432,387</u>
NET ASSETS			
Invested in capital assets, net of related debt	14,446,031	89,070,796	42,645,998
Restricted for debt service	32,143,636	3,024,525	4,326,713
Restricted for other purposes	-	76,346	-
Unrestricted	<u>9,970,107</u>	<u>3,012,413</u>	<u>16,131,330</u>
Total Net Assets	<u>\$ 56,559,774</u>	<u>\$ 95,184,080</u>	<u>\$ 63,104,041</u>

* Includes Solid Waste Leafing

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Assets

	Solid Waste Disposal *	Silver Spring PLD	Bethesda PLD
OPERATING REVENUES (EXPENSES):			
Operating Revenues:			
Charges for services	\$ 94,057,267	\$ 7,294,472	\$ 8,823,169
Licenses and permits	11,360	-	-
Fines and penalties	83,050	2,431,353	4,583,750
Total Operating Revenues (pledged against bonds)	94,151,677	9,725,825	13,406,919
Depreciation	2,106,879	4,224,061	4,009,665
Other operating expenses	94,818,949	8,240,788	6,587,481
Operating Income (Loss)	(2,774,151)	(2,739,024)	2,809,773
NONOPERATING REVENUES (EXPENSES):			
Property taxes	-	4,582,703	4,534,680
Gain (loss) on disposal of capital assets	57,116	-	-
Investment income	4,862,558	333,847	1,358,957
Interest expense	(1,071,902)	(224,423)	(1,908,402)
Other revenue	62,952	210,040	755,179
Capital contributions	-	835,614	-
Transfers in	-	1,207,055	-
Transfers out	(1,610,460)	(1,660,800)	(6,085,051)
Change in Net Assets	(473,887)	2,545,012	1,465,136
Beginning Net Assets	57,033,661	92,639,068	61,638,905
Ending Net Assets	\$ 56,559,774	\$ 95,184,080	\$ 63,104,041

Condensed Statements of Cash Flows

	Solid Waste Disposal *	Silver Spring PLD	Bethesda PLD
Net Cash Provided (Used) By:			
Operating activities	\$ 4,463,102	\$ 1,577,813	\$ 8,326,699
Noncapital financing activities	(1,599,325)	4,174,129	(1,386,404)
Capital and related financing activities	(9,064,067)	(4,959,220)	(9,426,450)
Investing activities	4,677,031	333,847	1,284,610
Net Increase (Decrease)	(1,523,259)	1,126,569	(1,201,545)
Beginning Cash and Cash Equivalents	73,102,052	4,509,022	20,948,712
Ending Cash and Cash Equivalents	\$ 71,578,793	\$ 5,635,591	\$ 19,747,167

* Includes Solid Waste Leafing

H) Fund Equity

1) Designated Fund Balances

Designated fund balances include amounts encumbered at year-end, which are reported separately in the accompanying financial statements. Designated fund balances also include committed amounts which have been appropriated as part of the next year's original budget where the source of funds is the fund balance as of the end of the current year, and amounts appropriated but unexpended in the Capital Projects Fund where the source of funds is current receipts in the governmental funds. Such amounts are as follows at June 30, 2007:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Designated for next year's budget	\$ 96,526,558	\$ 9,498,823	\$106,025,381
Designated for transfers to Capital Projects Fund	47,196,955	16,357,253	63,554,208
Total	<u>\$143,723,513</u>	<u>\$ 25,856,076</u>	<u>\$169,579,589</u>

Designated fund balance does not include the following commitments, which otherwise meet the criteria for designation, but for which unrestricted fund balance is not available to designate:

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
Encumbrances *	\$ 380,381	\$ 106,149,901	\$ -	\$ 106,530,282
Transfers to Capital Projects Fund	-	-	5,935,716	5,935,716
Total	<u>\$ 380,381</u>	<u>\$ 106,149,901</u>	<u>\$ 5,935,716</u>	<u>\$ 112,465,998</u>

* Encumbrances relating to special revenue funds include \$2,039,373 relating to the Grants Fund, where appropriation and spending on Federal and State grants is contingent on receipt of the grant funds. When the expenditure occurs in the subsequent year, revenue will be earned based on the grant agreements, and resources will then be made available.

2) Net Assets Restricted by Enabling Legislation

Net assets 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 assets 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 other component unit and municipal governments, ending fund balances of substantially all special revenue funds, and ending unrestricted net assets of the Solid Waste Activities and Parking Lot Districts enterprise funds. Such amounts, which are included with restricted net assets in the government-wide Statement of Net Assets, are as follows at year-end:

Governmental activities	\$ 353,621,503
Business-type activities	<u>32,799,034</u>
Total	<u>\$ 386,420,537</u>

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, 2007:

* Represents current receipt and pay-go funding transferred from the General Fund for component

	General Fund			Capital	
	Operating	Capital *	Total	Projects	Total
MCPS	\$ 1,382,553,860	\$ 13,295,252	\$ 1,395,849,112	\$ 162,235,621	\$ 1,558,084,733
MCC	92,247,640	2,582,736	94,830,376	16,766,012	111,596,388
HOC	6,118,168	582,963	6,701,131	-	6,701,131
Total	<u>\$ 1,480,919,668</u>	<u>\$ 16,460,951</u>	<u>\$ 1,497,380,619</u>	<u>\$ 179,001,633</u>	<u>\$ 1,676,382,252</u>

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 \$3,580,020 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.

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 City of Rockville, the independent fire/rescue corporations, the Bethesda-Chevy Chase Rescue Squad, the Rockville Housing Enterprises, the Town of Somerset, the Village of Martin's Additions, the City of Gaithersburg, the Village of Drummond, the City of Takoma Park, 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 nonincremental 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.

Changes in the balances of Claims Payable for the self-insurance funds for FY07 and FY06 are as follows:

	Liability and Property Coverage	Employee Health Benefits
Balance July 1, 2005	\$ 70,887,000	\$ 9,476,503
Claims and changes in estimates	29,159,586	115,374,182
Claim payments *	<u>(20,336,586)</u>	<u>(115,583,400)</u>
Balance June 30, 2006	79,710,000	9,267,285
Claims and changes in estimates	22,623,168	111,123,106
Claim payments *	<u>(26,834,168)</u>	<u>(109,817,099)</u>
Balance June 30, 2007 **	<u>\$ 75,499,000</u>	<u>\$ 10,573,292</u>

* Includes non-monetary settlements.

** Includes incurred but not reported claims of \$48,192,000 and \$10,573,292 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. GASB Statement No. 18, issued in August 1993, expanded the items considered in the original EPA calculation of closure costs. The expanded requirements include postclosure care for thirty years for landfills accepting refuse materials after October 1991. 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 \$59,313,000, which has been fully accrued through June 30, 2007. Of the total amount accrued, \$32,966,077 in actual costs has been paid out in prior years, and \$1,649,000 was paid in FY07, resulting in a net liability of \$24,697,923 at June 30, 2007. The current and non-current portions of the adjusted liability at year-end are estimated at \$5,009,000 and \$19,688,923 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) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, the County is 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 \$6,500,000. In accordance with general accepted accounting principles, none of this amount has been reflected as a liability in the accompanying financial statements, as the County's liability on none of the claims appears to be probable.

3) 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, 2007, 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.

4) Other Commitments

County proprietary funds have entered into contract commitments that remain uncompleted as of year-end. The amount of outstanding commitments at June 30, 2007, are as follows:

<u>Enterprise Funds:</u>	<u>Operating</u>	<u>Capital</u>	<u>Inventory</u>	<u>Total</u>
Major Funds:				
Liquor	\$ 4,453,671	\$ -	\$ 5,311,604	\$ 9,765,275
Solid Waste Activities:				
Disposal operations	7,345,931	1,823,920	-	9,169,851
Collection operations	62,497	-	-	62,497
Leafing operations	6,373	-	-	6,373
Parking Lot Districts:				
Silver Spring	402,031	2,231,014	-	2,633,045
Bethesda	529,767	2,593,122	-	3,122,889
Wheaton	86,508	300,169	-	386,677
Montgomery Hills	11,852	-	-	11,852
Subtotal	12,898,630	6,948,225	5,311,604	25,158,459
Nonmajor Funds:				
Permitting Services	78,143	-	-	78,143
Community Use of Public Facilities	1,044	-	-	1,044
Subtotal	79,187	-	-	79,187
Total Enterprise Funds	12,977,817	6,948,225	5,311,604	25,237,646
<u>Internal Service Funds:</u>				
Motor Pool	4,359,955	-	4,065,537	8,425,492
Central Duplicating	326,089	-	-	326,089
Liability and Property Coverage Self-Insurance	251,931	-	-	251,931
Employee Health Benefits Self-Insurance	324,007	-	-	324,007
Total Internal Service Funds	5,261,982	-	4,065,537	9,327,519
 Total Proprietary Funds	<u>\$18,239,799</u>	<u>\$ 6,948,225</u>	<u>\$ 9,377,141</u>	<u>\$ 34,565,165</u>

As of June 30, 2007, the County has \$692,311 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 September 18, 2007, the County Council approved legislation to increase the level of authorized general obligation bond principal by additional \$218,400,000. On October 17, 2007, the County sold \$33,580,000 of Certificates of Participation (COPs) for acquisition of fire and rescue apparatus.

D) Joint Ventures

The Primary Government participates in six joint ventures 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 joint venture 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, 2007, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$149,970,660, of which \$6,742,880 was self-supporting. Of the total amount payable, \$16,294,860 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, 2007, is \$41,574,496, 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, 2007, WSSC had outstanding notes payable and bonds payable in the amount of \$1,347,171,000, of which \$1,345,116,000 was self-supporting. Of the total amount payable, \$232,308,000 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, 2007, all WSSC debt relating to the County is self-supporting.

Washington Suburban Transit Commission (WSTC)

The Washington Suburban Transit District (WSTD), encompassing Prince George's and Montgomery Counties, Maryland, was chartered by the State of Maryland in 1965 to, among other things, coordinate and participate in the formulation of the transit plan of the Washington Metropolitan Area Transit Authority for WSTD. 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 State 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 \$92,192 to WSTC during FY07. The FY07 WSTC Annual Financial Report was not available when this report was published.

Washington Metropolitan Area Transit Authority (WMATA)

WMATA was created in 1967 by interstate compact among the states of Maryland and 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 twelve-member Board of Directors. Maryland, Virginia, and the District of Columbia 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 Metro Rail and Metro Bus 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 and bus operating 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, effective in FY00, that the State provides 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 40 percent (effective in FY01) of gross operating costs are recovered by revenues.

A summary reflecting WMATA's expenditures incurred for the County's share of WMATA's activities for FY07, which are fully funded by the State and not reflected in the accompanying financial statements, is as follows:

Bus operating subsidy	\$ 42,765,100
Rail operating subsidy	23,683,400
Americans with Disabilities Act service	15,188,400
Metrobus and Metrorail capital replacement	33,657,834
Debt service on WMATA revenue bonds	4,867,500
Local bus program	24,829,042
Total	<u>\$ 144,991,276</u>

At June 30, 2007, WMATA had outstanding bonds payable of \$178,902,000, of which \$25,776,000 represented bonds payable due within one year. All of this debt is payable from resources of WMATA.

Metropolitan Washington Council of Governments (COG)

COG is a multi-governmental regional planning organization in which local governments work together, 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 12 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 FY07 membership dues and fees for services amounting to \$734,500.

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 and 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, Baltimore County, Anne Arundel County, Frederick County, Harford County, Howard County, Carroll County, and City of Baltimore. 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. At June 30, 2007, NEMWDA had outstanding bonds payable in the amount of \$238,460,000 of which \$23,595,000 represented debt due within one year. Of these amounts, \$220,345,000 related to the Project, \$17,425,000 of which represented debt due within one year. These bonds are limited obligations of NEMWDA, payable solely from the Project revenues and other sources. Since the Project is owned and operated by NEMWDA, the bonds and related activities are included in the financial statements of NEMWDA.

This Project became operational in August 1995. NEMWDA has entered into a service contract with the County under which the County pays a waste disposal fee calculated in accordance with the agreement. The waste disposal fee is comprised of an amount equal to debt service, facility fees, alternative disposal costs, NEMWDA administrative costs, operating costs, and NEMWDA component revenue. Waste disposal fee expense incurred by the Solid Waste Activities Enterprise Fund during FY07 amounted to \$38,056,645.

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. 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 did not elect to continue to participate in the County Plan may 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 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 FY07, the County and its employees contributed \$77,021,248 and \$20,902,474, respectively. Employees of MCRA, HOC, and BUPI participate in the comprehensive insurance program of the County. Employer contributions totaled \$437,897, \$3,025,807, and \$49,637 for these component units, respectively, for FY07.

4) Postemployment Benefits

In addition to the pension benefits described in Note IV-F, the County, by authority of various Montgomery County Council resolutions, provides certain postemployment health and life insurance benefits to all employees who retire under the Employees' Retirement System and the Employees' Retirement Savings Plan. Prior to 1987, the County plan offered retirees the opportunity to contribute 20 percent toward the cost of group insurance benefits, with the County contributing 80 percent of the cost. Under this arrangement, the County contribution continues for a length of time equal to the time

the retiree was eligible for group insurance with the County. After that, the individual is required to pay the full cost of the insurance. All employees hired after January 1, 1987, are covered by a different cost sharing arrangement. Under this plan, the County's contribution to group insurance ranges from 50 percent to 70 percent depending on the employees' years of eligibility under the County's group insurance program. Under this arrangement, employees have a lifetime insurance cost share. Currently, 4,790 retirees meet those eligibility requirements for postemployment benefits. Postemployment benefits, accounted for in the Employee Health Benefits Self-Insurance Internal Service Fund, are funded by an appropriation in a non-departmental account of the General Fund, dividends, and pre-funded contributions from active employees. Expenses are recognized as retirees report claims, with an amount included to provide for incurred but not reported claims. The employer contributions were \$23,924,080 for FY07; retired employee contributions were \$11,660,119.

Under Section 21-21 of the Montgomery County Code, the County has established a Length of Service Award Program (LOSAP) for the County's fire and rescue department volunteers who meet certain age and service criteria. Benefit expenditures amounting to \$1,251,844 in FY07 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 461 recipients comprising former volunteers and their beneficiaries at the end of FY07. GASB27 requires disclosure of the amount that should be contributed to fund the LOSAP Plan; however, it does not require actual contributions. Based on the latest available valuation, the unfunded actuarial accrued liability for the LOSAP plan is \$20,740,159.

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. The Board of Investment Trustees (Board) has the exclusive authority to manage the assets of the System. The Board consists of thirteen trustees and functions as part of the County. A publicly available annual report that includes financial statements and required supplementary information for the System, the Defined Contribution Plan (see Note IV-F2), and the Deferred Compensation Plan (see Note IV-E1), can be accessed on the County's website at <http://www.montgomerycountymd.gov/bit>, or can be obtained by writing the Board of Investment Trustees, Montgomery County Government, 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. Substantially all employees hired prior to October 1, 1994, of the County, MCRA, HOC, the independent fire/rescue corporations, 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 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 a member terminates employment before his retirement date and after completion of five years of credited service, he may elect to leave his member contributions in the System and receive a pension upon reaching his normal retirement date, based on the amount of his 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 his 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.

Funding Policy - Required employee contribution rates varying from 4 to 8.5 percent of regular earnings are fixed and specified under Section 33-39 (a) of the Montgomery County Code of 2001, as amended. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System, using the actuarial basis as specified in Section 33-40 of the Montgomery County Code of 2001, as amended. Under the current procedures, an actuarial valuation is performed to determine the employer contribution rate for the System. The contribution rate developed is a percentage of active member payroll. The dollar amount of each year’s employer contribution is determined by applying the contribution rate to the actual payroll for each year. Funding of the System during the period is the sum of the normal costs and amortization of the unfunded accrued liability over a forty-year period.

Annual Pension Cost and Net Pension Obligation - The annual required contributions (ARC) for FY07 were based on an actuarial valuation as of June 30, 2005, the latest valuation available on the date the County Council was required to approve the appropriation resolution. The ARC, or annual pension cost (APC), were the same as contributions actually made.

The APC and the net pension obligation (NPO) of the County and the participating agencies and political subdivisions for FY07 were as follows:

Fiscal Year	Percentage of			
	APC	APC Contributed	NPO	
2005	\$ 74,655,371	100	% \$	-
2006	88,184,159	100		-
2007	109,436,001	100		-

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

2) **Defined Contribution Plan**

Plan Description - 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. 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 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 this Plan, employees contribute 3 percent of regular earnings up to Social Security wage base and 6 percent above Social Security wage base. The employer contributes 6 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. The employee and employer contribution rates are established under Section 33-116 and 33-117 of the County Code, respectively. Employee contributions are always vested under this Plan and employer contributions are vested after 3 years of service or upon death, disability, or retirement age of the employee. 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 FY07 were \$11,697,348 and \$6,797,447, respectively. In accordance with IRS 457 regulations and the County Code, \$470,000 in accumulated revenue was used to reduce employer contributions to \$11,227,348 for FY07.

3) **Other**

The County contributed \$848,348 during FY07 for pension costs for a limited number of employees/retirees who elected to remain in the State plan. This amount includes the current service costs plus an amount sufficient to amortize the prior service cost over a forty-year period ending June 30, 2020.

SUPPLEMENTARY DATA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Special Taxing Districts:

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

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

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

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

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

Housing Activities:

HOUSING INITIATIVE - Accounts for the fiscal activity for financing, supplementing, and constructing affordable residential facilities for eligible participants.

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

NEW HOME WARRANTY SECURITY - Accounts for the collections of warranty fees from builders and the payments of homeowner claims against builders. This Fund was closed during FY07 due to the expiration of the statutory ten-year warranty period.

REVENUE STABILIZATION - Accounts for the accumulation of resources during periods of economic growth and prosperity, when revenue collections exceed estimates. Funds may then be drawn upon during periods of economic slowdown, when collections fall short of revenue estimates.

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

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

GRANTS - Accounts for the Federal and State grant-funded activities of the tax-supported General Fund and special revenue funds.

Other:

AGRICULTURAL TRANSFER TAX - Accounts for agricultural transfer tax revenues to be used for an approved agricultural land preservation program.

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

WATER QUALITY PROTECTION - Accounts for the fiscal activity relating to maintenance of certain storm water management facilities.

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

Permanent Fund

Permanent funds are used 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 reporting government's programs.

HOC TREASURY BONDS - Accounts for bond purchases and interest used to fund Housing Opportunities Commission activities, where the principal must be preserved intact.

MAJOR GOVERNMENTAL FUNDS

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

DEBT SERVICE
CAPITAL PROJECTS

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007
Exhibit B-1

	Special Revenue Funds			
	Special Taxing Districts	Housing Activities	Revenue Stabilization	Economic Development
ASSETS				
Equity in pooled cash and investments	\$ 47,541,324	\$ 9,730,784	\$ 119,647,603	\$ 2,269,339
Cash	5,300	-	-	-
Investments	-	-	-	-
Receivables (net of allowances for uncollectibles):				
Property taxes	4,031,562	-	-	-
Accounts	442,680	-	-	-
Notes	-	-	-	1,278,097
Mortgages receivable	-	102,614,326	-	-
Interest	-	-	-	-
Other	262,199	-	-	-
Due from other funds	6,808,954	-	-	-
Due from component units	-	30,277,244	-	-
Due from other governments	226,623	-	-	-
Prepays	442,120	-	-	-
Total Assets	<u>\$ 59,760,762</u>	<u>\$ 142,622,354</u>	<u>\$ 119,647,603</u>	<u>\$ 3,547,436</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,797,965	\$ 606,314	\$ -	\$ -
Retainage payable	25,289	-	-	-
Accrued liabilities	9,442,232	30,540	-	4,854
Deposits	9,046	-	-	-
Due to other funds	3,991,082	7,992	-	1,042
Due to component units	67,063	28,473	-	-
Due to other governments	358,553	-	-	-
Deferred revenue	4,446,947	2,213,401	-	-
Total Liabilities	<u>28,138,177</u>	<u>2,886,720</u>	<u>-</u>	<u>5,896</u>
Fund Balances:				
Reserved for:				
Long-term receivables	428,606	130,678,169	-	1,278,097
Prepays	442,120	-	-	-
Fire-Rescue Grant	1,429,112	-	-	-
Donor-specified purposes	-	-	-	-
Other purposes	-	-	-	-
Total Reserved	<u>2,299,838</u>	<u>130,678,169</u>	<u>-</u>	<u>1,278,097</u>
Unreserved, designated for, reported in:				
Encumbrances	14,038,232	1,277,934	-	-
Special Revenue Funds	5,967,758	7,779,531	-	2,263,443
Unreserved, undesignated reported in:				
Special Revenue Funds	9,316,757	-	119,647,603	-
Total Unreserved	<u>29,322,747</u>	<u>9,057,465</u>	<u>119,647,603</u>	<u>2,263,443</u>
Total Fund Balances	<u>31,622,585</u>	<u>139,735,634</u>	<u>119,647,603</u>	<u>3,541,540</u>
Total Liabilities and Fund Balances	<u>\$ 59,760,762</u>	<u>\$ 142,622,354</u>	<u>\$ 119,647,603</u>	<u>\$ 3,547,436</u>

				Permanent Fund	Total
				HOC	Nonmajor
Cable	Grants	Other	Total	Treasury	Governmental
TV				Bonds	Funds
\$ 2,917,745	\$ -	\$ 23,745,163	\$ 205,851,958	\$ 599,099	\$ 206,451,057
-	-	25,000	30,300	-	30,300
-	-	-	-	4,723,343	4,723,343
-	-	-	4,031,562	-	4,031,562
2,581,888	68,199	37,135	3,129,902	-	3,129,902
-	4,370,675	-	5,648,772	-	5,648,772
-	24,743,490	-	127,357,816	-	127,357,816
-	-	-	-	60,110	60,110
-	-	-	262,199	-	262,199
-	-	-	6,808,954	-	6,808,954
-	8,753,876	-	39,031,120	4,662	39,035,782
284,000	23,860,049	-	24,370,672	-	24,370,672
-	11,662	15,494	469,276	-	469,276
<u>\$ 5,783,633</u>	<u>\$ 61,807,951</u>	<u>\$ 23,822,792</u>	<u>\$ 416,992,531</u>	<u>\$ 5,387,214</u>	<u>\$ 422,379,745</u>
\$ 754,228	\$ 8,325,827	\$ 661,160	\$ 20,145,494	\$ -	\$ 20,145,494
-	2,705	6,137	34,131	-	34,131
69,926	1,141,837	65,584	10,754,973	-	10,754,973
153,262	-	-	162,308	-	162,308
15,206	6,146,312	19,458	10,181,092	-	10,181,092
-	1,969,056	-	2,064,592	-	2,064,592
-	5,301,914	93,556	5,754,023	-	5,754,023
-	38,920,300	37,135	45,617,783	64,771	45,682,554
<u>992,622</u>	<u>61,807,951</u>	<u>883,030</u>	<u>94,714,396</u>	<u>64,771</u>	<u>94,779,167</u>
-	-	-	132,384,872	-	132,384,872
-	-	-	442,120	-	442,120
-	-	-	1,429,112	-	1,429,112
-	-	1,257,694	1,257,694	-	1,257,694
-	-	-	-	5,322,443	5,322,443
<u>-</u>	<u>-</u>	<u>1,257,694</u>	<u>135,513,798</u>	<u>5,322,443</u>	<u>140,836,241</u>
1,161,727	-	1,453,573	17,931,466	-	17,931,466
936,777	-	8,908,567	25,856,076	-	25,856,076
2,692,507	-	11,319,928	142,976,795	-	142,976,795
<u>4,791,011</u>	<u>-</u>	<u>21,682,068</u>	<u>186,764,337</u>	<u>-</u>	<u>186,764,337</u>
<u>4,791,011</u>	<u>-</u>	<u>22,939,762</u>	<u>322,278,135</u>	<u>5,322,443</u>	<u>327,600,578</u>
<u>\$ 5,783,633</u>	<u>\$ 61,807,951</u>	<u>\$ 23,822,792</u>	<u>\$ 416,992,531</u>	<u>\$ 5,387,214</u>	<u>\$ 422,379,745</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-2

	Special Revenue Funds			
	Special Taxing Districts	Housing Activities	Revenue Stabilization	Economic Development
REVENUES				
Taxes	\$ 284,980,883	\$ 8,311,658	\$ -	\$ -
Licenses and permits	1,922,436	-	-	-
Intergovernmental	28,955,215	-	-	675,000
Charges for services	26,598,530	51,720	-	-
Fines and forfeitures	614,072	-	-	-
Investment income (loss)	3,720,136	1,010,176	6,175,154	196,271
Miscellaneous	143,544	1,288,331	-	5,644
Total Revenues	<u>346,934,816</u>	<u>10,661,885</u>	<u>6,175,154</u>	<u>876,915</u>
EXPENDITURES				
General government	6,481,388	-	-	3,463,526
Public safety	180,003,237	4,486,380	-	-
Public works and transportation	105,964,835	-	-	-
Health and human services	-	-	-	-
Culture and recreation	30,652,788	-	-	-
Community development and housing	-	-	-	-
Environment	-	-	-	-
Total Expenditures	<u>323,102,248</u>	<u>4,486,380</u>	<u>-</u>	<u>3,463,526</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>23,832,568</u>	<u>6,175,505</u>	<u>6,175,154</u>	<u>(2,586,611)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	12,759,235	7,811,920	11,860,987	3,071,030
Transfers (out)	(28,015,322)	(335,263)	(6,175,154)	(251,350)
Sale of property	-	4,319,907	-	-
Financing under notes payable	3,108,640	-	-	-
Total Other Financing Sources (Uses)	<u>(12,147,447)</u>	<u>11,796,564</u>	<u>5,685,833</u>	<u>2,819,680</u>
Net Change in Fund Balances	<u>11,685,121</u>	<u>17,972,069</u>	<u>11,860,987</u>	<u>233,069</u>
Fund Balances - Beginning of Year	<u>19,937,464</u>	<u>121,763,565</u>	<u>107,786,616</u>	<u>3,308,471</u>
Fund Balances - End of Year	<u>\$ 31,622,585</u>	<u>\$ 139,735,634</u>	<u>\$ 119,647,603</u>	<u>\$ 3,541,540</u>

				Permanent Fund	Total
Cable	Grants	Other	Total	HOC	Nonmajor
TV				Treasury	Governmental
				Bonds	Funds
\$ -	\$ -	\$ 404,015	\$ 293,696,556	\$ -	\$ 293,696,556
-	-	-	1,922,436	-	1,922,436
-	74,518,743	323,318	104,472,276	-	104,472,276
14,264,775	-	5,980,892	46,895,917	-	46,895,917
-	-	1,757,997	2,372,069	-	2,372,069
151,200	159,698	1,214,182	12,626,817	266,751	12,893,568
-	687,691	411,158	2,536,368	-	2,536,368
14,415,975	75,366,132	10,091,562	464,522,439	266,751	464,789,190
-	5,189,770	487,430	15,622,114	-	15,622,114
-	13,425,144	408,609	198,323,370	-	198,323,370
-	8,338,837	-	114,303,672	-	114,303,672
-	44,193,100	-	44,193,100	-	44,193,100
9,558,142	191,697	-	40,402,627	-	40,402,627
-	4,708,918	-	4,708,918	480,881	5,189,799
-	37,286	5,124,466	5,161,752	-	5,161,752
9,558,142	76,084,752	6,020,505	422,715,553	480,881	423,196,434
4,857,833	(718,620)	4,071,057	41,806,886	(214,130)	41,592,756
-	791,868	-	36,295,040	-	36,295,040
(4,453,972)	(73,248)	(1,090,106)	(40,394,415)	-	(40,394,415)
-	-	-	4,319,907	-	4,319,907
-	-	-	3,108,640	-	3,108,640
(4,453,972)	718,620	(1,090,106)	3,329,172	-	3,329,172
403,861	-	2,980,951	45,136,058	(214,130)	44,921,928
4,387,150	-	19,958,811	277,142,077	5,536,573	282,678,650
\$ 4,791,011	\$ -	\$ 22,939,762	\$ 322,278,135	\$ 5,322,443	\$ 327,600,578

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS
 JUNE 30, 2007
Exhibit B-3

	Recreation	Fire Tax District	Mass Transit Facilities	Urban Districts	Noise Abatement Districts	Total
ASSETS						
Equity in pooled cash and investments	\$ 6,400,127	\$ 23,754,188	\$ 16,074,738	\$ 1,299,386	\$ 12,885	\$ 47,541,324
Cash	4,050	-	1,250	-	-	5,300
Receivables (net of allowances for uncollectibles):						
Property taxes	380,141	2,073,435	1,449,162	128,824	-	4,031,562
Accounts	-	360,449	-	82,231	-	442,680
Other	68,157	-	194,042	-	-	262,199
Due from other funds	-	3,014,608	3,794,346	-	-	6,808,954
Due from other governments	-	-	220,782	5,841	-	226,623
Prepays	17,537	213,114	211,469	-	-	442,120
Total Assets	<u>\$ 6,870,012</u>	<u>\$ 29,415,794</u>	<u>\$ 21,945,789</u>	<u>\$ 1,516,282</u>	<u>\$ 12,885</u>	<u>\$ 59,760,762</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 599,919	\$ 942,298	\$ 8,218,346	\$ 37,402	\$ -	\$ 9,797,965
Retainage payable	-	25,289	-	-	-	25,289
Accrued liabilities	1,321,364	6,060,968	1,958,258	101,642	-	9,442,232
Deposits	9,046	-	-	-	-	9,046
Due to other funds	204,627	3,074,043	694,255	18,157	-	3,991,082
Due to component units	30,520	-	19,218	17,325	-	67,063
Due to other governments	59,116	-	299,437	-	-	358,553
Deferred revenue	376,331	2,281,755	1,571,968	216,893	-	4,446,947
Total Liabilities	<u>2,600,923</u>	<u>12,384,353</u>	<u>12,761,482</u>	<u>391,419</u>	<u>-</u>	<u>28,138,177</u>
Fund Balances:						
Reserved for:						
Long-term receivables	68,157	360,449	-	-	-	428,606
Prepays	17,537	213,114	211,469	-	-	442,120
Fire-Rescue Grant	-	1,429,112	-	-	-	1,429,112
Total Reserved	<u>85,694</u>	<u>2,002,675</u>	<u>211,469</u>	<u>-</u>	<u>-</u>	<u>2,299,838</u>
Unreserved, designated for, reported in:						
Encumbrances	527,784	6,478,336	6,896,652	135,460	-	14,038,232
Special Revenue Funds	197,460	2,900,987	2,076,186	793,125	-	5,967,758
Unreserved, undesignated, reported in:						
Special Revenue Funds	3,458,151	5,649,443	-	196,278	12,885	9,316,757
Total Unreserved	<u>4,183,395</u>	<u>15,028,766</u>	<u>8,972,838</u>	<u>1,124,863</u>	<u>12,885</u>	<u>29,322,747</u>
Total Fund Balances	<u>4,269,089</u>	<u>17,031,441</u>	<u>9,184,307</u>	<u>1,124,863</u>	<u>12,885</u>	<u>31,622,585</u>
Total Liabilities and Fund Balances	<u>\$ 6,870,012</u>	<u>\$ 29,415,794</u>	<u>\$ 21,945,789</u>	<u>\$ 1,516,282</u>	<u>\$ 12,885</u>	<u>\$ 59,760,762</u>

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit B-4

	Recreation	Fire Tax District	Mass Transit Facilities	Urban Districts	Noise Abatement Districts	Total
REVENUES						
Taxes	\$ 28,483,950	\$ 182,907,797	\$ 72,419,741	\$ 1,153,472	\$ 15,923	\$ 284,980,883
Licenses and permits	-	1,363,113	559,323	-	-	1,922,436
Intergovernmental	105,719	4,870,205	23,979,291	-	-	28,955,215
Charges for services	10,410,867	212,062	15,710,948	264,653	-	26,598,530
Fines and forfeitures	-	4,381	609,691	-	-	614,072
Investment income	709,270	2,108,116	846,553	54,085	2,112	3,720,136
Miscellaneous	64,569	20,300	58,675	-	-	143,544
Total Revenues	<u>39,774,375</u>	<u>191,485,974</u>	<u>114,184,222</u>	<u>1,472,210</u>	<u>18,035</u>	<u>346,934,816</u>
EXPENDITURES						
General government	-	-	-	6,481,388	-	6,481,388
Public safety	-	180,003,237	-	-	-	180,003,237
Public works and transportation	-	-	105,964,835	-	-	105,964,835
Culture and recreation	30,652,788	-	-	-	-	30,652,788
Total Expenditures	<u>30,652,788</u>	<u>180,003,237</u>	<u>105,964,835</u>	<u>6,481,388</u>	<u>-</u>	<u>323,102,248</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>9,121,587</u>	<u>11,482,737</u>	<u>8,219,387</u>	<u>(5,009,178)</u>	<u>18,035</u>	<u>23,832,568</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,294,400	550,370	5,896,745	5,017,720	-	12,759,235
Transfers (out)	(10,550,806)	(5,290,332)	(11,794,499)	(338,990)	(40,695)	(28,015,322)
Financing under notes payable	-	-	3,108,640	-	-	3,108,640
Total Other Financing Sources (Uses)	<u>(9,256,406)</u>	<u>(4,739,962)</u>	<u>(2,789,114)</u>	<u>4,678,730</u>	<u>(40,695)</u>	<u>(12,147,447)</u>
Net Change in Fund Balances	<u>(134,819)</u>	<u>6,742,775</u>	<u>5,430,273</u>	<u>(330,448)</u>	<u>(22,660)</u>	<u>11,685,121</u>
Fund Balances (Deficits) - Beginning of Year	<u>4,403,908</u>	<u>10,288,666</u>	<u>3,754,034</u>	<u>1,455,311</u>	<u>35,545</u>	<u>19,937,464</u>
Fund Balances - End of Year	<u>\$ 4,269,089</u>	<u>\$ 17,031,441</u>	<u>\$ 9,184,307</u>	<u>\$ 1,124,863</u>	<u>\$ 12,885</u>	<u>\$ 31,622,585</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - HOUSING ACTIVITIES
 JUNE 30, 2007
Exhibit B-5

	Housing Initiative	Rehabilitation Loan	New Home Warranty Security	Totals
ASSETS				
Equity in pooled cash and investments	\$ 8,533,127	\$ 1,197,657	\$ -	\$ 9,730,784
Mortgages receivable	99,643,829	2,970,497	-	102,614,326
Due from component units	30,277,244	-	-	30,277,244
Total Assets	<u>\$138,454,200</u>	<u>\$ 4,168,154</u>	<u>\$ -</u>	<u>\$142,622,354</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 606,314	\$ -	\$ -	\$ 606,314
Accrued liabilities	30,540	-	-	30,540
Due to other funds	7,992	-	-	7,992
Due to component units	28,473	-	-	28,473
Deferred revenue	2,213,401	-	-	2,213,401
Total Liabilities	<u>2,886,720</u>	<u>-</u>	<u>-</u>	<u>2,886,720</u>
Fund Balances:				
Reserved for:				
Long-term receivables	127,707,672	2,970,497	-	130,678,169
Total Reserved	<u>127,707,672</u>	<u>2,970,497</u>	<u>-</u>	<u>130,678,169</u>
Unreserved, designated for, reported in:				
Encumbrances	1,277,934	-	-	1,277,934
Special Revenue Funds	6,581,874	1,197,657	-	7,779,531
Total Unreserved	<u>7,859,808</u>	<u>1,197,657</u>	<u>-</u>	<u>9,057,465</u>
Total Fund Balances	<u>135,567,480</u>	<u>4,168,154</u>	<u>-</u>	<u>139,735,634</u>
Total Liabilities and Fund Balances	<u>\$138,454,200</u>	<u>\$ 4,168,154</u>	<u>\$ -</u>	<u>\$142,622,354</u>

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - HOUSING ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit B-6

	Housing Initiative	Rehabilitation Loan	New Home Warranty Security	Totals
REVENUES				
Taxes	\$ 8,311,658	\$ -	\$ -	\$ 8,311,658
Charges for services	51,720	-	-	51,720
Investment income	864,234	136,957	8,985	1,010,176
Miscellaneous	1,288,331	-	-	1,288,331
Total Revenues	<u>10,515,943</u>	<u>136,957</u>	<u>8,985</u>	<u>10,661,885</u>
EXPENDITURES				
Public safety	<u>4,486,380</u>	<u>-</u>	<u>-</u>	<u>4,486,380</u>
Total Expenditures	<u>4,486,380</u>	<u>-</u>	<u>-</u>	<u>4,486,380</u>
Excess of Revenues over Expenditures	<u>6,029,563</u>	<u>136,957</u>	<u>8,985</u>	<u>6,175,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,811,920	-	-	7,811,920
Transfers (out)	(170,829)	-	(164,434)	(335,263)
Sale of property	<u>4,319,907</u>	<u>-</u>	<u>-</u>	<u>4,319,907</u>
Total Other Financing Sources (Uses)	<u>11,960,998</u>	<u>-</u>	<u>(164,434)</u>	<u>11,796,564</u>
Net Change in Fund Balances	<u>17,990,561</u>	<u>136,957</u>	<u>(155,449)</u>	<u>17,972,069</u>
Fund Balances - Beginning of Year	<u>117,576,919</u>	<u>4,031,197</u>	<u>155,449</u>	<u>121,763,565</u>
Fund Balances - End of Year	<u>\$ 135,567,480</u>	<u>\$ 4,168,154</u>	<u>\$ -</u>	<u>\$ 139,735,634</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - OTHER
 JUNE 30, 2007
Exhibit B-7

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Totals
ASSETS					
Equity in pooled cash and investments	\$14,991,994	\$ 2,774,143	\$ 4,721,016	\$ 1,258,010	\$ 23,745,163
Cash	-	25,000	-	-	25,000
Receivables (net of allowances for uncollectibles):					
Accounts	-	-	37,135	-	37,135
Prepays	-	-	-	15,494	15,494
Total Assets	<u>\$14,991,994</u>	<u>\$ 2,799,143</u>	<u>\$ 4,758,151</u>	<u>\$ 1,273,504</u>	<u>\$ 23,822,792</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 30,195	\$ 615,155	\$ 15,810	\$ 661,160
Retainage payable	-	-	6,137	-	6,137
Accrued liabilities	-	5,007	60,577	-	65,584
Due to other funds	-	911	18,547	-	19,458
Due to other governments	2,815	-	90,741	-	93,556
Deferred revenue	-	-	37,135	-	37,135
Total Liabilities	<u>2,815</u>	<u>36,113</u>	<u>828,292</u>	<u>15,810</u>	<u>883,030</u>
Fund Balances:					
Reserved for:					
Donor-specified purposes	-	-	-	1,257,694	1,257,694
Total Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,257,694</u>	<u>1,257,694</u>
Unreserved, designated for, reported in:					
Encumbrances	-	63,991	1,389,582	-	1,453,573
Special Revenue Funds	8,408,551	-	500,016	-	8,908,567
Unreserved, undesignated reported in:					
Special Revenue Funds	6,580,628	2,699,039	2,040,261	-	11,319,928
Total Unreserved	<u>14,989,179</u>	<u>2,763,030</u>	<u>3,929,859</u>	<u>-</u>	<u>21,682,068</u>
Total Fund Balances	<u>14,989,179</u>	<u>2,763,030</u>	<u>3,929,859</u>	<u>1,257,694</u>	<u>22,939,762</u>
Total Liabilities and Fund Balances	<u>\$14,991,994</u>	<u>\$ 2,799,143</u>	<u>\$ 4,758,151</u>	<u>\$ 1,273,504</u>	<u>\$ 23,822,792</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - OTHER
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit B-8

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Totals
REVENUES					
Taxes	\$ 404,015	\$ -	\$ -	\$ -	\$ 404,015
Intergovernmental	-	3,750	300,194	19,374	323,318
Charges for services	-	-	5,980,892	-	5,980,892
Fines and forfeitures	-	1,757,997	-	-	1,757,997
Investment income	843,338	75,974	273,640	21,230	1,214,182
Miscellaneous - contributions	-	592	-	410,566	411,158
Total Revenues	<u>1,247,353</u>	<u>1,838,313</u>	<u>6,554,726</u>	<u>451,170</u>	<u>10,091,562</u>
EXPENDITURES					
General government	101,004	-	-	386,426	487,430
Public safety	-	408,609	-	-	408,609
Environment	-	-	5,124,466	-	5,124,466
Total Expenditures	<u>101,004</u>	<u>408,609</u>	<u>5,124,466</u>	<u>386,426</u>	<u>6,020,505</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,146,349</u>	<u>1,429,704</u>	<u>1,430,260</u>	<u>64,744</u>	<u>4,071,057</u>
OTHER FINANCING SOURCES (USES)					
Transfers (out)	(768,460)	(19,484)	(302,162)	-	(1,090,106)
Total Other Financing Sources (Uses)	<u>(768,460)</u>	<u>(19,484)</u>	<u>(302,162)</u>	<u>-</u>	<u>(1,090,106)</u>
Net Change in Fund Balances	377,889	1,410,220	1,128,098	64,744	2,980,951
Fund Balances - Beginning of Year	<u>14,611,290</u>	<u>1,352,810</u>	<u>2,801,761</u>	<u>1,192,950</u>	<u>19,958,811</u>
Fund Balances - End of Year	<u>\$ 14,989,179</u>	<u>\$ 2,763,030</u>	<u>\$ 3,929,859</u>	<u>\$ 1,257,694</u>	<u>\$ 22,939,762</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-9

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Charges for Services - Special street assessments	\$ -	\$ -	\$ -	\$ 169	\$ 169
Investment Income:					
Pooled investment income	-	2,209,469	2,209,469	2,209,468	(1)
Other interest income	-	340,000	340,000	381,464	41,464
Total Investment Income	-	2,549,469	2,549,469	2,590,932	41,463
Total Revenues	-	2,549,469	2,549,469	2,591,101	41,632
Expenditures:					
Operating:					
Principal and Interest for General Obligation Bonds:					
General county	-	26,233,739	26,233,739	26,233,739	-
Roads and storm drainage	-	51,846,170	51,846,170	51,846,170	-
Parks and recreation	-	6,772,021	6,772,021	6,772,021	-
Public schools	-	96,350,665	96,350,665	96,350,665	-
Community college	-	6,815,147	6,815,147	6,815,147	-
Public housing	-	266,000	266,000	265,999	1
Recreation	-	4,990,847	4,990,847	4,989,515	1,332
Fire and rescue	-	3,396,710	3,396,710	3,396,710	-
Mass transit	-	2,506,300	2,506,300	2,482,762	23,538
Bradley noise abatement district	-	32,650	32,650	31,383	1,267
Cabin John noise abatement district	-	9,320	9,320	9,312	8
Issuing costs	297,174	884,380	1,181,554	1,181,553	1
Bond anticipation note interest	-	6,784,398	6,784,398	6,784,398	-
Principal and interest on long-term equipment notes	-	3,139,124	3,139,124	3,139,124	-
Long-term leases:					
General Fund	-	9,589,052	9,589,052	9,589,052	-
Recreation	-	3,068,000	3,068,000	3,067,994	6
Montgomery Housing Initiative	-	79,412	79,412	79,412	-
Liquor	-	1,290,650	1,290,650	-	1,290,650
Fire and rescue	-	123,191	123,191	-	123,191
Total Expenditures	297,174	224,177,776	224,474,950	223,034,956	1,439,994
Excess of Revenues over (under) Expenditures	(297,174)	(221,628,307)	(221,925,481)	(220,443,855)	1,481,626
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	203,384,307	203,384,307	203,384,307	-
From Special Revenue Funds:					
Recreation	-	8,051,157	8,051,157	8,051,156	(1)
Mass Transit	-	3,605,792	3,605,792	3,579,639	(26,153)
Bradley Noise Abatement District	-	32,650	32,650	31,383	(1,267)
Cabin John Noise Abatement District	-	9,320	9,320	9,312	(8)
Fire Tax District	-	5,175,019	5,175,019	4,928,265	(246,754)
Montgomery Housing Initiative	-	79,412	79,412	79,412	-
Revenue Stabilization	-	6,175,154	6,175,154	6,175,154	-
Liquor	-	1,290,650	1,290,650	-	(1,290,650)
To Capital Projects Fund	-	(6,175,154)	(6,175,154)	(6,175,154)	-
Total Other Financing Sources (Uses)	-	221,628,307	221,628,307	220,063,474	(1,564,833)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(297,174)	-	(297,174)	(380,381)	(83,207)
Fund Balance - Beginning of Year	-	-	-	-	-
Fund Balance (Deficit) - End of Year	\$ (297,174)	\$ -	\$ (297,174)	\$ (380,381)	\$ (83,207)

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

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
As reported - budgetary basis	\$ 2,591,101	\$ 223,034,956	\$ 220,063,474	\$ (380,381)
Reconciling items:				
Elimination of encumbrances outstanding	-	(380,381)	-	380,381
Bond anticipation note activity	-	250,000,000	-	(250,000,000)
Lease revenue bond activity not required to be budgeted	3,294,214	3,294,214	-	-
Issuing costs for:				
General obligation bonds	-	407,500	407,500	-
Proceeds of:				
General obligation bonds	-	-	250,000,000	250,000,000
As reported - GAAP basis	\$ 5,885,315	\$ 476,356,289	\$ 470,470,974	\$ -

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-10

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Taxes - impact	\$ -	\$ 49,381,125	\$ 49,381,125	\$ 53,802,027	\$ 4,420,902
Intergovernmental	328,041	135,878,447	136,206,488	25,294,669	(110,911,819)
Charges for services	-	7,110,489	7,110,489	1,088,293	(6,022,196)
Investment Income:					
Pooled investment income	-	-	-	2,786,566	2,786,566
Other investment income	-	-	-	30,845	30,845
Miscellaneous - contributions	-	13,490,488	13,490,488	834,140	(12,656,348)
Total Revenues	328,041	205,860,549	206,188,590	83,836,540	(122,352,050)
Expenditures - Capital projects	93,801,382	673,348,609	767,149,991	268,944,100	498,205,891
Excess of Revenues over (under) Expenditures	(93,473,341)	(467,488,060)	(560,961,401)	(185,107,560)	375,853,841
Other Financing Sources (Uses):					
Transfers in	-	96,874,277	96,874,277	48,175,737	(48,698,540)
Transfers (out) - component units	-	-	-	(683,966)	(683,966)
Sale of land	-	11,209,442	11,209,442	2,220,612	(8,988,830)
Proceeds of commercial paper	-	67,704,482	67,704,482	108,000,000	40,295,518
Proceeds of revenue bonds	-	32,210,997	32,210,997	-	(32,210,997)
Proceeds of general obligation bonds	-	287,960,130	287,960,130	-	(287,960,130)
Proceeds of certificates of participation	-	30,496,061	30,496,061	-	(30,496,061)
Total Other Financing Sources (Uses)	-	526,455,389	526,455,389	157,712,383	(368,743,006)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(93,473,341)	58,967,329	(34,506,012)	(27,395,177)	7,110,835
Fund Balance (Deficit) - Beginning of Year	93,473,341	(114,077,560)	(20,604,219)	(20,604,219)	-
Fund Balance (Deficit) - End of Year	\$ -	\$ (55,110,231)	\$ (55,110,231)	\$ (47,999,396)	\$ 7,110,835

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

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
As reported - budgetary basis	\$ 83,836,540	\$ 268,944,100	\$ 157,712,383	\$ (27,395,177)
Reconciling items:				
Elimination of encumbrances outstanding	-	(106,149,901)	-	106,149,901
Reclassification of loans	-	-	683,966	683,966
Expenditures and funding for assets under capital leases	-	663,698	663,698	-
Bond proceeds for projects budgeted by others	-	-	210,431,500	210,431,500
Expenditure of bond proceeds for component units	-	179,001,633	-	(179,001,633)
Grants	(160,478)	(160,478)	-	-
As reported - GAAP basis	\$ 83,676,062	\$ 342,299,052	\$ 369,491,547	\$ 110,868,557

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECREATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-11

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Taxes - property	\$ -	\$ 27,830,640	\$ 27,830,640	\$ 28,483,950	\$ 653,310
Intergovernmental	-	-	-	105,719	105,719
Charges for services - activity fees	-	10,393,340	10,393,340	10,410,867	17,527
Investment income	-	490,000	490,000	709,270	219,270
Miscellaneous	-	12,000	12,000	552,760	540,760
Total Revenues	-	38,725,980	38,725,980	40,262,566	1,536,586
Expenditures:					
Personnel costs	-	19,015,540	19,015,540	18,891,606	123,934
Operating	20,967	9,945,160	9,966,127	9,966,126	1
Capital Outlay	-	3,920	3,920	-	3,920
Total Expenditures	20,967	28,964,620	28,985,587	28,857,732	127,855
Excess of Revenues over (under) Expenditures	(20,967)	9,761,360	9,740,393	11,404,834	1,664,441
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	1,294,400	1,294,400	1,294,400	-
To General Fund	-	(4,822,490)	(4,822,490)	(4,822,490)	-
To Debt Service Fund	-	(8,051,157)	(8,051,157)	(8,051,156)	1
To Internal Service Funds	-	(47,980)	(47,980)	-	47,980
Total Other Financing Sources (Uses)	-	(11,627,227)	(11,627,227)	(11,579,246)	47,981
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(20,967)	(1,865,867)	(1,886,834)	(174,412)	1,712,422
Fund Balance - Beginning of Year	20,967	3,999,212	4,020,179	4,020,179	-
Fund Balance - End of Year	\$ -	\$ 2,133,345	\$ 2,133,345	\$ 3,845,767	\$ 1,712,422

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (174,412)
Reconciling items:	
Cancellation of prior year encumbrances	(488,191)
Elimination of encumbrances outstanding	527,784
GAAP - Net Change in Fund Balance	\$ (134,819)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE TAX DISTRICT SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-12

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Taxes - property	\$ -	\$ 179,250,990	\$ 179,250,990	\$ 182,907,797	\$ 3,656,807
Licenses and Permits	-	1,738,270	1,738,270	1,363,113	(375,157)
Intergovernmental	-	3,589,340	3,589,340	4,870,205	1,280,865
Charges for services	-	1,370	1,370	212,062	210,692
Fines and forfeitures	-	-	-	4,381	4,381
Investment income	-	1,350,000	1,350,000	2,108,116	758,116
Miscellaneous	-	-	-	179,717	179,717
Total Revenues	-	185,929,970	185,929,970	191,645,391	5,715,421
Expenditures:					
Personnel costs	-	152,397,158	152,397,158	149,975,419	2,421,739
Operating	4,896,609	30,284,333	35,180,942	34,796,567	384,375
Capital Outlay	801,153	908,440	1,709,593	1,709,587	6
Total Expenditures	5,697,762	183,589,931	189,287,693	186,481,573	2,806,120
Excess of Revenues over (under) Expenditures	(5,697,762)	2,340,039	(3,357,723)	5,163,818	8,521,541
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	550,370	550,370	550,370	-
To General Fund	-	(120,750)	(120,750)	(120,750)	-
To Special Revenue Funds	-	(57,123)	(57,123)	(52,136)	4,987
To Debt Service Fund	-	(5,175,019)	(5,175,019)	(4,928,265)	246,754
To Internal Service Funds	-	(249,100)	(249,100)	(189,181)	59,919
To Capital Projects Fund	-	(2,896,000)	(2,896,000)	-	2,896,000
Total Other Financing Sources (Uses)	-	(7,947,622)	(7,947,622)	(4,739,962)	3,207,660
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(5,697,762)	(5,607,583)	(11,305,345)	423,856	11,729,201
Fund Balance - Beginning of Year	5,697,762	4,431,488	10,129,250	10,129,250	-
Fund Balance - End of Year	\$ -	\$ (1,176,095)	\$ (1,176,095)	\$ 10,553,106	\$ 11,729,201

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 423,856
Reconciling items:	
Cancellation of prior year encumbrances	(159,417)
Elimination of encumbrances outstanding	6,478,336
GAAP - Net Change in Fund Balance	\$ 6,742,775

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MASS TRANSIT FACILITIES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-13

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Taxes:					
Property	\$ -	\$ 70,916,870	\$ 70,916,870	\$ 72,419,741	\$ 1,502,871
Licenses and permits	-	391,050	391,050	559,323	168,273
Intergovernmental:					
Federal aid	-	-	-	4,609	4,609
State aid	-	25,133,850	25,133,850	23,974,682	(1,159,168)
Total Intergovernmental	-	25,133,850	25,133,850	23,979,291	(1,154,559)
Charges for Services:					
Fare receipts	-	14,678,650	14,678,650	15,077,976	399,326
Parking fees	-	895,820	895,820	632,972	(262,848)
Total Charges for Services	-	15,574,470	15,574,470	15,710,948	136,478
Fines and forfeitures	-	400,000	400,000	609,691	209,691
Investment Income:					
Pooled	-	360,000	360,000	846,553	486,553
Miscellaneous	-	-	-	143,691	143,691
Total Revenues	-	112,776,240	112,776,240	114,269,238	1,492,998
Expenditures:					
Division of Transit Services:					
Personnel costs	-	43,797,420	43,797,420	43,680,658	116,762
Operating	1,748,596	54,477,308	56,225,904	55,608,695	617,209
Capital outlay	3,406,348	6,964,960	10,371,308	10,371,302	6
Total Division of Transit Services	5,154,944	105,239,688	110,394,632	109,660,655	733,977
Washington Suburban Transit Commission:					
Operating	-	92,192	92,192	92,192	-
Total Expenditures	5,154,944	105,331,880	110,486,824	109,752,847	733,977
Excess of Revenues over (under) Expenditures	(5,154,944)	7,444,360	2,289,416	4,516,391	2,226,975
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	1,489,020	1,489,020	1,489,020	-
From Enterprise Funds	-	4,625,990	4,625,990	4,407,725	(218,265)
To General Fund	-	(5,581,210)	(5,581,210)	(5,581,210)	-
To Special Revenue Funds	-	(250,000)	(250,000)	(250,000)	-
To Debt Service Fund	-	(3,605,792)	(3,605,792)	(3,579,639)	26,153
To Capital Projects Fund	-	(7,310,033)	(7,310,033)	(2,383,650)	4,926,383
Total Other Financing Sources (Uses)	-	(10,632,025)	(10,632,025)	(5,897,754)	4,734,271
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(5,154,944)	(3,187,665)	(8,342,609)	(1,381,363)	6,961,246
Fund Balance (Deficit) - Beginning of Year	5,154,944	(1,485,927)	3,669,017	3,669,017	-
Fund Balance (Deficit) - End of Year	\$ -	\$ (4,673,592)	\$ (4,673,592)	\$ 2,287,654	\$ 6,961,246

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

Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	Total \$ (1,381,363)
Reconciling items:	
Cancellation of prior year encumbrances	(85,016)
Elimination of encumbrances outstanding	6,896,652
GAAP - Net Change in Fund Balance	\$ 5,430,273

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
URBAN DISTRICT SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-14

	Budget				Variance
	Prior Year	Current	Total	Actual	Positive
	Encumbrances	Year			(Negative)
BETHESDA URBAN DISTRICT					
Revenues:					
Taxes - property	\$ -	\$ 488,410	\$ 488,410	\$ 488,571	\$ 161
Charges for services - maintenance fees	-	144,700	144,700	130,242	(14,458)
Investment income	-	-	-	13,874	13,874
Total Revenues	-	633,110	633,110	632,687	(423)
Expenditures:					
Operating	-	2,413,950	2,413,950	2,401,550	12,400
Total Expenditures	-	2,413,950	2,413,950	2,401,550	12,400
Excess of Revenues over (under) Expenditures	-	(1,780,840)	(1,780,840)	(1,768,863)	11,977
Other Financing Sources (Uses):					
Transfers In (Out):					
From Enterprise Funds	-	1,803,000	1,803,000	1,803,000	-
To Capital Projects Fund	-	(371,806)	(371,806)	-	371,806
Total Other Financing Sources (Uses)	-	1,431,194	1,431,194	1,803,000	371,806
Excess of Revenues and					
Other Financing Sources over (under)					
Expenditures and Other Financing Uses	-	(349,646)	(349,646)	34,137	383,783
Fund Balance - Beginning of Year	-	220,008	220,008	220,008	-
Fund Balance - End of Year	\$ -	\$ (129,638)	\$ (129,638)	\$ 254,145	\$ 383,783
SILVER SPRING URBAN DISTRICT					
Revenues:					
Taxes - property	\$ -	\$ 536,320	\$ 536,320	\$ 523,877	\$ (12,443)
Charges for services - maintenance fees	-	144,500	144,500	134,411	(10,089)
Investment income	-	20,000	20,000	20,744	744
Miscellaneous	-	-	-	1	1
Total Revenues	-	700,820	700,820	679,033	(21,787)
Expenditures:					
Personnel costs	-	1,567,150	1,567,150	1,433,678	133,472
Operating	186,526	1,207,872	1,394,398	1,391,379	3,019
Total Expenditures	186,526	2,775,022	2,961,548	2,825,057	136,491
Excess of Revenues over (under) Expenditures	(186,526)	(2,074,202)	(2,260,728)	(2,146,024)	114,704
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	241,630	241,630	241,630	-
From Enterprise Funds	-	1,453,000	1,453,000	1,453,000	-
To General Fund	-	(207,840)	(207,840)	(207,840)	-
Total Other Financing Sources (Uses)	-	1,486,790	1,486,790	1,486,790	-
Excess of Revenues and					
Other Financing Sources over (under)					
Expenditures and Other Financing Uses	(186,526)	(587,412)	(773,938)	(659,234)	114,704
Fund Balance - Beginning of Year	186,526	539,452	725,978	725,978	-
Fund Balance - End of Year	\$ -	\$ (47,960)	\$ (47,960)	\$ 66,744	\$ 114,704

(Continued)

MONTGOMERY COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONCLUDED

URBAN DISTRICT SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit B-14

	Budget				Variance Positive Negative
	Prior Year Encumbrances	Current Year	Total	Actual	
WHEATON URBAN DISTRICT					
Revenues:					
Taxes - property	\$ -	\$ 137,850	\$ 137,850	\$ 141,024	\$ 3,174
Investment income	-	-	-	19,467	19,467
Miscellaneous	-	-	-	140	140
Total Revenues	-	137,850	137,850	160,631	22,781
Expenditures:					
Personnel costs	-	1,027,820	1,027,820	894,881	132,939
Operating	24,425	491,820	516,245	495,360	20,885
Total Expenditures	24,425	1,519,640	1,544,065	1,390,241	153,824
Excess of Revenues over (under) Expenditures	(24,425)	(1,381,790)	(1,406,215)	(1,229,610)	176,605
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	805,090	805,090	805,090	-
From Enterprise Funds	-	715,000	715,000	715,000	-
To General Fund	-	(131,150)	(131,150)	(131,150)	-
Total Other Financing Sources (Uses)	-	1,388,940	1,388,940	1,388,940	-
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(24,425)	7,150	(17,275)	159,330	176,605
Fund Balance - Beginning of Year	24,425	169,390	193,815	193,815	-
Fund Balance - End of Year	\$ -	\$ 176,540	\$ 176,540	\$ 353,145	\$ 176,605

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

	Bethesda	Silver Spring	Wheaton	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 34,137	\$ (659,234)	\$ 159,330	\$ (465,767)
Reconciling items:				
Cancellation of prior year encumbrances	-	(1)	(140)	(141)
Elimination of encumbrances outstanding	26,174	78,958	30,328	135,460
Total	<u>\$ 60,311</u>	<u>\$ (580,277)</u>	<u>\$ 189,518</u>	<u>\$ (330,448)</u>
GAAP - Net Change in Fund Balance				<u>\$ (330,448)</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NOISE ABATEMENT DISTRICT SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-15

	Budget				Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total	Actual	
BRADLEY NOISE ABATEMENT DISTRICT					
Revenues:					
Taxes - property	\$ -	\$ 16,100	\$ 16,100	\$ 15,593	\$ (507)
Investment income	-	-	-	1,540	1,540
Total Revenues	-	16,100	16,100	17,133	1,033
Expenditures:					
	-	-	-	-	-
Excess of Revenues over (under) Expenditures	-	16,100	16,100	17,133	1,033
Other Financing Sources (Uses):					
Transfers In (Out):					
To Debt Service Fund	-	(32,650)	(32,650)	(31,383)	1,267
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	(16,550)	(16,550)	(14,250)	2,300
Fund Balance - Beginning of Year	-	23,581	23,581	23,581	-
Fund Balance - End of Year	\$ -	\$ 7,031	\$ 7,031	\$ 9,331	\$ 2,300

CABIN JOHN NOISE ABATEMENT DISTRICT

Revenues:					
Taxes - property	\$ -	\$ 90	\$ 90	\$ 330	\$ 240
Investment income	-	-	-	572	572
Total Revenues	-	90	90	902	812
Expenditures:	-	-	-	-	-
Excess of Revenues over (under) Expenditures	-	90	90	902	812
Other Financing Sources (Uses):					
Transfers In (Out):					
To Debt Service Fund	-	(9,320)	(9,320)	(9,312)	8
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	(9,230)	(9,230)	(8,410)	820
Fund Balance - Beginning of Year	-	11,964	11,964	11,964	-
Fund Balance - End of Year	\$ -	\$ 2,734	\$ 2,734	\$ 3,554	\$ 820

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

	Bradley	Cabin John	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (14,250)	\$ (8,410)	\$ (22,660)
GAAP - Net Change in Fund Balance			\$ (22,660)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING INITIATIVE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-16

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Taxes - transfer	\$ -	\$ 4,000,000	\$ 4,000,000	\$ 8,311,658	\$ 4,311,658
Charges for services	-	-	-	51,720	51,720
Investment income:					
Pooled	-	240,000	240,000	399,735	159,735
Nonpooled	-	140,000	140,000	464,499	324,499
Total Investment Income	-	380,000	380,000	864,234	484,234
Miscellaneous:					
Property rentals, MPDU and other contributions	-	143,900	143,900	1,360,584	1,216,684
Total Miscellaneous	-	143,900	143,900	1,360,584	1,216,684
Total Revenues	-	4,523,900	4,523,900	10,588,196	6,064,296
Expenditures:					
Personnel costs	-	733,740	733,740	665,526	68,214
Operating	499,177	24,782,278	25,281,455	23,557,948	1,723,507
Total Expenditures	499,177	25,516,018	26,015,195	24,223,474	1,791,721
Excess of Revenues over (under) Expenditures	(499,177)	(20,992,118)	(21,491,295)	(13,635,278)	7,856,017
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	7,811,920	7,811,920	7,811,920	-
To General Fund	-	(93,040)	(93,040)	(93,040)	-
To Debt Service Fund	-	(79,412)	(79,412)	(79,412)	-
To Capital Projects Fund	-	(902,896)	(902,896)	1,623	904,519
Mortgage repayment	-	800,000	800,000	821,812	21,812
Sale of property	-	2,000,000	2,000,000	4,319,907	2,319,907
Total Other Financing Sources (Uses)	-	9,536,572	9,536,572	12,782,810	3,246,238
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(499,177)	(11,455,546)	(11,954,723)	(852,468)	11,102,255
Fund Balance - Beginning of Year	-	5,936,960	5,936,960	5,936,960	-
Fund Balance - End of Year	\$ (499,177)	\$ (5,518,586)	\$ (6,017,763)	\$ 5,084,492	\$ 11,102,255

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (852,468)
Reconciling items:	
Cancellation of prior year encumbrances	(72,254)
Elimination of encumbrances outstanding	1,277,934
Reconciling item - Change in notes receivable	17,637,349
GAAP - Net Change in Fund Balance	\$ 17,990,561

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REHABILITATION LOAN SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-17

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Investment income:					
Pooled investment income	\$ -	\$ -	\$ -	\$ 84,519	\$ 84,519
Other interest income	-	-	-	52,438	52,438
Total Revenues	-	-	-	136,957	136,957
Expenditures - Operating	-	-	-	-	-
Excess of Revenues over (under) Expenditures	-	-	-	136,957	136,957
Other Financing Sources (Uses):					
Loan repayments	-	-	-	223,534	223,534
Mortgage loans	-	(1,673,929)	(1,673,929)	(836,763)	837,166
Total Other Financing Sources (Uses)	-	(1,673,929)	(1,673,929)	(613,229)	1,060,700
Excess of Revenues and					
Other Financing Sources over (under)					
Expenditures and Other Financing Uses	-	(1,673,929)	(1,673,929)	(476,272)	1,197,657
Fund Balance - Beginning of Year	-	1,673,929	1,673,929	1,673,929	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ 1,197,657	\$ 1,197,657

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (476,272)
Reconciling item - Change in mortgages and notes receivable	613,229
GAAP - Net Change in Fund Balance	\$ 136,957

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NEW HOME WARRANTY SECURITY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-18

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Investment income	\$ -	\$ -	\$ -	\$ 8,985	\$ 8,985
Total Revenues	-	-	-	8,985	8,985
Expenditures - Operating	-	155,449	155,449	-	155,449
Excess of Revenues over (under) Expenditures	-	(155,449)	(155,449)	8,985	164,434
Other Financing Sources (Uses):					
Transfers In (Out):					
To General Fund	-	-	-	(164,434)	(164,434)
Total Other Financing Sources (Uses)	-	-	-	(164,434)	(164,434)
Fund Balance - Beginning of Year	-	155,449	155,449	155,449	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (155,449)
Reconciling item - N/A	-
GAAP - Net Change in Fund Balance	\$ (155,449)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REVENUE STABILIZATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-19

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues - Investment income	\$ -	\$ 6,175,154	\$ 6,175,154	\$ 6,175,154	\$ -
Expenditures	-	-	-	-	-
Excess of Revenues over (under) Expenditures	-	6,175,154	6,175,154	6,175,154	-
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	-	-	11,860,987	11,860,987
To Debt Service Fund	-	(6,175,154)	(6,175,154)	(6,175,154)	-
Total Other Financing Sources (Uses)	-	(6,175,154)	(6,175,154)	5,685,833	11,860,987
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	-	-	11,860,987	11,860,987
Fund Balance - Beginning of Year	-	107,786,616	107,786,616	107,786,616	-
Fund Balance - End of Year	\$ -	\$ 107,786,616	\$ 107,786,616	\$ 119,647,603	\$ 11,860,987

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 11,860,987
Reconciling item - N/A	-
GAAP - Net Change in Fund Balance	\$ 11,860,987

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-20

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Intergovernmental	\$ -	\$ 675,000	\$ 675,000	\$ 675,000	\$ -
Pooled investment income	-	-	-	94,957	94,957
Other interest income	-	45,500	45,500	101,314	55,814
Miscellaneous	-	-	-	5,644	5,644
Total Revenues	<u>-</u>	<u>720,500</u>	<u>720,500</u>	<u>876,915</u>	<u>156,415</u>
Expenditures:					
Personnel costs	-	105,090	105,090	101,141	3,949
Operating	-	5,053,915	5,053,915	3,315,000	1,738,915
Total Expenditures	<u>-</u>	<u>5,159,005</u>	<u>5,159,005</u>	<u>3,416,141</u>	<u>1,742,864</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(4,438,505)</u>	<u>(4,438,505)</u>	<u>(2,539,226)</u>	<u>1,899,279</u>
Other Financing Sources (Uses):					
Transfers In (Out):					
From General Fund	-	3,071,030	3,071,030	3,071,030	-
To Capital Projects Fund	-	(700,000)	(700,000)	(251,350)	448,650
Loan repayments	-	355,850	355,850	271,364	(84,486)
Loan disbursements	-	(318,000)	(318,000)	(318,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,408,880</u>	<u>2,408,880</u>	<u>2,773,044</u>	<u>364,164</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	(2,029,625)	(2,029,625)	233,818	2,263,443
Fund Balance - Beginning of Year	-	2,029,625	2,029,625	2,029,625	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,263,443</u>	<u>\$ 2,263,443</u>

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 233,818
Reconciling item - Change in notes receivable	(749)
GAAP - Net Change in Fund Balance	<u>\$ 233,069</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CABLE TV SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-21

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Charges for services	\$ -	\$ 12,846,000	\$ 12,846,000	\$ 14,264,775	\$ 1,418,775
Investment income	-	177,740	177,740	151,200	(26,540)
Miscellaneous	-	-	-	81,477	81,477
Total Revenues	-	13,023,740	13,023,740	14,497,452	1,473,712
Expenditures:					
Personnel costs	-	1,534,160	1,534,160	1,374,139	160,021
Operating	1,024,787	8,184,440	9,209,227	8,863,610	345,617
Capital Outlay	438,440	43,680	482,120	482,120	-
Total Expenditures	1,463,227	9,762,280	11,225,507	10,719,869	505,638
Excess of Revenues over (under) Expenditures	(1,463,227)	3,261,460	1,798,233	3,777,583	1,979,350
Other Financing Sources (Uses):					
Transfers In (Out):					
To General Fund	-	(2,643,910)	(2,643,910)	(2,643,910)	-
To Capital Projects Fund	-	(2,746,839)	(2,746,839)	(1,810,062)	936,777
To MNCPPC	-	(284,000)	(284,000)	-	284,000
Total Other Financing Sources (Uses)	-	(5,674,749)	(5,674,749)	(4,453,972)	1,220,777
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(1,463,227)	(2,413,289)	(3,876,516)	(676,389)	3,200,127
Fund Balance - Beginning of Year	1,463,227	2,842,445	4,305,672	4,305,672	-
Fund Balance - End of Year	\$ -	\$ 429,156	\$ 429,156	\$ 3,629,283	\$ 3,200,127

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (676,389)
Reconciling items:	
Cancellation of prior year encumbrances	(81,477)
Elimination of encumbrances outstanding	1,161,727
GAAP - Net Change in Fund Balance	\$ 403,861

MONTGOMERY COUNTY, MARYLAND
GRANTS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-22

	Budget				Variance
	Prior Year	Current	Total	Actual	Positive
	Carryover (1)	Year			(Negative)
Revenues:					
Intergovernmental:					
Federal grants	\$ 6,618,065	\$ 71,714,721	\$ 78,332,786	\$ 43,430,815	\$ (34,901,971)
State grants	3,064,432	55,550,759	58,615,191	33,271,032	(25,344,159)
Other non-state and non-federal reimbursements	-	293,586	293,586	270,720	(22,866)
Total Intergovernmental	9,682,497	127,559,066	137,241,563	76,972,567	(60,268,996)
Investment income:					
Pooled investment income	-	22,930	22,930	131,974	109,044
Other interest income	-	-	-	27,724	27,724
Total Investment Income	-	22,930	22,930	159,698	136,768
Miscellaneous	-	149,000	149,000	687,691	538,691
Total Revenues	9,682,497	127,730,996	137,413,493	77,819,956	(59,593,537)
Expenditures:					
General Government:					
Circuit Court:					
Personnel costs	-	2,052,979	2,052,979	2,037,421	15,558
Operating	-	967,402	967,402	744,538	222,864
Totals	-	3,020,381	3,020,381	2,781,959	238,422
Office of State's Attorney:					
Personnel costs	-	125,090	125,090	107,175	17,915
Totals	-	125,090	125,090	107,175	17,915
Office of the County Executive:					
Personnel costs	-	328,483	328,483	167,814	160,669
Operating	-	617,966	617,966	457,658	160,308
Totals	-	946,449	946,449	625,472	320,977
Regional Service Centers:					
Personnel costs	-	122,965	122,965	60,974	61,991
Operating	-	52,035	52,035	27,029	25,006
Totals	-	175,000	175,000	88,003	86,997
Intergovernmental Relations:					
Operating	-	48,000	48,000	48,000	-
Totals	-	48,000	48,000	48,000	-
Department of Technology Services:					
Capital outlay	18,516	51,558	70,074	70,074	-
Totals	18,516	51,558	70,074	70,074	-
Department of Economic Development:					
Operating	630,489	5,062,006	5,692,495	2,632,759	3,059,736
Totals	630,489	5,062,006	5,692,495	2,632,759	3,059,736
Total General Government	649,005	9,428,484	10,077,489	6,353,442	3,724,047
Public Safety:					
Department of Corrections and Rehabilitation:					
Operating	-	35,082	35,082	32,013	3,069
Totals	-	35,082	35,082	32,013	3,069
Department of Fire and Rescue Services:					
Personnel costs	-	4,950,861	4,950,861	574,719	4,376,142
Operating	2,525,474	(25,959)	2,499,515	1,326,526	1,172,989
Capital outlay	-	3,339,603	3,339,603	3,275,462	64,141
Totals	2,525,474	8,264,505	10,789,979	5,176,707	5,613,272
Department of Police:					
Personnel costs	-	1,160,475	1,160,475	702,548	457,927
Operating	2,014,130	5,995,106	8,009,236	4,654,840	3,354,396
Capital outlay	97,776	82,402	180,178	180,176	2
Totals	2,111,906	7,237,983	9,349,889	5,537,564	3,812,325
Office of the County Sheriff:					
Personnel costs	-	2,110,549	2,110,549	1,160,873	949,676
Operating	11,719	715,408	727,127	355,319	371,808
Capital outlay	-	18,460	18,460	-	18,460
Totals	11,719	2,844,417	2,856,136	1,516,192	1,339,944
Homeland Security Department:					
Personnel costs	-	385,452	385,452	262,969	122,483
Operating	-	1,327,787	1,327,787	906,146	421,641
Totals	-	1,713,239	1,713,239	1,169,115	544,124
Total Public Safety	4,649,099	20,095,226	24,744,325	13,431,591	11,312,734
Transportation:					
Department of Public Works and Transportation:					
Personnel costs	-	1,526,717	1,526,717	1,526,717	-
Operating	-	3,106,389	3,106,389	2,639,937	466,452
Capital outlay	2,836,621	6,491,682	9,328,303	4,357,551	4,970,752
Totals	2,836,621	11,124,788	13,961,409	8,524,205	5,437,204
Total Transportation	2,836,621	11,124,788	13,961,409	8,524,205	5,437,204

(Continued)

MONTGOMERY COUNTY, MARYLAND
GRANTS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL, CONCLUDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-22

	Budget			Actual	Variance Positive (Negative)
	Prior Year Carryover (1)	Current Year	Total		
Health and Human Services:					
Department of Health and Human Services:					
Personnel costs	\$ -	\$ 20,158,725	\$ 20,158,725	\$ 15,654,428	\$ 4,504,297
Operating	284,795	33,942,773	34,227,568	25,129,623	9,097,945
Capital outlay	-	6,485	6,485	-	6,485
Totals	284,795	54,107,983	54,392,778	40,784,051	13,608,727
Total Health and Human Services	284,795	54,107,983	54,392,778	40,784,051	13,608,727
Culture and Recreation:					
Department of Libraries:					
Personnel costs	-	174,544	174,544	117,143	57,401
Operating	445	71,020	71,465	366	71,099
Totals	445	245,564	246,009	117,509	128,500
Department of Recreation:					
Personnel costs	-	42,836	42,836	34,479	8,357
Operating	-	30,957	30,957	30,957	-
Totals	-	73,793	73,793	65,436	8,357
Total Culture and Recreation	445	319,357	319,802	182,945	136,857
Housing:					
Department of Housing and Community Affairs:					
Personnel costs	-	3,269,787	3,269,787	1,895,778	1,374,009
Operating	1,220,425	16,590,486	17,810,911	7,283,365	10,527,546
Capital outlay	-	634	634	-	634
Totals	1,220,425	19,860,907	21,081,332	9,179,143	11,902,189
Total Housing	1,220,425	19,860,907	21,081,332	9,179,143	11,902,189
Environment:					
Department of Environmental Protection:					
Operating	42,107	55,925	98,032	52,345	45,687
Totals	42,107	55,925	98,032	52,345	45,687
Total Environment	42,107	55,925	98,032	52,345	45,687
Department of Liquor Control:					
Operating	-	34,500	34,500	5,854	28,646
Totals	-	34,500	34,500	5,854	28,646
Total Liquor Control	-	34,500	34,500	5,854	28,646
Nondepartmental:					
NDA Historical Activities - Operating	-	25,000	25,000	25,000	-
NDA Miscellaneous Community Grants - Operating	-	1,250	1,250	-	1,250
Future Grants - Operating	-	13,693,946	13,693,946	-	13,693,946
Total Nondepartmental	-	13,720,196	13,720,196	25,000	13,695,196
Total Expenditures	9,682,497	128,747,366	138,429,863	78,538,576	59,891,287
Excess of Revenues over (under)	-	(1,016,370)	(1,016,370)	(718,620)	297,750
Other Financing Sources (Uses):					
Transfers In:					
General Fund	-	769,023	769,023	489,732	(279,291)
Mass Transit Special Revenue Fund	-	269,000	269,000	250,000	(19,000)
Fire Tax District Special Revenue Fund	-	38,122	38,122	52,136	14,014
Total Transfers In	-	1,076,145	1,076,145	791,868	(284,277)
Transfers Out - Internal Service Funds	-	(59,775)	(59,775)	(73,248)	(13,473)
Total Transfers Out	-	(59,775)	(59,775)	(73,248)	(13,473)
Total Other Financing Sources (Uses)	-	1,016,370	1,016,370	718,620	(297,750)
Excess of Revenues and Other Financing	-	-	-	-	-
Sources over (under) Expenditures	-	-	-	-	-
and Other Financing Uses	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Grants Fund prior year carryover includes: a) reappropriation 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	\$ 77,819,956	\$ 78,538,576	\$ 718,620	\$ -
Reconciling items:				
Elimination of encumbrances outstanding	(2,039,373)	(2,039,373)	-	-
Loan expenditures	(3,900,098)	(3,900,098)	-	-
Indirect costs	(1,044,470)	(1,044,470)	-	-
Pass-through expenditures	4,530,117	4,530,117	-	-
As reported - GAAP basis	\$ 75,366,132	\$ 76,084,752	\$ 718,620	\$ -

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRUG ENFORCEMENT FORFEITURES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-23

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 3,750	\$ 3,750
Fines and forfeitures	-	-	-	1,757,997	1,757,997
Investment income	-	-	-	75,974	75,974
Miscellaneous	-	-	-	592	592
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,838,313</u>	<u>1,838,313</u>
Expenditures:					
Personnel costs	-	110,000	110,000	68,893	41,107
Operating	1,120	804,559	805,679	403,707	401,972
Capital Outlay	-	395,685	395,685	-	395,685
Total Expenditures	<u>1,120</u>	<u>1,310,244</u>	<u>1,311,364</u>	<u>472,600</u>	<u>838,764</u>
Excess of Revenues over (under) Expenditures	<u>(1,120)</u>	<u>(1,310,244)</u>	<u>(1,311,364)</u>	<u>1,365,713</u>	<u>2,677,077</u>
Other Financing Sources (Uses):					
Transfers In (Out):					
To Internal Service Funds	-	(39,315)	(39,315)	(19,484)	19,831
Total Other Financing Sources (Uses)	<u>-</u>	<u>(39,315)</u>	<u>(39,315)</u>	<u>(19,484)</u>	<u>19,831</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>(1,120)</u>	<u>(1,349,559)</u>	<u>(1,350,679)</u>	<u>1,346,229</u>	<u>2,696,908</u>
Fund Balance - Beginning of Year	<u>1,120</u>	<u>1,351,690</u>	<u>1,352,810</u>	<u>1,352,810</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 2,131</u>	<u>\$ 2,131</u>	<u>\$ 2,699,039</u>	<u>\$ 2,696,908</u>

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 1,346,229
Reconciling items:	
Cancellation of prior year encumbrances	-
Elimination of encumbrances outstanding	63,991
GAAP - Net Change in Fund Balance	<u>\$ 1,410,220</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WATER QUALITY PROTECTION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-24

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 300,194	\$ 300,194
Charges for services - activity fees	-	6,026,180	6,026,180	5,980,892	(45,288)
Investment income	-	160,000	160,000	273,640	113,640
Miscellaneous	-	-	-	16,296	16,296
Total Revenues	-	6,186,180	6,186,180	6,571,022	384,842
Expenditures:					
Personnel costs	-	1,183,010	1,183,010	1,147,032	35,978
Operating	1,680,951	4,135,830	5,816,781	5,367,016	449,765
Total Expenditures	1,680,951	5,318,840	6,999,791	6,514,048	485,743
Excess of Revenues over (under) Expenditures	(1,680,951)	867,340	(813,611)	56,974	870,585
Other Financing Sources (Uses):					
Transfers In (Out):					
To General Fund	-	(150,900)	(150,900)	(150,900)	-
To Capital Projects Fund	-	(583,688)	(583,688)	(151,262)	432,426
Total Other Financing Sources (Uses)	-	(734,588)	(734,588)	(302,162)	432,426
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(1,680,951)	132,752	(1,548,199)	(245,188)	1,303,011
Fund Balance - Beginning of Year	1,680,951	531,980	2,212,931	1,865,950	(346,981)
Fund Balance - End of Year	\$ -	\$ 664,732	\$ 664,732	\$ 1,620,762	\$ 956,030

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

	Total
Budgetary - Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (245,188)
Reconciling items:	
Cancellation of prior year encumbrances	(16,296)
Elimination of encumbrances outstanding	1,389,582
GAAP - Net Change in Fund Balance	\$ 1,128,098

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RESTRICTED DONATIONS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit B-25

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 19,374	\$ 19,374
Investment income	-	-	-	21,230	21,230
Miscellaneous	-	-	-	410,566	410,566
Total Revenues	-	-	-	451,170	451,170
Expenditures:					
Operating	-	1,119,075	1,119,075	360,170	758,905
Capital Outlay	-	27,625	27,625	27,624	1
Total Expenditures	-	1,146,700	1,146,700	387,794	758,906
Excess of Revenues over (under) Expenditures	-	(1,146,700)	(1,146,700)	63,376	1,210,076
Other Financing Sources (Uses):					
Transfers In (Out):					
To Internal Service Funds	-	(46,250)	(46,250)	-	46,250
Total Other Financing Sources (Uses)	-	(46,250)	(46,250)	-	46,250
Fund Balance - Beginning of Year	-	1,192,950	1,192,950	1,192,950	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ 1,256,326	\$ 1,256,326

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

	Total
Budgetary - Excess of Revenues over (under) Expenditures	\$ 63,376
Reconciling items:	
Elimination of encumbrances outstanding	1,368
GAAP - Net Change in Fund Balance	\$ 64,744

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations where:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity;
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

PERMITTING SERVICES - Accounts for most of the fiscal activity of permitting programs within the County, such as building permits, construction code enforcement, flood plain management, land use compliance, plan review, sediment control, stormwater management, well and septic regulatory services, fire code review, and public access construction.

COMMUNITY USE OF PUBLIC FACILITIES - Accounts for the fiscal activity related to renting public facilities to community organizations.

MAJOR ENTERPRISE FUNDS

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

LIQUOR

SOLID WASTE ACTIVITIES

PARKING LOT DISTRICTS

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2007
Exhibit C-1

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ 14,435,044	\$ 4,296,763	\$ 18,731,807
Cash	-	50	50
Receivables:			
Accounts	5,086	4,010	9,096
Prepays	-	748	748
Total Current Assets	<u>14,440,130</u>	<u>4,301,571</u>	<u>18,741,701</u>
Noncurrent Assets:			
Capital Assets:			
Furniture, fixtures, equipment, and machinery	2,004,659	385,834	2,390,493
Automobiles and trucks	195,622	-	195,622
Subtotal	<u>2,200,281</u>	<u>385,834</u>	<u>2,586,115</u>
Less: Accumulated depreciation	<u>1,557,823</u>	<u>378,407</u>	<u>1,936,230</u>
Total Capital Assets (net of accumulated depreciation)	<u>642,458</u>	<u>7,427</u>	<u>649,885</u>
Total Assets	<u>15,082,588</u>	<u>4,308,998</u>	<u>19,391,586</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	153,313	39,798	193,111
Accrued liabilities	10,959,506	200,899	11,160,405
Due to other funds	339,612	32,450	372,062
Due to component units	-	596,740	596,740
Equipment notes payable	94,912	-	94,912
Unearned revenue	109,037	929,244	1,038,281
Total Current Liabilities	<u>11,656,380</u>	<u>1,799,131</u>	<u>13,455,511</u>
Noncurrent Liabilities:			
Equipment notes payable	149,659	-	149,659
Compensated absences	398,735	40,781	439,516
Total Noncurrent Liabilities	<u>548,394</u>	<u>40,781</u>	<u>589,175</u>
Total Liabilities	<u>12,204,774</u>	<u>1,839,912</u>	<u>14,044,686</u>
NET ASSETS			
Invested in capital, net of related debt	397,887	7,427	405,314
Unrestricted	2,479,927	2,461,659	4,941,586
Total Net Assets	<u>\$ 2,877,814</u>	<u>\$ 2,469,086</u>	<u>\$ 5,346,900</u>

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit C-2

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 2,269,474	\$ 7,869,818	\$ 10,139,292
Licenses and permits	23,132,643	-	23,132,643
Fines and penalties	121,522	-	121,522
Total Operating Revenues	25,523,639	7,869,818	33,393,457
OPERATING EXPENSES			
Personnel costs	20,111,514	1,922,907	22,034,421
Postage	36,630	6,226	42,856
Self-insurance incurred and estimated claims	27,752	-	27,752
Insurance	10,940	-	10,940
Supplies and materials	178,200	228,380	406,580
Contractual services	338,266	3,634,946	3,973,212
Communications	309,114	56,364	365,478
Transportation	572,449	5,161	577,610
Public utility services	-	1,564,850	1,564,850
Rentals	1,556,885	245,695	1,802,580
Maintenance	235,830	5,243	241,073
Depreciation	128,102	2,345	130,447
Other	130,617	3,994	134,611
Total Operating Expenses	23,636,299	7,676,111	31,312,410
Operating Income	1,887,340	193,707	2,081,047
NONOPERATING REVENUES (EXPENSES)			
Investment income	718,564	213,037	931,601
Interest expense	(5,950)	-	(5,950)
Total Nonoperating Revenues	712,614	213,037	925,651
Income Before Transfers	2,599,954	406,744	3,006,698
Transfers In (Out):			
Transfers in	-	50,000	50,000
Transfers out	(2,982,940)	(266,840)	(3,249,780)
Total Transfers In (Out)	(2,982,940)	(216,840)	(3,199,780)
Change in Net Assets	(382,986)	189,904	(193,082)
Total Net Assets - Beginning of Year	3,260,800	2,279,182	5,539,982
Total Net Assets - End of Year	\$ 2,877,814	\$ 2,469,086	\$ 5,346,900

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit C-3

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 24,399,009	\$ 7,867,844	\$ 32,266,853
Payments to suppliers	(3,772,010)	(5,458,313)	(9,230,323)
Payments to employees	(19,941,368)	(1,897,894)	(21,839,262)
Internal activity - operating payments from other funds	1,104,990	-	1,104,990
Other operating receipts	4,714,185	-	4,714,185
Other operating payments	(3,848,372)	-	(3,848,372)
Claims paid	(27,752)	-	(27,752)
Net Cash Provided (Used) by Operating Activities	<u>2,628,682</u>	<u>511,637</u>	<u>3,140,319</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	-	50,000	50,000
Operating subsidies and transfers to other funds	(2,982,940)	(266,840)	(3,249,780)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,982,940)</u>	<u>(216,840)</u>	<u>(3,199,780)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	290,531	-	290,531
Purchases of capital assets	(354,899)	-	(354,899)
Principal paid on capital debt	(45,960)	-	(45,960)
Interest paid on capital debt	(5,950)	-	(5,950)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(116,278)</u>	<u>-</u>	<u>(116,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income from pooled investments	718,564	213,037	931,601
Net Cash Provided (Used) by Investing Activities	<u>718,564</u>	<u>213,037</u>	<u>931,601</u>
Net Increase (Decrease) in Cash and Cash Equivalents	248,028	507,834	755,862
Balances - Beginning of Year	14,187,016	3,788,979	17,975,995
Balances - End of Year	<u>\$ 14,435,044</u>	<u>\$ 4,296,813</u>	<u>\$ 18,731,857</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 1,887,340	\$ 193,707	\$ 2,081,047
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	128,102	2,345	130,447
Changes in assets and liabilities:			
Receivables, net	6,471	(1,974)	4,497
Inventories, prepaids and other assets	-	654	654
Accounts payable and other liabilities	(429,191)	291,892	(137,299)
Accrued expenses	1,035,960	25,013	1,060,973
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,628,682</u>	<u>\$ 511,637</u>	<u>\$ 3,140,319</u>
Noncash investing, capital and financing activities:			
Capital asset disposals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit C-4

	Budget			Actual	Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total		
LIQUOR					
Personnel costs	\$ -	\$ 21,455,850	\$ 21,455,850	\$ 20,441,669	\$ 1,014,181
Other operating	3,840,537	14,095,400	17,935,937	17,893,435	42,502
Capital outlay	80,484	1,866,720	1,947,204	1,947,201	3
Total	<u>\$ 3,921,021</u>	<u>\$ 37,417,970</u>	<u>\$ 41,338,991</u>	<u>40,282,305</u>	<u>\$ 1,056,686</u>

Reconciliation to GAAP expenses:

Additions:

Depreciation and amortization	774,830
Cost of goods sold	145,266,678
Interest expense	265,485

Deductions:

Capital outlay expenditures	(910,264)
Encumbrances outstanding at year-end	(4,453,671)
Capital lease principal reduction	(581,828)
Cash interest payments	(188,588)

GAAP Expenses

\$ 180,454,947

PERMITTING SERVICES

Personnel costs	\$ -	\$ 21,575,960	\$ 21,575,960	\$ 20,111,514	\$ 1,464,446
Other operating	104,960	4,515,830	4,620,790	3,526,736	1,094,054
Capital outlay	-	173,640	173,640	64,368	109,272
Total	<u>\$ 104,960</u>	<u>\$ 26,265,430</u>	<u>\$ 26,370,390</u>	<u>23,702,618</u>	<u>\$ 2,667,772</u>

Reconciliation to GAAP expenses:

Additions:

Depreciation and amortization	128,102
Interest expense	5,950

Deductions:

Capital outlay expenditures	(64,368)
Encumbrances outstanding at year-end	(78,143)
Equipment notes payable reduction	(45,960)
Cash interest payments	(5,950)

GAAP Expenses

\$ 23,642,249

COMMUNITY USE OF PUBLIC FACILITIES

Personnel costs	\$ -	\$ 1,961,070	\$ 1,961,070	\$ 1,922,907	\$ 38,163
Other operating	-	5,851,850	5,851,850	5,751,903	99,947
Total	<u>\$ -</u>	<u>\$ 7,812,920</u>	<u>\$ 7,812,920</u>	<u>7,674,810</u>	<u>\$ 138,110</u>

Reconciliation to GAAP expenses:

Additions:

Depreciation and amortization	2,345
-------------------------------	-------

Deductions:

Capital outlay expenditures	-
Encumbrances outstanding at year-end	(1,044)

GAAP Expenses

\$ 7,676,111

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit C-4

	Budget				Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total	Actual	
SOLID WASTE DISPOSAL					
Personnel costs	\$ -	\$ 7,816,970	\$ 7,816,970	\$ 7,435,515	\$ 381,455
Other operating	4,617,658	86,371,780	90,989,438	89,586,811	1,402,627
Capital outlay	-	1,086,190	1,086,190	1,045,985	40,205
Total	<u>\$ 4,617,658</u>	<u>\$ 95,274,940</u>	<u>\$ 99,892,598</u>	<u>98,068,311</u>	<u>\$ 1,824,287</u>
Reconciliation to GAAP expenses:					
Additions:					
Depreciation and amortization				2,099,001	
Interest expense				1,071,902	
Accrued landfill closing costs				4,196,000	
Deductions:					
Capital outlay expenditures				(131,901)	
Encumbrances outstanding at year-end				(7,345,931)	
Bond principal reduction				(3,007,447)	
Cash interest payments				(1,004,964)	
Adjustment of landfill closure costs				(1,649,000)	
GAAP Expenses				<u>\$ 92,295,971</u>	
SOLID WASTE COLLECTION					
Personnel costs	\$ -	\$ 936,070	\$ 936,070	\$ 916,625	\$ 19,445
Other operating	9,375	4,684,620	4,693,995	4,693,985	10
Total	<u>\$ 9,375</u>	<u>\$ 5,620,690</u>	<u>\$ 5,630,065</u>	<u>5,610,610</u>	<u>\$ 19,455</u>
Reconciliation to GAAP expenses:					
Additions:					
Depreciation and amortization				1,988	
Deductions:					
Capital outlay expenditures				-	
Encumbrances outstanding at year-end				(62,497)	
GAAP Expenses				<u>\$ 5,550,101</u>	
SOLID WASTE LEAFING					
Personnel costs	\$ -	\$ 2,894,020	\$ 2,894,020	\$ 2,799,403	\$ 94,617
Other operating	-	2,085,670	2,085,670	2,085,661	9
Total	<u>\$ -</u>	<u>\$ 4,979,690</u>	<u>\$ 4,979,690</u>	<u>4,885,064</u>	<u>\$ 94,626</u>
Reconciliation to GAAP expenses:					
Additions:					
Depreciation and amortization				7,878	
Interfund activities budgeted as transfers - solid waste tipping fees				815,190	
Deductions:					
Encumbrances outstanding at year-end				(6,373)	
GAAP Expenses				<u>\$ 5,701,759</u>	
Reconciliation of GAAP expenses to statement of Revenues, Expenses, and Changes in Fund Net Assets:					
GAAP expenses:					
Solid Waste Disposal				\$ 92,295,971	
Solid Waste Collection				5,550,101	
Solid Waste Leafing				5,701,759	
Total Solid Waste Activities				<u>\$ 103,547,831 *</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit C-4

	Budget				Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total	Actual	
SILVER SPRING PARKING					
Personnel costs	\$ -	\$ 1,636,080	\$ 1,636,080	\$ 1,493,762	\$ 142,318
Other operating	301,747	9,524,760	9,826,507	9,670,889	155,618
Capital outlay	-	4,650	4,650	4,646	4
Total	<u>\$ 301,747</u>	<u>\$ 11,165,490</u>	<u>\$ 11,467,237</u>	11,169,297	<u>\$ 297,940</u>
Reconciliation to GAAP expenses:					
Additions:					
Depreciation and amortization				4,224,061	
Interest expense				224,423	
Deductions:					
Capital outlay expenditures				(4,646)	
Encumbrances outstanding at year-end				(402,031)	
Bond principal reduction				(2,265,000)	
Equipment notes payable reduction				(68,303)	
Cash interest payments				(188,529)	
GAAP Expenses				<u>\$ 12,689,272</u>	
BETHESDA PARKING					
Personnel costs	\$ -	\$ 1,540,800	\$ 1,540,800	\$ 1,462,678	\$ 78,122
Other operating	386,913	10,834,800	11,221,713	11,052,755	168,958
Capital outlay	-	4,650	4,650	4,646	4
Total	<u>\$ 386,913</u>	<u>\$ 12,380,250</u>	<u>\$ 12,767,163</u>	12,520,079	<u>\$ 247,084</u>
Reconciliation to GAAP expenses:					
Additions:					
Depreciation and amortization				4,009,665	
Interest expense				1,908,402	
Other operating costs from the Capital Budget				-	
Deductions:					
Capital outlay expenditures				(4,646)	
Encumbrances outstanding at year-end				(529,767)	
Bond principal reduction				(3,550,000)	
Cash interest payments				(1,848,185)	
GAAP Expenses				<u>\$ 12,505,548</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit C-4

	Budget				Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total	Actual	
WHEATON PARKING					
Personnel costs	\$ -	\$ 225,779	\$ 225,779	\$ 225,191	\$ 588
Other operating	21,132	817,640	838,772	823,941	14,831
Capital outlay	-	3,100	3,100	3,097	3
Total	<u>\$ 21,132</u>	<u>\$ 1,046,519</u>	<u>\$ 1,067,651</u>	1,052,229	<u>\$ 15,422</u>
Reconciliation to GAAP expenses:					
Additions:					
Depreciation and amortization				390,309	
Deductions:					
Capital outlay expenditures				(3,097)	
Encumbrances outstanding at year-end				(86,508)	
GAAP Expenses				<u>\$ 1,352,933</u>	
MONTGOMERY HILLS PARKING					
Personnel costs	\$ -	\$ 33,310	\$ 33,310	\$ 33,256	\$ 54
Other operating	7,708	72,780	80,488	77,813	2,675
Total	<u>\$ 7,708</u>	<u>\$ 106,090</u>	<u>\$ 113,798</u>	111,069	<u>\$ 2,729</u>
Reconciliation to GAAP expenses:					
Deductions:					
Encumbrances outstanding at year-end				(11,852)	
GAAP Expenses				<u>\$ 99,217</u>	
Reconciliation of GAAP expenses to statement of Revenues, Expenses, and Changes in Fund Net Assets:					
GAAP expenses:					
Silver Spring Parking				\$ 12,689,272	
Bethesda Parking				12,505,548	
Wheaton Parking				1,352,933	
Montgomery Hills Parking				99,217	
Total Parking Lot Districts				<u>\$ 26,646,970</u>	*

* Includes operating and nonoperating expenses

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

MOTOR POOL - Accounts for the fiscal activity related to the automotive and other motorized equipment needs of the using departments of the County.

LIABILITY AND PROPERTY COVERAGE SELF-INSURANCE - Accounts for the fiscal activity related to liability, property, and workers' compensation insurance needs of the participating governmental agencies.

EMPLOYEE HEALTH BENEFITS SELF-INSURANCE - Accounts for the fiscal activity related to health, life, vision, dental, and long-term disability insurance needs of the participating governmental agencies.

CENTRAL DUPLICATING - Accounts for the fiscal activity related to printing and postage services provided to the using agencies.

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2007
Exhibit D-1

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
ASSETS					
Current Assets:					
Equity in pooled cash and investments	\$ 7,368,767	\$ 96,579,845	\$ 31,979,485	\$ 249,847	\$ 136,177,944
Cash	300	-	-	-	300
Receivables (net of allowances for uncollectibles):					
Accounts	22,316	76,472	984,337	-	1,083,125
Notes	11,428	-	-	-	11,428
Due from other funds	-	-	6,059,308	-	6,059,308
Due from component units	61,755	-	481,512	13,739	557,006
Due from other governments	21,845	-	324,073	2,108	348,026
Inventory of supplies	3,235,312	-	-	-	3,235,312
Prepays	22,476	197,061	-	162,480	382,017
Total Current Assets	10,744,199	96,853,378	39,828,715	428,174	147,854,466
Noncurrent Assets:					
Restricted Assets:					
Cash with fiscal agents	-	-	-	99,751	99,751
Restricted Assets	-	-	-	99,751	99,751
Capital Assets:					
Land, improved and unimproved	22,506	-	-	-	22,506
Improvements other than buildings	268,565	-	-	-	268,565
Buildings	315,732	-	-	-	315,732
Furniture, fixtures, equipment, and machinery	2,539,937	35,882	-	1,902,121	4,477,940
Automobiles and trucks	71,204,524	-	-	-	71,204,524
Subtotal	74,351,264	35,882	-	1,902,121	76,289,267
Less: Accumulated depreciation	43,164,408	35,882	-	1,284,449	44,484,739
Total Capital Assets (net of accumulated depreciation)	31,186,856	-	-	617,672	31,804,528
Total Assets	41,931,055	96,853,378	39,828,715	1,145,597	179,758,745
LIABILITIES					
Current Liabilities:					
Accounts payable	3,195,973	594,577	3,040,469	127,078	6,958,097
Interest payable	-	-	-	6,323	6,323
Claims payable	-	75,499,000	10,573,292	-	86,072,292
Accrued liabilities	1,391,332	327,393	621,580	210,839	2,551,144
Due to other funds	214,567	37,393	-	26,567	278,527
Due to component units	-	-	-	77,621	77,621
Due to other governments	3,197	10,125	-	-	13,322
Equipment notes payable	-	-	-	134,823	134,823
Unearned revenue	-	-	881,334	-	881,334
Total Current Liabilities	4,805,069	76,468,488	15,116,675	583,251	96,973,483
Noncurrent Liabilities:					
Equipment notes payable	-	-	-	514,993	514,993
Compensated absences	254,653	63,288	5,432	40,283	363,656
Total Noncurrent Liabilities	254,653	63,288	5,432	555,276	878,649
Total Liabilities	5,059,722	76,531,776	15,122,107	1,138,527	97,852,132
NET ASSETS					
Invested in capital, net of related debt	31,186,856	-	-	67,607	31,254,463
Restricted for other purposes	-	-	-	99,751	99,751
Unrestricted	5,684,477	20,321,602	24,706,608	(160,288)	50,552,399
Total Net Assets (Deficit)	\$ 36,871,333	\$ 20,321,602	\$ 24,706,608	\$ 7,070	\$ 81,906,613

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit D-2

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 53,456,529	\$ 32,310,240	\$ 141,282,264	\$ 5,677,781	\$ 232,726,814
Claim recoveries	1,001,446	426,152	-	-	1,427,598
Total Operating Revenues	<u>54,457,975</u>	<u>32,736,392</u>	<u>141,282,264</u>	<u>5,677,781</u>	<u>234,154,412</u>
OPERATING EXPENSES					
Personnel costs	13,762,008	2,925,059	1,099,037	2,042,786	19,828,890
Postage	6,222	990	28,482	1,609,123	1,644,817
Self-insurance incurred and estimated claims	-	22,623,168	109,635,515	-	132,258,683
Insurance	1,262,190	2,966,361	15,937,126	-	20,165,677
Supplies and materials	22,044,516	12,179	110,229	643,759	22,810,683
Contractual services	126,941	3,993,167	7,187,198	182,065	11,489,371
Communications	112,054	10,983	42,081	190,552	355,670
Transportation	158,734	20,578	1,544	21,098	201,954
Public utility services	782,335	-	-	-	782,335
Rentals	17,481	2,457	1,013	686,630	707,581
Maintenance	8,108,215	1,409	1,962	37,744	8,149,330
Depreciation	6,606,883	-	-	216,630	6,823,513
Other	168,593	14,358	14,303	20	197,274
Total Operating Expenses	<u>53,156,172</u>	<u>32,570,709</u>	<u>134,058,490</u>	<u>5,630,407</u>	<u>225,415,778</u>
Operating Income (Loss)	<u>1,301,803</u>	<u>165,683</u>	<u>7,223,774</u>	<u>47,374</u>	<u>8,738,634</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	5,906	-	1,124,907	-	1,130,813
Gain (loss) on disposal of capital assets	81,267	-	-	-	81,267
Investment income	306,937	6,138,902	1,417,572	-	7,863,411
Interest expense	-	-	-	(20,546)	(20,546)
Other revenue	-	311	6,468	-	6,779
Insurance recoveries	-	148,549	-	-	148,549
Total Nonoperating Revenues (Expenses)	<u>394,110</u>	<u>6,287,762</u>	<u>2,548,947</u>	<u>(20,546)</u>	<u>9,210,273</u>
Income (Loss) Before Transfers	<u>1,695,913</u>	<u>6,453,445</u>	<u>9,772,721</u>	<u>26,828</u>	<u>17,948,907</u>
Transfers In (Out):					
Transfers in	1,453,162	-	-	-	1,453,162
Total Transfers In (Out)	<u>1,453,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,453,162</u>
Change in Net Assets	3,149,075	6,453,445	9,772,721	26,828	19,402,069
Total Net Assets (Deficit) - Beginning of Year	<u>33,722,258</u>	<u>13,868,157</u>	<u>14,933,887</u>	<u>(19,758)</u>	<u>62,504,544</u>
Total Net Assets (Deficit) - End of Year	<u>\$ 36,871,333</u>	<u>\$ 20,321,602</u>	<u>\$ 24,706,608</u>	<u>\$ 7,070</u>	<u>\$ 81,906,613</u>

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit D-3

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 54,504,227	\$ 32,299,676	\$ 142,379,528	\$ 5,672,936	\$ 234,856,367
Payments to suppliers	(32,512,720)	(7,117,822)	(26,046,863)	(3,527,381)	(69,204,786)
Payments to employees	(13,623,561)	(2,869,364)	(1,101,996)	(2,033,957)	(19,628,878)
Other operating receipts	-	426,152	-	-	426,152
Claims paid	-	(26,834,168)	(108,558,226)	-	(135,392,394)
Other revenue	-	311	6,468	-	6,779
Net Cash Provided (Used) by Operating Activities	<u>8,367,946</u>	<u>(4,095,215)</u>	<u>6,678,911</u>	<u>111,598</u>	<u>11,063,240</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenue	5,906	-	1,124,907	-	1,130,813
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,906</u>	<u>-</u>	<u>1,124,907</u>	<u>-</u>	<u>1,130,813</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	-	-	-	715,000	715,000
Proceeds from sale of capital assets	195,298	148,549	-	-	343,847
Purchases of capital assets	(8,073,182)	-	-	(615,233)	(8,688,415)
Principal paid on capital debt	-	-	-	(65,184)	(65,184)
Interest paid on capital debt	-	-	-	(14,223)	(14,223)
Internal activity - payments from other funds	1,453,162	-	-	-	1,453,162
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,424,722)</u>	<u>148,549</u>	<u>-</u>	<u>20,360</u>	<u>(6,255,813)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income from pooled investments	306,937	6,112,833	1,417,572	-	7,837,342
Investment income from nonpooled investments	-	26,069	-	-	26,069
Net Cash Provided (Used) by Investing Activities	<u>306,937</u>	<u>6,138,902</u>	<u>1,417,572</u>	<u>-</u>	<u>7,863,411</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,256,067	2,192,236	9,221,390	131,958	13,801,651
Balances - Beginning of Year	5,113,000	94,387,609	22,758,095	217,640	122,476,344
Balances - End of Year	<u>\$ 7,369,067</u>	<u>\$ 96,579,845</u>	<u>\$ 31,979,485</u>	<u>\$ 349,598</u>	<u>\$ 136,277,995</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 1,301,803	\$ 165,683	\$ 7,223,774	\$ 47,374	\$ 8,738,634
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,606,883	-	-	216,630	6,823,513
Other revenue	-	311	6,468	-	6,779
Changes in assets and liabilities:					
Receivables, net	46,252	(10,564)	919,890	(4,844)	950,734
Inventories, prepaids and other assets	(193,986)	61,163	-	(37,515)	(170,338)
Accounts payable and other liabilities	488,257	(4,361,797)	(281,048)	(116,462)	(4,271,050)
Accrued expenses	118,737	49,989	(1,190,173)	6,415	(1,015,032)
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,367,946</u>	<u>\$ (4,095,215)</u>	<u>\$ 6,678,911</u>	<u>\$ 111,598</u>	<u>\$ 11,063,240</u>
Noncash investing, capital and financing activities:					
Capital asset disposals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,775</u>	<u>\$ 71,775</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit D-4

	Budget				Variance Positive (Negative)
	Prior Year Encumbrances	Current Year	Total	Actual	
LIABILITY AND PROPERTY COVERAGE SELF-INSURANCE					
Personnel costs	\$ -	\$ 3,097,270	\$ 3,097,270	\$ 2,925,059	\$ 172,211
Other Operating	<u>153,785</u>	<u>36,371,630</u>	<u>36,525,415</u>	<u>34,108,581</u>	<u>2,416,834</u>
Total	<u>\$ 153,785</u>	<u>\$ 39,468,900</u>	<u>\$ 39,622,685</u>	37,033,640	<u>\$ 2,589,045</u>
Reconciliation to GAAP expenses:					
Additions:					
Depreciation				-	
Portion of incurred but not reported claims not required to be budgeted				(4,211,000)	
Deductions:					
Encumbrances outstanding at year-end				<u>(251,931)</u>	
GAAP Expenses				<u>\$ 32,570,709</u>	
EMPLOYEE HEALTH BENEFITS SELF-INSURANCE					
Personnel costs	\$ -	\$ 1,099,050	\$ 1,099,050	\$ 1,099,037	\$ 13
Other Operating	<u>382,388</u>	<u>140,552,850</u>	<u>140,935,238</u>	<u>132,159,037</u>	<u>8,776,201</u>
Total	<u>\$ 382,388</u>	<u>\$ 141,651,900</u>	<u>\$ 142,034,288</u>	133,258,074	<u>\$ 8,776,214</u>
Reconciliation to GAAP expenses:					
Additions:					
Portion of incurred but not reported claims not required to be budgeted				1,306,007	
Deductions:					
Encumbrances outstanding at year-end				<u>(324,007)</u>	
GAAP Expenses				<u>\$ 134,240,074</u>	



FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

PENSION AND OTHER EMPLOYEE BENEFIT TRUSTS – Account for the accumulation of resources for, and payment of, retirement annuities and/or other benefits and administrative costs.

Employees' Retirement System
Employees' Retirement Savings Plan
Deferred Compensation Plan

PRIVATE PURPOSE TRUSTS - Account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Private Contributions
Court Appointed Guardians

Tricentennial

AGENCY - Account for resources held by the County in a purely custodial capacity.

Recreation Activities
Property Tax
Miscellaneous

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2007
Exhibit E-1

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Total
ASSETS				
Current Assets:				
Equity in pooled cash and investments	\$ 290,445	\$ 509,850	\$ -	\$ 800,295
Investments:				
U.S. Government and agency obligations	301,386,117	-	-	301,386,117
Asset-backed securities	57,774,486	-	-	57,774,486
Municipal/Provincial bonds	1,174,270	-	-	1,174,270
Corporate bonds	295,897,623	-	-	295,897,623
Collateralized mortgage obligations	13,898,231	-	-	13,898,231
Commercial mortgage-backed securities	64,854,406	-	-	64,854,406
Common and preferred stock	1,643,956,241	-	-	1,643,956,241
Mutual and commingled funds	1,045,987	119,063,075	248,948,643	369,057,705
Short-term investments	181,339,966	-	-	181,339,966
Cash collateral received under securities lending agreements	384,513,936	-	-	384,513,936
Real estate	30,928,663	-	-	30,928,663
Private equity	108,944,183	-	-	108,944,183
Total Investments	3,085,714,109	119,063,075	248,948,643	3,453,725,827
Receivables (net of allowances for uncollectibles):				
Dividends and accrued interest	10,001,833	-	-	10,001,833
Accounts	9,600	74,589	-	84,189
Due from other funds	7,146,841	970,757	968,981	9,086,579
Due from component units	92,945	38,833	-	131,778
Due from other governments	33,114	2,319	-	35,433
Total Current Assets	3,103,288,887	120,659,423	249,917,624	3,473,865,934
Total Assets	3,103,288,887	120,659,423	249,917,624	3,473,865,934
LIABILITIES				
Current Liabilities:				
Accounts payable	388,676,596	16,800	-	388,693,396
Accrued liabilities	193,071	13,050	-	206,121
Due to other funds	2,316	1,417	-	3,733
Unearned revenue	106,385	-	-	106,385
Total Current Liabilities	388,978,368	31,267	-	389,009,635
Noncurrent Liabilities:				
Compensated absences	42,860	1,983	-	44,843
Total Liabilities	389,021,228	33,250	-	389,054,478
NET ASSETS				
Held in trust for pension benefits	\$ 2,714,267,659	\$ 120,626,173	\$ 249,917,624	\$ 3,084,811,456

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit E-2

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Total
ADDITIONS				
Contributions:				
Employers	\$ 109,436,001	\$ 11,227,348	\$ -	\$ 120,663,349
Members	16,362,462	6,797,447	16,649,114	39,809,023
Total Contributions	<u>125,798,463</u>	<u>18,024,795</u>	<u>16,649,114</u>	<u>160,472,372</u>
Investment income	450,516,180	16,630,901	32,393,760	499,540,841
Less: Investment expenses	29,669,158	30,702	-	29,699,860
Net Investment Income	<u>420,847,022</u>	<u>16,600,199</u>	<u>32,393,760</u>	<u>469,840,981</u>
Other income - forfeitures	<u>-</u>	<u>573,691</u>	<u>-</u>	<u>573,691</u>
Total Additions, net	<u>546,645,485</u>	<u>35,198,685</u>	<u>49,042,874</u>	<u>630,887,044</u>
DEDUCTIONS				
Benefits:				
Annuities:				
Retirees	98,652,678	-	-	98,652,678
Survivors	5,951,967	-	-	5,951,967
Disability	32,228,463	-	-	32,228,463
Total Benefits	<u>136,833,108</u>	<u>-</u>	<u>-</u>	<u>136,833,108</u>
Member refunds	792,641	4,454,660	12,409,959	17,657,260
Administrative expenses	<u>2,431,639</u>	<u>293,006</u>	<u>-</u>	<u>2,724,645</u>
Total Deductions	<u>140,057,388</u>	<u>4,747,666</u>	<u>12,409,959</u>	<u>157,215,013</u>
Net Increase	406,588,097	30,451,019	36,632,915	473,672,031
Net Assets - Beginning of Year	<u>2,307,679,562</u>	<u>90,175,154</u>	<u>213,284,709</u>	<u>2,611,139,425</u>
Net Assets - End of Year	<u>\$ 2,714,267,659</u>	<u>\$ 120,626,173</u>	<u>\$ 249,917,624</u>	<u>\$ 3,084,811,456</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2007
Exhibit E-3

	Private Contributions	Court Appointed Guardians	Tri- centennial	Total
ASSETS				
Equity in pooled cash and investments	\$ 194,972	\$ 33,309	\$ 6,484	\$ 234,765
Total Assets	<u>194,972</u>	<u>33,309</u>	<u>6,484</u>	<u>234,765</u>
LIABILITIES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Held in trust	<u><u>\$ 194,972</u></u>	<u><u>\$ 33,309</u></u>	<u><u>\$ 6,484</u></u>	<u><u>\$ 234,765</u></u>

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit E-4

	Private Contributions	Court Appointed Guardians	Tri- centennial	Strathmore Hall	Total
ADDITIONS					
Contributions:					
Members	\$ 52,466	\$ -	\$ -	\$ -	\$ 52,466
Investment Income:					
Investment income	7,835	1,982	-	-	9,817
Other interest income	-	-	241	-	241
Total Investment Income	<u>7,835</u>	<u>1,982</u>	<u>241</u>	<u>-</u>	<u>10,058</u>
Total Additions	<u>60,301</u>	<u>1,982</u>	<u>241</u>	<u>-</u>	<u>62,524</u>
DEDUCTIONS					
Program expenses	<u>1,381,085</u>	<u>6,940</u>	<u>-</u>	<u>-</u>	<u>1,388,025</u>
Total Deductions	<u>1,381,085</u>	<u>6,940</u>	<u>-</u>	<u>-</u>	<u>1,388,025</u>
Net Increase (Decrease)	(1,320,784)	(4,958)	241	-	(1,325,501)
Net Assets - Beginning of Year	<u>1,515,756</u>	<u>38,267</u>	<u>6,243</u>	<u>-</u>	<u>1,560,266</u>
Net Assets - End of Year	<u>\$ 194,972</u>	<u>\$ 33,309</u>	<u>\$ 6,484</u>	<u>\$ -</u>	<u>\$ 234,765</u>

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit E-5

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>RECREATION ACTIVITIES FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 2,767,650	\$ 27,237,486	\$ 27,094,925	\$ 2,910,211
Accounts receivable	12,736	37,967	1,233	49,470
Total Assets	<u>\$ 2,780,386</u>	<u>\$ 27,275,453</u>	<u>\$ 27,096,158</u>	<u>\$ 2,959,681</u>
LIABILITIES				
Accounts payable	\$ 5,758	\$ 3,662,491	\$ 3,662,087	\$ 6,162
Other liabilities	2,774,628	23,612,962	23,434,071	2,953,519
Total Liabilities	<u>\$ 2,780,386</u>	<u>\$ 27,275,453</u>	<u>\$ 27,096,158</u>	<u>\$ 2,959,681</u>
<u>PROPERTY TAX FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 47,131,258	\$ 1,887,973,712	\$ 1,883,972,369	\$ 51,132,601
Property taxes receivable	6,017,962	335,700,018	336,429,778	5,288,202
Accounts receivable	120	-	120	-
Total Assets	<u>\$ 53,149,340</u>	<u>\$ 2,223,673,730</u>	<u>\$ 2,220,402,267</u>	<u>\$ 56,420,803</u>
LIABILITIES				
Deposits	\$ 977,648	\$ 40,301	\$ 35,877	\$ 982,072
Due to other governments	5,048,477	359,397,561	362,413,661	2,032,377
Uncollected property taxes due to governments	5,693,476	335,323,580	336,053,340	4,963,716
Undistributed taxes and refunds	20,268,169	1,544,935,361	1,546,167,278	19,036,252
Tax sale surplus and redemptions payable	3,234,873	3,452,092	3,530,175	3,156,790
Other liabilities	17,926,697	389,562,582	381,239,683	26,249,596
Total Liabilities	<u>\$ 53,149,340</u>	<u>\$ 2,632,711,477</u>	<u>\$ 2,629,440,014</u>	<u>\$ 56,420,803</u>
<u>MISCELLANEOUS AGENCY FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 6,548,540	\$ 16,048,159	\$ 16,645,822	\$ 5,950,877
Cash	63,513	-	12,478	51,035
Property taxes receivable	-	973,590	973,007	583
Accounts receivable	159,308	185,904	198,147	147,065
Total Assets	<u>\$ 6,771,361</u>	<u>\$ 17,207,653</u>	<u>\$ 17,829,454</u>	<u>\$ 6,149,560</u>
LIABILITIES				
Accounts payable	\$ 33,609	\$ 118,543	\$ 152,152	\$ -
Due to other governments	186,916	764,245	714,634	236,527
Other liabilities	6,152,826	22,459,639	22,699,432	5,913,033
Total Liabilities	<u>\$ 6,373,351</u>	<u>\$ 23,342,427</u>	<u>\$ 23,566,218</u>	<u>\$ 6,149,560</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, CONCLUDED
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit E-5

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Equity in pooled cash and investments	\$ 56,447,448	\$ 1,931,259,357	\$ 1,927,713,116	\$ 59,993,689
Cash	63,513	-	12,478	51,035
Property taxes receivable	6,017,962	336,673,608	337,402,785	5,288,785
Accounts receivable	172,164	223,871	199,500	196,535
Total Assets	<u>\$ 62,701,087</u>	<u>\$ 2,268,156,836</u>	<u>\$ 2,265,327,879</u>	<u>\$ 65,530,044</u>
LIABILITIES				
Accounts payable	\$ 39,367	\$ 3,781,034	\$ 3,814,239	\$ 6,162
Deposits	977,648	40,301	35,877	982,072
Due to other governments	5,235,393	360,161,806	363,128,295	2,268,904
Uncollected property taxes due to governments	5,693,476	335,323,580	336,053,340	4,963,716
Undistributed taxes and refunds	20,268,169	1,544,935,361	1,546,167,278	19,036,252
Tax sale surplus and redemptions payable	3,234,873	3,452,092	3,530,175	3,156,790
Other liabilities	26,854,151	435,635,183	427,373,186	35,116,148
Total Liabilities	<u>\$ 62,303,077</u>	<u>\$ 2,683,329,357</u>	<u>\$ 2,680,102,390</u>	<u>\$ 65,530,044</u>



NONMAJOR COMPONENT UNITS

MONTGOMERY COUNTY, MARYLAND
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS
JUNE 30, 2007
Exhibit F-1

	BUPI	MCRA	MCC	Total
ASSETS				
Equity in pooled cash and investments	\$ -	\$ -	\$ 39,137,162	\$ 39,137,162
Cash with fiscal agents	-	-	2,281,660	2,281,660
Cash	627,309	2,936,276	157,126	3,720,711
Investments-cash equivalents	-	-	15,404,716	15,404,716
Investments	-	-	36,096,459	36,096,459
Receivables (net of allowances for uncollectibles):				
Capital leases	-	38,658,715	-	38,658,715
Accounts	76,040	332,568	9,571,943	9,980,551
Notes	-	33,400,000	-	33,400,000
Other	-	-	1,902,780	1,902,780
Due from primary government	36,543	-	7,884,513	7,921,056
Due from other governments	6,834	278,834	2,449,168	2,734,836
Inventory of supplies	-	344,573	1,405,525	1,750,098
Prepays	42,390	236,402	555,985	834,777
Deferred charges	-	665,364	-	665,364
Other assets	5,075	483,068	1,153,952	1,642,095
Restricted Assets:				
Cash with fiscal agents	-	-	8,526,285	8,526,285
Cash	-	457,996	-	457,996
Investments - cash equivalents	-	5,737,332	-	5,737,332
Capital Assets:				
Nondepreciable assets	-	24,793,801	36,889,542	61,683,343
Depreciable assets, net	144,487	13,159,482	200,747,288	214,051,257
Total Assets	<u>938,678</u>	<u>121,484,411</u>	<u>364,164,104</u>	<u>486,587,193</u>
LIABILITIES				
Accounts payable	132,672	218,117	23,482,134	23,832,923
Interest payable	-	951,261	-	951,261
Retainage payable	-	-	228,355	228,355
Accrued liabilities	134,602	625,336	-	759,938
Deposits	-	10,000	-	10,000
Due to primary government	17,366	173,478	1,350,278	1,541,122
Unearned revenue	106,878	61,582	4,791,618	4,960,078
Noncurrent liabilities:				
Due within one year	-	6,008,010	480,964	6,488,974
Due in more than one year	-	90,049,422	66,310,233	156,359,655
Total Liabilities	<u>391,518</u>	<u>98,097,206</u>	<u>96,643,582</u>	<u>195,132,306</u>
NET ASSETS				
Invested in capital, net of related debt	144,487	15,873,882	198,615,632	214,634,001
Restricted for:				
Capital projects	-	55,609	2,521,680	2,577,289
Debt service	-	4,556,085	-	4,556,085
Other purposes	-	112,643	24,795,909	24,908,552
Unrestricted	402,673	2,788,986	41,587,301	44,778,960
Total Net Assets	<u>\$ 547,160</u>	<u>\$ 23,387,205</u>	<u>\$ 267,520,522</u>	<u>\$ 291,454,887</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 NONMAJOR COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Exhibit F-2

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	BUPI	MCRA	MCC	Total
Component units:								
General government	\$ 4,076,287	\$ 3,838,061	\$ 295,772	\$ -	\$ 57,546	\$ -	\$ -	\$ 57,546
Culture and recreation	19,973,068	18,406,512	-	358,171	-	(1,208,385)	-	(1,208,385)
Education	237,155,429	67,911,834	28,745,322	629,325	-	-	(139,868,948)	(139,868,948)
Total component units	<u>\$ 261,204,784</u>	<u>\$ 90,156,407</u>	<u>\$ 29,041,094</u>	<u>\$ 987,496</u>	<u>57,546</u>	<u>(1,208,385)</u>	<u>(139,868,948)</u>	<u>(141,019,787)</u>
General revenues:								
Grants and contributions not restricted to specific programs					51,715	-	148,706,173	148,757,888
Investment income					-	1,870,086	6,377,807	8,247,893
Gain (loss) on sale of capital assets					-	24,224	-	24,224
Total general revenues					<u>51,715</u>	<u>1,894,310</u>	<u>155,083,980</u>	<u>157,030,005</u>
Change in net assets					109,261	685,925	15,215,032	16,010,218
Net assets - beginning					437,899	22,701,280	252,305,490	275,444,669
Net assets - ending					<u>\$ 547,160</u>	<u>\$ 23,387,205</u>	<u>\$ 267,520,522</u>	<u>\$ 291,454,887</u>



**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

MONTGOMERY COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2007

Exhibit G-1

	Totals
Governmental Funds Capital Assets:	
Land	\$ 570,072,432
Buildings	747,860,840
Improvements other than buildings	45,356,635
Furniture, fixtures, equipment, and machinery	222,207,149
Leasehold improvements	12,777,902
Automobiles and trucks	132,508,985
Infrastructure	1,532,498,928
Other assets	2,079,731
Construction in progress	175,087,781
Total Governmental Funds Capital Assets	<u><u>\$ 3,440,450,383</u></u>
Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 15,177,945
Special revenue funds	97,692,489
State grants	16,567,235
Federal grants	12,198,541
Donations	31,860,971
Developer donated - principally roads	875,879,920
Capital Projects Fund - principally general obligation bonds	2,391,073,282
Total Governmental Funds Capital Assets	<u><u>\$ 3,440,450,383</u></u>

- (1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

MONTGOMERY COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION (1)
JUNE 30, 2007
Exhibit G-2

Functions	Total	Land	Buildings and Improvements(2)	Furniture, Fixtures Equipment and Machinery	Automobiles and Trucks	Infrastructure	Other Assets
General government	\$ 355,338,861	\$ 53,134,641	\$ 251,624,335	\$ 47,882,189	\$ 707,476	\$ -	\$ 1,990,220
Public safety	368,687,694	16,971,358	183,081,992	134,235,115	34,309,718	-	89,511
Public works and transportation	1,963,964,867	277,007,828	45,716,710	38,341,453	97,431,072	1,505,467,804	-
Health and human services	37,403,621	7,493,862	29,252,134	596,906	60,719	-	-
Culture and recreation	430,992,849	147,440,497	282,428,009	1,124,343	-	-	-
Community development and housing	70,072,873	37,353,159	12,089,068	19,775	-	20,610,871	-
Environment	38,901,837	30,671,087	1,803,129	7,368	-	6,420,253	-
Total Capital Assets Allocated by Function	3,265,362,602	<u>\$ 570,072,432</u>	<u>\$ 805,995,377</u>	<u>\$ 222,207,149</u>	<u>\$ 132,508,985</u>	<u>\$ 1,532,498,928</u>	<u>\$ 2,079,731</u>
Construction in Progress	<u>175,087,781</u>						
Total Capital Assets	<u>\$ 3,440,450,383</u>						

- (1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.
- (2) Includes buildings, improvements other than buildings, and leasehold improvements.

MONTGOMERY COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Exhibit G-3

Functions	Governmental Funds Capital Assets July 1, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
General government	\$ 356,622,647	\$ 2,325,206	\$ 3,608,992	\$ 355,338,861
Public safety	359,878,950	9,407,287	598,543	368,687,694
Public works and transporation (2)	1,902,896,091	62,881,000	1,812,224	1,963,964,867
Health and human services	37,023,453	396,398	16,230	37,403,621
Culture and recreation	372,094,134	59,048,332	149,617	430,992,849
Community development and housing (2)	69,328,376	744,497	-	70,072,873
Environment	38,138,784	768,461	5,408	38,901,837
Construction in Progress	<u>146,347,682</u>	<u>98,571,202</u>	<u>69,831,103</u>	<u>175,087,781</u>
Total General Fixed Assets	<u>\$ 3,282,330,117</u>	<u>\$ 234,142,383</u>	<u>\$ 76,022,117</u>	<u>\$ 3,440,450,383</u>

- (1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.
- (2) Beginning balance has been reclassified to conform with current year presentation.



STATISTICAL SECTION

STATISTICAL SECTION

The Statistical Section presents detailed information for the primary government in the following areas, as a context for understanding what the information in the Financial Section says about the County's overall financial health:

FINANCIAL TRENDS - Information to help the reader understand how the County's financial performance and well-being have changed over time.

REVENUE CAPACITY - Information to help the reader assess the County's most significant local revenue sources - the property tax and income tax.

DEBT CAPACITY - Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION - Indicators to help the reader understand the environment within which the County's financial activities take place.

OPERATING INFORMATION - Service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Many of these tables cover more than two fiscal years and present data from outside the accounting records. Therefore, the Statistical Section is unaudited.



MONTGOMERY COUNTY, MARYLAND
FINANCIAL TRENDS
NET ASSETS BY COMPONENT - GOVERNMENT-WIDE
(GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
LAST SIX FISCAL YEARS

Table 1

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Invested in capital assets, net of related debt	\$ 1,492,551,254	\$ 1,584,549,157	\$ 1,597,253,419	\$ 1,747,572,143	\$ 1,769,233,330	\$ 1,880,672,363
Restricted	302,725,910	253,868,311	288,675,222	287,333,081	338,811,955	440,714,792
Unrestricted (deficit) (1, 2)	(330,215,292)	(462,844,591)	(500,390,531)	(480,714,029)	(425,270,974)	(423,363,652)
Total Governmental Activities Net Assets	<u>1,465,061,872</u>	<u>1,375,572,877</u>	<u>1,385,538,110</u>	<u>1,554,191,195</u>	<u>1,682,774,311</u>	<u>1,898,023,503</u>
Business-type Activities:						
Invested in capital assets, net of related debt (2)	78,523,152	98,603,512	137,937,194	158,430,251	152,244,454	160,807,324
Restricted	105,554,109	90,462,462	91,478,147	68,389,069	80,486,538	72,370,254
Unrestricted	15,860,119	19,545,712	22,928,565	28,768,364	31,001,878	33,422,201
Total Business-type Activities Net Assets	<u>199,937,380</u>	<u>208,611,686</u>	<u>252,343,906</u>	<u>255,587,684</u>	<u>263,732,870</u>	<u>266,599,779</u>
Primary Government:						
Invested in capital assets, net of related debt (2)	1,571,074,406	1,683,152,669	1,735,190,613	1,859,401,883	1,876,884,699	1,999,920,988
Restricted	408,280,019	344,330,773	380,153,369	355,722,150	419,298,493	513,085,046
Unrestricted (deficit) (1, 2)	(314,355,173)	(443,298,879)	(477,461,966)	(405,345,154)	(349,676,011)	(348,382,752)
Total Primary Government Net Assets	<u>\$ 1,664,999,252</u>	<u>\$ 1,584,184,563</u>	<u>\$ 1,637,882,016</u>	<u>\$ 1,809,778,879</u>	<u>\$ 1,946,507,181</u>	<u>\$ 2,164,623,282</u>

NOTES:

- * This table is a summary of net asset information presented in the basic financial statement Exhibit A-1.
- * Government-wide net asset information is reported on the accrual basis of accounting.
- * Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County.
- * Information prior to FY02 is not available, due to the FY02 implementation of GASB34.

- (1) The County's governmental activities has an unrestricted deficit because the County issues debt to fund construction costs for MCPS and MCC, two of its component units, and for M-NCPPC, a joint venture. Absent the effect of this relationship, the County would have reported positive net assets for its governmental activities and for government-wide purposes. Government-wide unrestricted net assets would have been:

Unrestricted (deficit) net assets reported above	\$ (314,355,173)	\$ (443,298,879)	\$ (477,461,966)	\$ (405,345,154)	\$ (349,676,011)	\$ (348,382,752)
Debt issued for capital on behalf of others	774,849,011	809,194,115	817,668,162	786,773,722	902,249,062	1,109,741,009
County net assets absent effect of this relationship	<u>\$ 460,493,838</u>	<u>\$ 365,895,236</u>	<u>\$ 340,206,196</u>	<u>\$ 381,428,568</u>	<u>\$ 552,573,051</u>	<u>\$ 761,358,257</u>

- (2) Beginning in FY05, for government-wide purposes, the Business-type Activities net assets invested in capital, net of related debt, includes in capital assets, certain garages, acquired by capital lease by the Silver Spring Parking Lot District. Since the related capital lease liability is an obligation of the Governmental Activities, and the debt does not relate to a governmental capital asset, the impact of such debt is reported in the unrestricted portion of net assets for Governmental Activities purposes. However, for total Primary Government purposes, the impact of such debt as been reclassified out of unrestricted net assets and reflected with the associated capital asset, in net assets invested in capital, net of related debt.

MONTGOMERY COUNTY, MARYLAND
FINANCIAL TRENDS
CHANGES IN NET ASSETS - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
LAST SIX FISCAL YEARS
Table 2-a

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental Activities:						
General government (3)	\$ 196,986,100	\$ 206,410,568	\$ 211,957,281	\$ 227,211,859	\$ 257,586,189	\$ 274,005,357
Public safety	309,564,731	348,701,601	373,518,674	418,990,301	473,624,268	529,748,046
Public works and transportation	151,932,007	157,009,091	175,276,975	178,010,395	192,228,591	210,395,916
Health and human services	197,263,408	208,820,841	210,481,464	213,988,337	235,394,838	252,066,273
Culture and recreation	78,147,724	86,021,724	79,110,368	84,339,831	93,460,648	103,765,006
Community development and housing	15,894,054	19,602,595	19,970,947	19,915,566	19,280,438	18,213,040
Environment	7,331,145	6,672,833	8,310,848	8,664,457	9,157,156	12,962,711
Education	1,219,512,074	1,225,921,559	1,322,003,030	1,446,592,632	1,595,747,791	1,669,681,121
Interest on long-term debt	65,756,461	66,928,923	69,895,441	70,401,131	73,675,523	81,262,618
Total Governmental Activities Expenses	<u>2,242,387,704</u>	<u>2,326,089,735</u>	<u>2,470,525,028</u>	<u>2,668,114,509</u>	<u>2,950,155,442</u>	<u>3,152,100,088</u>
Business-type Activities:						
Liquor control	128,793,258	135,890,772	144,912,612	152,098,599	168,325,049	180,243,618
Solid waste activities	89,048,708	90,633,907	97,987,992	104,106,630	99,911,970	103,455,706
Parking lot districts	18,488,414	19,662,075	19,370,927	24,063,575	26,568,228	26,622,097
Permitting services	17,041,912	17,866,311	19,970,101	20,744,660	21,962,821	23,463,486
Community use of public facilities	5,640,334	5,931,243	5,918,985	5,958,685	6,810,783	7,657,662
Total Business-type Activities Expenses	<u>259,012,626</u>	<u>269,984,308</u>	<u>288,160,617</u>	<u>306,972,149</u>	<u>323,578,851</u>	<u>341,442,569</u>
Total Primary Government Expenses	<u>2,501,400,330</u>	<u>2,596,074,043</u>	<u>2,758,685,645</u>	<u>2,975,086,658</u>	<u>3,273,734,293</u>	<u>3,493,542,657</u>
Program Revenues						
Governmental Activities:						
Charges for services:						
General government	25,301,053	33,920,013	38,997,961	54,138,552	70,760,591	58,026,709
Public safety	14,450,151	15,840,488	18,515,962	24,345,320	21,261,849	21,633,121
Public works and transportation	17,265,702	15,945,337	16,615,039	17,091,962	17,417,455	18,262,635
Health and human services	3,436,737	5,970,156	3,225,931	4,187,736 (5)	3,733,918 (5)	3,894,842
Culture and recreation	20,543,864	18,772,657	20,823,203	22,226,891	24,180,695	26,155,477
Community development and housing	2,215,655	154,869	8,014	224,834	201,156	245,105
Environment	1,739,764	2,772,758	2,973,085	2,975,231	4,566,822	5,954,673
Operating Grants and Contributions:						
General government	6,993,136	11,341,521	9,867,856	10,043,510	8,624,075	9,906,187
Public safety	22,723,493	22,243,268	32,536,979	28,464,670	33,672,335	32,672,761
Public works and transportation	53,625,098	56,656,946	49,346,739	52,716,808	65,846,601	65,774,815
Health and human services	107,693,737	110,092,143	113,039,923	112,440,726 (5)	100,845,243 (5)	113,457,584
Culture and recreation	3,796,066	3,623,100	3,814,833	3,874,050	4,284,853	4,852,256
Community development and housing	6,659,183	6,988,127	4,095,431	4,608,273	8,905,322	4,568,516
Environment	-	-	14,056	2,031	9,377	336,713
Capital Grants and Contributions:						
General government	352,160	-	1,573,901	30,226,685	621,102	1,068
Public safety	9,630,880	2,451,005	5,249,230	4,870,655	4,151,203	6,444,925
Public works and transportation (4)	44,530,507	30,303,403	35,167,935	17,477,530	25,154,942	29,777,979
Health and human services	423	1,761,278	-	-	-	-
Culture and recreation	6,182,210	8,844,252	31,230,991	11,660,618	8,961,749	11,974,970
Community development and housing	8,896,301	6,716,471	7,321,863	1,751,192	1,703,776	3,252,035
Environment	2,933,230	6,198,899	1,956,845	132,139	3,678,066	-
Total Governmental Activities Program Revenues	<u>358,969,350</u>	<u>360,596,691</u>	<u>396,375,777</u>	<u>403,459,413</u>	<u>408,581,130</u>	<u>417,192,371</u>

Business-type Activities:						
Charges for Services:						
Liquor control	150,062,034	157,059,202	168,250,661	177,938,916	191,351,999	201,744,558
Solid waste activities	83,462,862	91,426,301	97,480,785	96,179,903	102,432,416	99,990,932
Parking lot districts	19,338,522	19,233,041	21,065,475	22,123,851	22,978,890	25,306,635
Permitting services	20,347,649	19,954,424	24,005,994	25,466,582	23,949,256	25,523,639
Community use of public facilities	4,566,127	4,953,927	6,161,170	6,338,050	7,977,618	7,869,818
Operating Grants and Contributions:						
Solid waste activities	-	-	-	-	-	11,135
Total Business-type Activities Program Revenues	<u>277,777,194</u>	<u>292,626,895</u>	<u>316,964,085</u>	<u>328,047,302</u>	<u>348,690,179</u>	<u>360,446,717</u>
Total Primary Government Program Revenues	<u>636,746,544</u>	<u>653,223,586</u>	<u>713,339,862</u>	<u>731,506,715</u>	<u>757,271,309</u>	<u>777,639,088</u>
Net (Expense) Revenue (1)						
Governmental activities	(1,883,418,354)	(1,965,493,044)	(2,074,149,251)	(2,264,655,096)	(2,541,574,312)	(2,734,907,717)
Business-type activities	<u>18,764,568</u>	<u>22,642,587</u>	<u>28,803,468</u>	<u>21,075,153</u>	<u>25,111,328</u>	<u>19,004,148</u>
Total Primary Government Net Expense	<u>(1,864,653,786)</u>	<u>(1,942,850,457)</u>	<u>(2,045,345,783)</u>	<u>(2,243,579,943)</u>	<u>(2,516,462,984)</u>	<u>(2,715,903,569)</u>
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes (2)	1,829,661,341	1,836,786,460	2,081,341,922	2,374,587,742	2,602,766,145	2,867,870,217
Investment income (4)	16,309,830	12,929,888	5,759,893	15,806,293	29,769,889	42,003,532
Gain on sale of capital assets (3)	-	5,433,151	-	13,112,218	5,187,736	6,209,594
Special items	1,966,187	-	-	-	-	-
Transfers	<u>36,515,563</u>	<u>20,854,550</u>	<u>(2,987,331)</u>	<u>29,801,928</u>	<u>32,433,658</u>	<u>34,073,566</u>
Total Governmental Activities	<u>1,884,452,921</u>	<u>1,876,004,049</u>	<u>2,084,114,484</u>	<u>2,433,308,181</u>	<u>2,670,157,428</u>	<u>2,950,156,909</u>
Business-type Activities:						
Property taxes	7,018,979	7,096,856	7,591,413	8,412,877	9,199,581	9,562,592
Investment income	3,889,793	3,069,224	1,821,746	3,557,676	6,267,935	8,339,098
Gain on sale of capital assets	394,162	58,750	2,528,262	-	-	34,637
Special items	(1,966,187)	(3,338,561)	-	-	-	-
Transfers	<u>(36,515,563)</u>	<u>(20,854,550)</u>	<u>2,987,331</u>	<u>(29,801,928)</u>	<u>(32,433,658)</u>	<u>(34,073,566)</u>
Total Business-type Activities	<u>(27,178,816)</u>	<u>(13,968,281)</u>	<u>14,928,752</u>	<u>(17,831,375)</u>	<u>(16,966,142)</u>	<u>(16,137,239)</u>
Total Primary Government	<u>1,857,274,105</u>	<u>1,862,035,768</u>	<u>2,099,043,236</u>	<u>2,415,476,806</u>	<u>2,653,191,286</u>	<u>2,934,019,670</u>
Change in Net Assets						
Governmental activities	1,034,567	(89,488,995)	9,965,233	168,653,085	128,583,116	215,249,192
Business-type activities	<u>(8,414,248)</u>	<u>8,674,306</u>	<u>43,732,220</u>	<u>3,243,778</u>	<u>8,145,186</u>	<u>2,866,909</u>
Total Primary Government	<u>\$ (7,379,681)</u>	<u>\$ (80,814,689)</u>	<u>\$ 53,697,453</u>	<u>\$ 171,896,863</u>	<u>\$ 136,728,302</u>	<u>\$ 218,116,101</u>

NOTES:

* This table presents information from the basic financial statement Exhibit A-2.

* Government-wide net asset information is reported on the accrual basis of accounting.

* Information prior to FY02 is not available, due to the FY02 implementation of GASB34.

- (1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses.
- (2) See Table 2-b for detail of General Tax Revenues.
- (3) FY02 governmental activities loss on sale of capital assets has been reclassified from General Revenues to Expenses to conform with the FY03 and subsequent years' presentation.
- (4) For FY02 through FY04, the value of developer dedicated roads has been reclassified from Investment Income, where it was inadvertently originally classified, to Public Works and Transportation Program Revenues to conform with the FY05 and subsequent years' presentation.
- (5) Certain amounts have been reclassified to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND
GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES
LAST SIX FISCAL YEARS

Table 2-b

	2002	2003	2004	2005	2006	2007
Property taxes	\$ 811,516,655	\$ 856,439,593	\$ 919,320,985	\$ 1,010,964,428	\$ 1,064,737,107	\$ 1,126,632,925
County income taxes	837,501,501	757,486,559	812,975,046	940,274,273	1,117,543,440	1,388,927,139
Real property transfer taxes	80,897,902	86,157,330	108,270,290	133,654,796	145,478,479	106,902,482
Recordation taxes	51,187,172	83,426,177	110,810,439	127,300,257	96,239,932	72,672,928
Fuel energy taxes	22,415,629	26,168,427	74,594,014	114,904,208	117,381,196	118,853,224
Hotel-motel taxes	11,067,869	11,903,550	12,695,573	14,162,958	15,869,779	17,476,723
Telephone taxes	7,174,081	6,555,800	26,927,301	29,907,857	29,176,263	29,375,812
Other taxes	7,900,532	8,649,024	15,748,274	3,418,965	16,339,949	7,028,984
Total Taxes - Governmental Activities	<u>\$ 1,829,661,341</u>	<u>\$ 1,836,786,460</u>	<u>\$ 2,081,341,922</u>	<u>\$ 2,374,587,742</u>	<u>\$ 2,602,766,145</u>	<u>\$ 2,867,870,217</u>

NOTES:

* Government-wide general tax revenue information is reported on the accrual basis of accounting.

* Information prior to FY02 is not available, due to the FY02 implementation of GASB34.

MONTGOMERY COUNTY, MARYLAND
FINANCIAL TRENDS
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Table 3

	1998	1999	2000	2001	2002
General Fund:					
Reserved	\$ 19,915,257	\$ 22,947,323	\$ 36,225,684	\$ 32,711,557	\$ 29,201,708
Unreserved	145,974,417	207,310,012	240,160,160	231,333,943	190,056,416
Total General Fund	<u>165,889,674</u>	<u>230,257,335</u>	<u>276,385,844</u>	<u>264,045,500</u>	<u>219,258,124</u>
All Other Governmental Funds:					
Reserved	91,243,195	98,992,007	184,001,470	301,554,491	297,138,922
Unreserved (deficit), reported in:					
Capital Projects Fund	(41,509,813)	(57,221,307)	(85,221,307)	(165,254,937)	(126,162,766)
Special Revenue Funds	88,925,294	100,223,095	113,980,439	102,023,328	128,611,492
Total All Other Governmental Funds	<u>138,658,676</u>	<u>141,993,795</u>	<u>212,760,602</u>	<u>238,322,882</u>	<u>299,587,648</u>
Total All Governmental Funds	<u>\$304,548,350</u>	<u>\$ 372,251,130</u>	<u>\$ 489,146,446</u>	<u>\$ 502,368,382</u>	<u>\$ 518,845,772</u>
	2003	2004	2005	2006	2007
General Fund:					
Reserved	\$ 22,540,476	\$ 19,830,438	\$ 5,971,759	\$ 7,016,227	\$ 7,774,404
Unreserved	103,883,694	139,105,758	240,577,408	281,770,188	308,977,204
Total General Fund	<u>126,424,170</u>	<u>158,936,196</u>	<u>246,549,167</u>	<u>288,786,415</u>	<u>316,751,608</u>
All Other Governmental Funds:					
Reserved	279,785,713	209,373,844	123,395,950	191,517,700	266,598,847
Unreserved (deficit), reported in:					
Capital Projects Fund	(145,443,356)	(52,352,138)	(57,358,204)	(33,910,656)	19,800,904
Special Revenue Funds	119,567,406	129,628,646	141,841,345	159,766,560	186,764,337
Total All Other Governmental Funds	<u>253,909,763</u>	<u>286,650,352</u>	<u>207,879,091</u>	<u>317,373,604</u>	<u>473,164,088</u>
Total All Governmental Funds	<u>\$380,333,933</u>	<u>\$ 445,586,548</u>	<u>\$ 454,428,258</u>	<u>\$ 606,160,019</u>	<u>\$ 789,915,696</u>

NOTE:

* This table presents summary fund balance information from the basic financial statement Exhibit A-3.

* Fund balance information for governmental funds is reported on the modified accrual basis of accounting.

MONTGOMERY COUNTY, MARYLAND
FINANCIAL TRENDS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Table 4

	1998	1999	2000	2001	2002	2003
Revenues						
Taxes	\$ 1,463,802,543	\$ 1,556,965,019	\$ 1,665,351,327	\$ 1,739,649,852	\$ 1,852,131,339	\$ 1,866,955,365
Licenses and permits	7,340,512	7,606,773	8,131,722	8,532,219	8,922,083	10,075,334
Intergovernmental	208,726,944	256,250,842	189,596,625	184,307,356	274,006,317	242,781,812
Charges for services	34,229,408	39,622,916	42,139,079	39,318,997	41,517,605	44,486,179
Fines and forfeitures	3,603,074	3,914,705	5,363,772	6,788,140	8,317,403	8,934,482
Investment income	25,152,700	26,511,686	37,514,279	31,939,948	14,713,975	13,092,622
Miscellaneous (1)	8,168,016	9,976,694	10,707,591	11,529,815	19,925,347	11,200,271
Total Revenues	<u>1,751,023,197</u>	<u>1,900,848,635</u>	<u>1,958,804,395</u>	<u>2,022,066,327</u>	<u>2,219,534,069</u>	<u>2,197,526,065</u>
Expenditures						
General government	125,334,945	136,821,692	143,117,682	153,016,968	159,365,502	173,654,582
Public safety	234,512,149	244,011,790	260,800,496	277,697,812	301,083,758	332,651,202
Public works and transportation	121,364,561	136,838,993	109,177,626	95,995,963	109,577,671	112,456,492
Health and human services	131,591,397	158,247,919	160,972,782	180,787,483	195,303,530	206,769,844
Culture and recreation	48,201,121	54,490,733	59,310,643	59,624,936	67,016,514	63,650,474
Community development and housing	8,645,315	6,805,008	7,194,841	8,864,268	14,534,477	18,820,716
Environment	2,411,788	2,837,448	3,106,472	3,753,098	4,203,705	4,407,941
Education (2)	983,201,941	915,693,201	1,048,305,484	1,138,273,303	1,112,954,934	1,158,785,134
Debt service:						
Principal	195,441,346	205,296,681	219,413,823	232,855,510	259,188,365	261,780,268
Interest	58,933,269	61,488,395	61,621,399	63,263,808	61,500,313	62,523,878
Leases and other obligations	2,556,206	3,915,019	3,534,811	2,650,560	16,162,918	19,004,067
Issuing costs	1,089,779	656,060	671,147	634,196	1,690,524	2,013,285
Capital projects	85,484,745	98,068,156	126,641,823	192,074,763	314,157,053	275,561,794
Total Expenditures	<u>1,998,768,562</u>	<u>2,025,171,095</u>	<u>2,203,869,029</u>	<u>2,409,492,668</u>	<u>2,616,739,264</u>	<u>2,692,079,677</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(247,745,365)</u>	<u>(124,322,460)</u>	<u>(245,064,634)</u>	<u>(387,426,341)</u>	<u>(397,205,195)</u>	<u>(494,553,612)</u>
Other Financing Sources (Uses)						
Transfers in	216,661,079	213,585,552	247,050,779	278,870,081	318,619,362	277,482,218
Transfers (out)	(202,106,664)	(198,017,665)	(231,875,825)	(260,644,953)	(282,102,290)	(255,531,165)
Sale of property	5,400,811	3,220,388	4,272,889	2,415,351	2,481,576	6,814,072
Financing under notes and leases payable	225,065	2,859,072	-	-	-	12,913,057
Payment to refunded bond escrow agent	(70,807,286)	-	-	-	(154,734,082)	(103,307,499)
Debt Issued:						
General obligation bonds	115,635,602	120,377,893	131,834,500	140,002,990	162,756,250	159,079,103
Bond anticipation notes	225,000,000	50,000,000	210,000,000	105,000,000	160,000,000	155,000,000
Certificates of participation	-	-	-	54,772,053	1,079,058	-
Lease revenue bonds	-	-	-	-	38,038,644	-
Variable rate demand obligations	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Capital lease financing	-	-	-	-	-	-
General obligation refunding bonds	70,990,985	-	-	-	155,534,809	103,591,987
Total Other Financing Sources (Uses)	<u>360,999,592</u>	<u>192,025,240</u>	<u>361,282,343</u>	<u>320,415,522</u>	<u>401,673,327</u>	<u>356,041,773</u>
Special Item						
Gain on extinguishment of liability	-	-	-	-	3,106,570	-
Net Change in Fund Balances	<u>\$ 113,254,227</u>	<u>\$ 67,702,780</u>	<u>\$ 116,217,709</u>	<u>\$ (67,010,819)</u>	<u>\$ 7,574,702</u>	<u>\$ (138,511,839)</u>
Debt service as a percentage of noncapital expenditures (3, 4)	13.24%	13.75%	13.45%	13.29%	13.17%	12.85%

NOTES:

* This table is a summary of the basic financial statement Exhibit A-5.

* Governmental fund information is reported on the modified accrual basis of accounting.

(1) For FY01 and prior, includes amounts previously classified as "Operating Transfers in from Component Units."

(2) For FY01 and prior, includes amounts previously classified as "Operating Transfers out to Component Units."

(3) Debt service represents debt service principal and interest expenditures presented above.

(4) Noncapital expenditures represents Total Expenditures above, less Capital Projects Fund and capital outlay expenditures that resulted in capital assets.

2004	2005	2006	2007
\$ 2,129,939,312	\$ 2,380,939,173	\$ 2,545,906,852	\$ 2,751,864,063
10,984,340	12,030,638	12,025,093	12,418,584
276,077,146	223,088,334	265,785,477	267,675,931
50,332,507	63,607,620	77,204,023	79,501,815
8,567,764	8,902,320	10,305,177	12,588,526
5,012,370	13,647,809	24,832,274	34,147,428
12,198,056	16,053,279	14,645,165	13,199,158
2,493,111,495	2,718,269,173	2,950,704,061	3,171,395,505
174,518,839	202,052,021	228,669,438	248,252,022
355,912,668	401,114,616	455,433,491	506,729,330
131,812,057	132,317,794	152,837,852	171,901,834
209,019,100	211,560,906	233,967,221	251,396,734
66,039,364	72,074,300	78,486,537	87,872,720
15,991,314	16,947,062	17,297,254	17,125,576
5,619,435	5,487,891	6,452,471	8,620,911
1,217,639,366	1,345,450,958	1,382,898,458	1,490,679,488
275,916,602	315,168,034	324,184,297	383,983,419
60,230,979	62,517,128	68,164,530	75,133,526
24,312,486	26,593,959	26,245,116	16,030,672
876,054	1,901,439	1,044,430	1,208,672
298,405,112	257,856,073	382,096,212	342,299,052
2,836,293,376	3,051,042,181	3,357,777,307	3,601,233,956
(343,181,881)	(332,773,008)	(407,073,246)	(429,838,451)
304,735,307	299,714,554	340,111,748	349,888,069
(308,495,187)	(265,244,530)	(307,303,502)	(316,432,051)
7,284,065	15,102,273	5,205,424	6,540,519
36,860,624	-	5,207,377	3,259,280
(54,073,409)	(238,509,132)	-	-
165,706,411	214,639,300	105,456,700	268,839,000
190,000,000	50,000,000	300,000,000	300,000,000
-	-	-	-
-	10,661,561	1,747,573	835,614
-	-	100,000,000	-
5,332,000	-	-	-
6,790,969	16,028,103	8,379,687	663,698
54,293,716	239,222,589	-	-
408,434,496	341,614,718	558,805,007	613,594,129
-	-	-	-
\$ 65,252,615	\$ 8,841,710	\$ 151,731,761	\$ 183,755,678
12.59%	12.94%	12.26%	13.29%

MONTGOMERY COUNTY, MARYLAND
FINANCIAL TRENDS
COMBINED SCHEDULE OF "CASH AND INVESTMENTS" AND
"INVESTMENT AND INTEREST INCOME" - ALL FUNDS
AS OF JUNE 30, 2007 AND FOR THE FISCAL YEAR ENDED JUNE 30, 2007
Table 5

	Cash and Investments			Investment and Interest Income (Loss)		
	Pooled	Nonpooled	Total	Pooled	Nonpooled	Total
Primary Government:						
General Fund	\$ 239,433,271	\$ 1,390,794	\$ 240,824,065	\$ 12,546,817	\$ 4,486	\$ 12,551,303
Debt Service Fund	1,055,820	27,826,160	28,881,980	2,209,468	3,675,678	5,885,146
Capital Projects Fund	209,928,009	3,789,729	213,717,738	2,786,566	30,845	2,817,411
Special Revenue Funds:						
Recreation	6,400,127	4,050	6,404,177	709,270	-	709,270
Fire Tax District	23,754,188	-	23,754,188	2,108,116	-	2,108,116
Mass Transit Facilities	16,074,738	1,250	16,075,988	846,553	-	846,553
Urban Districts	1,299,386	-	1,299,386	54,085	-	54,085
Noise Abatement Districts	12,885	-	12,885	2,112	-	2,112
Housing Initiative	8,533,127	-	8,533,127	399,735	464,499	864,234
Rehabilitation Loan	1,197,657	-	1,197,657	84,519	52,438	136,957
New Home Warranty Security	-	-	-	8,985	-	8,985
Revenue Stabilization	119,647,603	-	119,647,603	6,175,154	-	6,175,154
Economic Development	2,269,339	-	2,269,339	94,957	101,314	196,271
Cable TV (1)	2,917,745	-	2,917,745	159,568	-	159,568
Grants (1)	-	-	-	267,155	131,974	399,129
Agricultural Transfer Tax	14,991,994	-	14,991,994	843,338	-	843,338
Drug Enforcement Forfeitures	2,774,143	25,000	2,799,143	75,974	-	75,974
Water Quality Protection	4,721,016	-	4,721,016	273,640	-	273,640
Restricted Donations	1,258,010	-	1,258,010	21,230	-	21,230
Total Special Revenue Funds	205,851,958	30,300	205,882,258	12,124,391	750,225	12,874,616
Permanent Fund:						
HOC Treasury Bonds (2)	599,099	4,723,343	5,322,442	-	266,751	266,751
Enterprise Funds:						
Liquor	9,748,742	10,605,758	20,354,500	234,221	314,325	548,546
Solid Waste Activities (2)	73,775,433	3,478,968	77,254,401	4,808,804	204,249	5,013,053
Parking Lot Districts	27,125,545	1,489,581	28,615,126	1,771,459	74,439	1,845,898
Permitting Services	14,435,044	-	14,435,044	718,564	-	718,564
Community Use of Public Facilities	4,296,763	50	4,296,813	213,037	-	213,037
Total Enterprise Funds	129,381,527	15,574,357	144,955,884	7,746,085	593,013	8,339,098
Internal Service Funds:						
Motor Pool	7,368,767	300	7,369,067	306,937	-	306,937
Liability & Property Coverage Self-Insurance (1)	96,579,845	-	96,579,845	6,116,733	26,069	6,142,802
Employee Health Benefits Self-Insurance	31,979,485	-	31,979,485	1,417,572	-	1,417,572
Central Duplicating	249,847	99,751	349,598	-	-	-
Total Internal Service Funds	136,177,944	100,051	136,277,995	7,841,242	26,069	7,867,311
Pension and Other Employee Benefit Trust Funds (2)	800,295	3,453,725,827	3,454,526,122	266,505	573,691	840,196
Investment Trust Fund	31,429,080	-	31,429,080	1,505,987	-	1,505,987
Private Purpose Trust Funds	234,765	-	234,765	9,817	241	10,058
Agency Funds	59,993,689	51,035	60,044,724	36,732	-	36,732
Total Primary Government	1,014,885,457	3,507,211,596	4,522,097,053	47,073,610	5,920,999	52,994,609
Component Units (Participation in County Pool)	13,110,010	-	13,110,010	658,205	-	658,205
Total	\$ 1,027,995,467	\$ 3,507,211,596	\$ 4,535,207,063	\$ 47,731,815	\$ 5,920,999	\$ 53,652,814

NOTES:

* This table presents cash and investment related information, by fund, that is reported throughout the basic financial statements and supplementary data.

- (1) Pooled investment income of the Cable TV Special Revenue Fund and the Liability and Property Coverage Self-Insurance Internal Service Fund include \$8,368 and \$3,900, respectively, related to interest earned on deposits, which has been classified as a liability. Pooled investment income of the Grants Special Revenue Fund includes \$239,431 related to interest earned on funding advanced by the State, which has been remitted to the State and netted against investment income.
- (2) Nonpooled investment income of these funds includes adjustments to fair value of nonpooled investments.

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF CASH AND INVESTMENTS - BY FINANCIAL INSTITUTION
 JUNE 30, 2007
Table 6

Description	Total
Commerce Bank	\$ 30,000,000
Bank of America, N. A.	1,819,199
Branch Banking & Trust Co.	100,000,000
Chevy Chase Bank	202,458
M & T Bank	3,496,302
National City Bank	229,267
SunTrust Bank	306,285
Wachovia Bank, N.A.	(3,714,058)
Total Financial Institutions	132,339,453
Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow:	
General Fund	1,390,794
Debt Service Fund	27,826,160
Capital Projects Fund	3,789,729
Special Revenue Funds	30,300
Enterprise Funds	10,843,599
Internal Service Funds	100,051
Fiduciary Funds	51,035
Total Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow	44,031,668
Total Cash Deposits in Financial Institutions and on Hand	176,371,121
Investments, at carrying value (see Table below)	4,358,835,942
Total Cash and Investments (1)	\$ 4,535,207,063

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF INVESTMENTS
 JUNE 30, 2007
Table 7

	Pooled	Non-Pooled			Total Carrying Value (2)
		Permanent	Enterprise	Fiduciary	
Investments, including accrued interest:					
Repurchase Agreements	\$ 284,557,677	\$ -	\$ -	\$ -	\$ 284,557,677
U.S. Government Securities	326,134,816	4,723,343	4,121,157	-	334,979,316
Commercial Paper	44,553,222	-	-	-	44,553,222
Bankers' Acceptances	132,852,311	-	-	-	132,852,311
Money Market Funds	107,557,988	-	609,601	-	108,167,589
Pension and Other Employee Benefit Trusts	-	-	-	3,453,725,827	3,453,725,827
Total (1)	\$ 895,656,014	\$ 4,723,343	\$ 4,730,758	\$ 3,453,725,827	\$ 4,358,835,942

NOTES:

* These tables present detailed cash and investment information that supports amounts reported in Table 5 and in Note III-A Cash and Investments.

- (1) Includes component units' participation in County external investment pool (see Table 5).
 (2) Carrying value is the same as fair value.

MONTGOMERY COUNTY, MARYLAND
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
Table 8

Fiscal Year	Real Property (1)							Total Direct Tax Rate (4)
	Residential (2)		Commercial/Other		Total			
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value		
1998	\$20,725,567,731	\$ 52,656,422,083	\$ 6,549,073,404	\$ 16,638,906,004	\$27,274,641,135	\$69,295,328,087	\$ 2.560	
1999	21,215,428,694	54,342,798,907	6,690,651,302	17,137,938,788	27,906,079,996	71,480,737,695	2.540	
2000	21,704,462,278	56,699,222,252	6,970,091,543	18,208,180,624	28,674,553,821	74,907,402,876	2.514	
2001	22,267,739,672	59,348,986,333	7,381,273,206	19,672,903,001	29,649,012,878	79,021,889,334	2.513	
2002	57,865,511,378	62,829,002,582	19,709,436,172	21,400,039,275	77,574,947,550	84,229,041,857	1.005	
2003	61,732,348,676	69,991,325,030	20,674,989,155	23,441,030,787	82,407,337,831	93,432,355,817	1.004	
2004	67,348,233,048	74,009,047,305	21,914,772,219	24,082,167,274	89,263,005,267	98,091,214,579	1.005	
2005	74,808,909,028	80,181,038,615	23,472,815,695	25,158,430,541	98,281,724,723	105,339,469,156	0.994	
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931	0.952	
2007	96,569,026,913	101,119,399,908	29,141,749,205	30,514,920,634	125,710,776,118	131,634,320,542	0.902	

Fiscal Year	Personal Property (3)						Real (1) and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value
	Business		Public Utility		Total		Assessed Value	Estimated Actual Value	
	Individuals	Corporations	Operating Property	Domestic Shares	Total	Direct Tax Rate (4)			
1998	\$ 96,721,710	\$ 1,885,477,810	\$ 1,503,028,070	\$ 169,223,380	\$ 3,654,450,970	\$ 2.545	\$ 30,929,092,105	\$ 72,949,779,057	42.40 %
1999	96,677,815	1,904,977,610	1,431,418,620	325,472,510	3,758,546,555	2.524	31,664,626,551	75,239,284,250	42.09
2000	92,953,790	2,125,024,140	1,250,855,220	410,469,840	3,879,302,990	2.502	32,553,856,811	78,786,705,866	41.32
2001	93,025,460	2,261,403,430	1,270,848,870	452,570,330	4,077,848,090	2.500	33,726,860,968	83,099,737,424	40.59
2002	99,954,320	2,486,081,540	1,169,749,990	445,558,740	4,201,344,590	2.495	81,776,292,140	88,430,386,447	92.48
2003	85,622,460	2,421,490,420	1,187,075,200	533,666,320	4,227,854,400	2.494	86,635,192,231	97,660,210,217	88.71
2004	83,269,110	2,272,890,000	1,116,419,190	491,223,310	3,963,801,610	2.498	93,226,806,877	102,055,016,189	91.35
2005	45,777,000	2,290,059,500	1,097,481,440	469,294,170	3,902,612,110	2.474	102,184,336,833	109,242,081,266	93.54
2006	39,858,300	2,275,916,200	1,046,842,820	469,011,910	3,831,629,230	2.367	114,360,878,346	122,425,244,161	93.41
2007	36,342,680	2,353,070,220	1,070,305,710	489,230,940	3,948,949,550	2.244	129,659,725,668	135,583,270,092	95.63

NOTES:

- * Exempt and nontaxable property are not included in this table.
- * The following classes of property are not taxed: 1) personal property not used in a trade, business, or profession, and 2) business inventories.
- * Intangible personal property is exempt from taxation except in two instances: shares of stock in certain domestic utilities and oil pipeline corporations (shown above) and intangible personal property of corporations under a contract with the State, granted charter exemptions from property taxation.
- * Property owned by the Federal government, the State, or a subdivision or agency of either, is exempt. Also exempt are real and personal property used for religious, educational, or charitable purposes. Specific exemptions involve historical property, societies and museums, conservation property, cemeteries, certain fraternal and service organizations, continuing care facilities for the aged, nonprofit housing property, and dwelling houses of disabled veterans and blind persons.

- (1) Fiscal year 2002 was the first year that all real property in the State of Maryland was assessed at 100 percent of full assessed value; prior to 2002, real property was assessed at 40 percent of full assessed value. Real property tax rates were changed in fiscal year 2002 to reflect this change in methodology.
- (2) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.
- (3) For personal property, the assessed value and estimated actual value are the same.
- (4) See Table 9-a for real and personal property direct tax rates.

Source: State of Maryland, Department of Assessments and Taxation.



MONTGOMERY COUNTY, MARYLAND
REAL AND PERSONAL PROPERTY TAX RATES - COUNTY DIRECT RATE
LAST TEN FISCAL YEARS
Table 9-a

	County-wide					Substantially County-wide (1)					Total County Direct Rate (4)	
	County		M-NCPPC (2)			County		M-NCPPC (2)				Prorata Tax Rate
	Fire		Advance									
	Tax	Transit	Land			Storm	Regional	Metropolitan				
	County	District	District	Acquisition	Subtotal	Recreation	Drainage	District	District			
Real Property:												
1998	\$ 1.962	\$.262	\$.091	\$.004	\$ 2.319	\$.054	\$.01	\$.061	\$.153	\$.241	\$ 2.560	
1999	1.923	.263	.102	.004	2.292	.062	.01	.061	.153	.248	2.540	
2000	1.863	.290	.102	.003	2.258	.067	.01	.062	.154	.256	2.514	
2001	1.857	.293	.100	.003	2.253	.069	.01	.060	.160	.260	2.513	
2002 (3)	.741	.109	.050	.001	.901	.027	.003	.024	.066	.104	1.005	
2003	.754	.117	.038	.001	.910	.020	.003	.023	.063	.094	1.004	
2004	.751	.118	.044	.001	.914	.022	.003	.021	.059	.091	1.005	
2005	.734	.123	.044	.001	.902	.025	.003	.020	.059	.092	.994	
2006	.679	.134	.042	.001	.856	.025	.003	.022	.061	.096	.952	
2007	.624	.134	.053	.001	.812	.024	.003	.020	.057	.090	.902	
Personal Property:												
1998	\$ 1.962	\$.262	\$.091	\$.004	\$ 2.319	\$.054	\$.01	\$.061	\$.153	\$.226	\$ 2.545	
1999	1.923	.263	.102	.004	2.292	.062	.01	.061	.153	.232	2.524	
2000	1.863	.290	.102	.003	2.258	.067	.01	.062	.154	.244	2.502	
2001	1.857	.293	.100	.003	2.253	.069	.01	.060	.160	.247	2.500	
2002	1.852	.273	.125	.002	2.252	.068	.007	.059	.165	.243	2.495	
2003	1.885	.293	.095	.003	2.276	.050	.008	.058	.158	.218	2.494	
2004	1.878	.295	.110	.003	2.286	.055	.008	.053	.148	.212	2.498	
2005	1.835	.308	.110	.003	2.256	.063	.008	.050	.148	.218	2.474	
2006	1.698	.335	.105	.003	2.141	.063	.008	.055	.153	.226	2.367	
2007	1.560	.335	.133	.003	2.031	.060	.008	.050	.143	.213	2.244	

NOTES:

- * The charter requires that revenues from real property taxes cannot exceed last year's revenues adjusted by the rate of inflation excluding revenues from new construction. The Council can adopt tax rates that exceed this limit by a supermajority of seven out of nine councilmembers.
- * No discounts are allowed.
- * Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1.
- * Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payment due by September 30 and December 31.
- * Interest and penalty at 20 percent are assessed on delinquent tax bills.
- * Revised tax bills based upon certifications from the State received after September 1 may be paid within thirty days without interest.
- * Delinquent taxes on real property are collected by sale. Taxes on personal property are enforced by legal action. Corporations may lose charter for failure to pay taxes.
- * Costs of tax sale, which vary, are added to tax bills. The last sale cost \$25 per parcel.
- * Tax sale date: second Monday in June.
- * Personal property tax rates are applied to 100 percent of the property assessment.

- (1) Rates classified as substantially county-wide represent those tax rates that are levied against all of the County's assessable base, except those incorporated cities and municipalities that provide their own such service.
- (2) M-NCPCC County property tax rates are included in the County's direct rate since the County Council has the power to set, modify, or approve these tax rates for this joint venture organization.
- (3) Fiscal year 2002 was the first year that all real property in the State of Maryland was assessed at 100 percent of full assessed value; prior to 2002, real property was assessed at 40 percent of full assessed value. Real property tax rates were changed in fiscal year 2002 to reflect this change in methodology.
- (4) County direct rate includes: County tax rates that are levied County-wide, and County tax rates levied by M-NCPPC. For County special taxing district tax rates that are levied substantially County-wide, the direct rate includes a prorata portion of the tax rate that corresponds to the portion of the County's assessable base against which the rate is levied. Therefore, the total County direct rate presented above is not a mathematical sum of all the individual rates presented.

MONTGOMERY COUNTY, MARYLAND
REAL AND PERSONAL PROPERTY TAX RATES - COUNTY SPECIAL TAXING DISTRICTS
LAST TEN FISCAL YEARS
Table 9-b

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts	Development Districts		
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview	West Germantown
Real Property:											
1998	\$.70	\$.70	\$.60	\$.60	\$.075	\$.04	\$.05	\$.35	\$.40	\$ -	\$ -
1999	.70	.70	.60	.60	.075	.04	.05	.40	.40	-	-
2000	.70	.70	.60	.60	.075	.04	.05	.45	.40	-	-
2001	.70	.70	.60	.60	.075	.04	.05	.45	.40	.285	-
2002 (2)	.28	.28	.24	.24	.030	.016	.02	.16	.18	.092	-
2003	.28	.28	.24	.24	.030	.016	.02	.16	.18	.108	.224
2004	.28	.28	.24	.24	.030	.016	.02	.145	.18	.101	.213
2005	.28	.28	.24	.24	.030	.016	.02	.145	.175	.098	.192
2006	.28	.28	.24	.24	.024	.016	.03	.145	.185	.089	.187
2007	.28	.28	.24	.24	.024	.016	.03	.050	.001	.065	.161
Personal Property:											
1998	\$.70	\$.70	\$.60	\$.60	\$.075	\$.04	\$.05	\$.35	\$.40	\$ -	\$ -
1999	.70	.70	.60	.60	.075	.04	.05	.40	.40	-	-
2000	.70	.70	.60	.60	.075	.04	.05	.45	.40	-	-
2001	.70	.70	.60	.60	.075	.04	.05	.45	.40	-	-
2002	.70	.70	.60	.60	.075	.04	.05	.40	.45	-	-
2003	.70	.70	.60	.60	.075	.04	.05	.40	.45	-	-
2004	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2005	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2006	.70	.70	.60	.60	.060	.04	.075	.363	.463	-	-
2007	.70	.70	.60	.60	.060	.04	.075	.125	.125	-	-

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * The County special taxing district rates above represent taxes that are levied against mutually exclusive specific geographic portions of the County's assessable base. Such rates are not included in the County direct rate on Table 9-a, as they are not reflective of what all County taxpayers would pay.

- (1) Parking Lot Districts also carry a tax rate of one-half the amount shown which applies to property zoned commercial but not used as such.
(2) See Note (1) on Table 9-a.

MONTGOMERY COUNTY, MARYLAND
REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - CITIES AND TOWNS
LAST TEN FISCAL YEARS

Table 9-c

Fiscal Year	Cities			Towns			
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park
Real Property:							
1998	\$.53	\$.82	\$ 1.535	\$.20	\$.45	\$.18	\$.55
1999	.53	.815	1.580	.20	.45	.16	.55
2000	.53	.805	1.580	.20	.45	.16	.55
2001	.53	.805	1.605	.20	.45	.13	.50
2002 (1)	.212	.322	.642	.08	.20	.04	.20
2003	.212	.322	.660	.08	.20	.037	.20
2004	.212	.322	.660	.078	.20	.035	.20
2005	.212	.322	.660	.072	.20	.033	.20
2006	.212	.322	.630	.065	.15	.029	.20
2007	.212	.312	.630	.060	.15	.026	.19
Personal Property:							
1998	\$.53	\$.82	\$ 1.535	\$.20	\$.45	\$.18	\$.55
1999	.53	.815	1.580	.20	.45	.16	.55
2000	.53	.805	1.580	.20	.45	.16	.55
2001	.53	.805	1.605	.20	.45	.13	.50
2002	.53	.805	1.605	.20	.45	.10	.50
2003	.53	.805	1.605	.20	.45	.10	.50
2004	.53	.805	1.650	.20	.45	.10	.50
2005	.53	.805	1.650	.20	.45	.10	.50
2006	.53	.805	1.575	.20	.45	.10	1.000
2007	.53	.805	1.575	.20	.45	.10	1.000

NOTES:

* Tax rates are per \$100 of assessed value.

* Personal property tax rates are applied to 100 percent of the property assessment.

* Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

(1) See Note (1) on Table 9-a.

Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
\$.36	\$.50	\$.35	\$.67	\$.34	\$.63
.36	.50	.35	.66	.31	.63
.36	.50	.35	.65	.28	.60
.36	.50	.33	.63	.25	.60
.35	.50	.31	.60	.22	.60
.14	.20	.125	.24	.05	.235
.14	.193	.132	.24	.05	.235
.14	.187	.160	.24	.05	.217
.13	.170	.160	.23	.05	.217
.12	.155	.160	.221	.045	.202
\$.36	\$.50	\$.35	\$.67	\$.34	\$.63
.36	.50	.35	.66	.31	.63
.36	.50	.35	.65	.28	.60
.36	.50	.33	.63	.25	.60
.35	.50	.31	.60	.22	.60
.80	.50	.31	.60	.22	.60
.80	.50	.33	.60	.22	.60
.80	.50	.35	.60	.22	.60
.80	.50	.35	.60	.22	.60
.80	.50	.35	.60	.22	.60

MONTGOMERY COUNTY, MARYLAND
REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - VILLAGES
LAST TEN FISCAL YEARS
Table 9-d

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
1998	\$.125	\$.20	\$.04	\$.08	\$.27	\$.12	\$.28	\$.19	\$.13	\$.15
1999	.125	.18	-	.08	.25	.12	.28	.19	.13	.15
2000	.125	.09	-	.08	.25	.12	.25	.15	.13	.15
2001	.125	.05	-	.08	.25	.12	.22	.02	.13	.15
2002 (1)	.05	.02	-	.03	.10	.048	.08	.008	.052	.10
2003	.05	.02	-	.03	.12	.048	.07	.008	.052	.10
2004	.05	.02	-	.025	.14	.048	.06	.008	.052	.06
2005	.05	.02	-	.025	.14	.048	.06	.008	.052	.06
2006	.05	.02	-	.023	.13	.048	.05	.008	.052	.06
2007	.05	.02	-	.023	.123	.048	.04	.008	.052	.06
Personal Property:										
1998	\$.125	\$.20	\$.04	\$.08	\$.27	\$.12	\$.28	\$.19	\$.13	\$.15
1999	.125	.18	-	.08	.25	.12	.28	.19	.13	.15
2000	.125	.09	-	.08	.25	.12	.25	.15	.13	.15
2001	.125	.05	-	.08	.25	.12	.22	.02	.13	.15
2002	.125	.05	-	-	.10	.12	.08	.008	.13	.10
2003	.125	.05	-	-	.50	.12	.07	.008	.13	.10
2004	.125	.05	-	-	.50	.12	.06	.008	.13	.06
2005	.125	.05	-	-	.60	.12	.06	.008	.13	-
2006	.125	.05	-	-	.60	.12	.05	.008	.13	.10
2007	.125	.05	-	-	.66	.12	.04	.008	.13	.10

NOTES:

* Tax rates are per \$100 of assessed value.

* Personal property tax rates are applied to 100 percent of the property assessment.

* Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

(1) See Note (1) on Table 9-a.

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO

Table 10

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 705,060,996	\$ 6,931,466	\$ 698,129,530	0.54 %
Verizon	670,608,660	30,345,000	640,263,660	0.52
Montgomery Mall	335,367,236	334,691,666	675,570	0.26
Washington Gas Light Co.	229,028,830	-	229,028,830	0.18
Chevy Chase Land Co.	213,530,560	213,530,560	-	0.16
Mirant Mid-Atlantic LLC	198,571,702	75,319,332	123,252,370	0.15
7501 Wisconsin Avenue LLC	198,508,332	198,508,332	-	0.15
Wheaton Plaza Regional Shopping Center	174,942,430	173,759,100	1,183,330	0.13
Bryant F. Foulger, Trustee	174,503,400	174,503,400	-	0.13
Camalier, Anne D. et al, Trustee	172,456,415	172,456,415	-	0.13
Total	<u>\$ 3,072,578,561</u>	<u>\$1,380,045,271</u>	<u>\$ 1,692,533,290</u>	<u>2.35 %</u>
Total Assessable Base	<u>\$ 129,659,725,668</u>			<u>100 %</u>

For the Fiscal Year Ended June 30, 1998

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 989,635,360	\$ 23,311,090	\$ 966,324,270	3.23 %
Bell Atlantic - Washington D.C. Inc.	560,581,280	23,998,640	536,582,640	1.83
Washington Gas Light Company	159,973,950	6,434,100	153,539,850	0.52
Montgomery Mall	77,219,890	77,219,890	-	0.25
May Department Stores	65,742,820	24,118,440	41,624,380	0.21
International Business Machines	61,437,020	17,270,710	44,166,310	0.20
Bryant F. Foulger, Trustee	56,923,880	56,923,880	-	0.19
Marbeth Partnership	52,019,330	52,019,330	-	0.17
Wheaton Plaza Regional Shopping Center	51,550,340	51,550,340	-	0.17
Albert & R. Abramson, Et.Al	54,094,860	54,094,860	-	0.17
Total	<u>\$ 2,129,178,730</u>	<u>\$ 386,941,280</u>	<u>\$ 1,742,237,450</u>	<u>6.94 %</u>
Total Assessable Base	<u>\$ 30,647,787,862</u>			<u>100 %</u>

Source: State of Maryland Department of Assessments and Taxation.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
PROPERTY TAX LEVIES AND COLLECTIONS *
LAST TEN FISCAL YEARS
Table 11

Fiscal Year	Tax Levy			Collected within the		Collections in Subsequent Years (2)	Total Collections to Date		
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years (1)	Total Adjusted Levy	Fiscal Year of the Levy Amount (2)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
1998	\$ 740,356,969	\$ (3,124)	\$ 740,353,845	\$ 731,962,325	98.87 %	\$ 44,310	\$ 732,006,635	98.87 %	
1999	738,861,799	(5,431)	738,856,368	731,482,875	99.00	187,647	731,670,522	99.03	
2000	762,239,449	(554,506)	761,684,943	754,198,902	98.95	(1,174,064)	753,024,838	98.86	
2001	784,285,708	(421,225)	783,864,483	777,057,655	99.08	(1,834,770)	775,222,885	98.90	
2002	821,038,153	(864,204)	820,173,949	805,329,587	98.09	(2,844,052)	802,485,535	97.84	
2003	867,011,819	(1,906,956)	865,104,863	861,862,819	99.41	(3,696,141)	858,166,678	99.20	
2004	927,789,542	(1,459,345)	926,330,197	924,992,688	99.70	1,942,438	926,935,126	100.07	
2005	1,006,556,130	157,648	1,006,713,778	1,005,935,155	99.94	(1,631,963)	1,004,303,192	99.76	
2006	1,032,231,333	(914,845)	1,031,316,488	1,031,967,800	99.97	(2,405,488)	1,029,562,312	99.83	
2007	1,087,613,905	-	1,087,613,905	1,081,566,118	99.44	-	1,081,566,118	99.44	

NOTES:

* This table includes data for all property taxes billed applicable to all funds for Montgomery County, Maryland to include General, Special Revenue, Debt Service, and Enterprise Funds. Property taxes billed for the State of Maryland, various municipalities and development districts, the Washington Suburban Sanitary Commission, and the Maryland-National Capital Park and Planning Commission, are excluded.

(1) Adjustment data was available and is reported in this schedule beginning with adjustments processed in FY05.

(2) Amounts represent collections received, including overpayments, net of refunds made. See Table 12 Note (2) for treatment of such overpayments.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
SCHEDULE OF FISCAL YEAR PROPERTY TAX LEVY, PROPERTY TAX REVENUES,
AND ADDITIONAL ITEMS RELATED TO THE PROPERTY TAX BILLING
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Table 12

	Fiscal Year Property Tax Levy	Collections of Current Levy Year Assessment (1)	Collection of Prior Levy Year Assessment (1)	Adjustments and Accruals	Total Revenues (2)
General Fund (3)	\$ 808,175,965	\$ 804,127,133	\$ (5,197,906)	\$ (5,897,043)	\$ 793,032,184
Special Revenue Funds (3):					
Recreation	26,912,853	26,737,688	52,784	1,450,643	28,241,115
Bethesda Urban District	503,931	465,155	3,635	1,458	470,247
Silver Spring Urban District	519,211	488,605	(915)	9,049	496,738
Wheaton Urban District	147,034	143,862	(6,792)	422	137,493
Mass Transit	68,439,347	67,864,719	89,255	3,641,279	71,595,253
Bradley Noise Abatement District	14,477	14,477	-	1,089	15,566
Cabin John Noise Abatement District	84	84	-	245	330
Fire Tax District	172,774,666	171,994,731	262,138	9,283,269	181,540,138
Total Special Revenue Funds	269,311,603	267,709,320	400,106	14,387,454	282,496,880
Enterprise Funds:					
Silver Spring Parking Lot District	4,899,421	4,583,090	(42,711)	42,324	4,582,703
Bethesda Parking Lot District	4,716,499	4,657,784	38,767	(161,870)	4,534,680
Wheaton Parking Lot District	453,977	432,541	(55,619)	12,547	389,469
Montgomery Hills Parking Lot District	56,441	56,251	44	(555)	55,740
Total Enterprise Funds	10,126,337	9,729,665	(59,519)	(107,554)	9,562,592
Total Property Tax - Montgomery County	1,087,613,905	1,081,566,118	(4,857,319)	8,382,857	1,085,091,656
Tax Bill Items Other than Montgomery County					
Property Taxes:					
M-NCPPC Joint Venture Property Taxes:					
M-NCPPC Administration	22,317,052	22,151,394	41,014	-	22,192,409 *
M-NCPPC Park	63,616,652	63,185,728	113,901	-	63,299,629 *
M-NCPPC Land Acquisition	1,311,110	1,302,306	2,149	-	1,304,455 *
Agency Relationship Property Taxes:					
State of Maryland	141,503,123	141,101,979	(111,648)	-	140,990,331 *
Municipalities	60,285,937	60,036,254	11,663	-	60,047,917 *
Development Districts	961,897	960,519	(2,146)	-	958,373 *
Charges for Services:					
Refuse Disposal - Solid Waste Activities Fund	57,328,749	56,528,592	21,418	(161,773)	56,388,237 *
Refuse Collection - Solid Waste Activities Fund	5,779,620	5,775,782	(664)	(2,309)	5,772,808 *
Leaf Vacuuming	6,190,297	6,186,444	(516)	(8,781)	6,177,147 *
Water Quality Protection Charges	5,981,940	5,954,810	2,109	725	5,957,643 *
Municipality Refuse Charges	933,333	932,221	1,219	-	933,441 *
Development District Special Assessments	204,116	204,116	(45)	-	204,071 *
Rockville FFBC	68,238	68,046	3	-	68,049 *
WSSC FFBC	41,976,034	41,859,194	31,550	-	41,890,744 *
Bay Restoration Fund	805,245	801,168	-	-	801,168 *
Total Other Items	409,263,343	407,048,553	110,007	(172,138)	406,986,422
Grand Total	\$ 1,496,877,248	\$ 1,488,614,672	\$ (4,747,312)	\$ 8,210,719	\$ 1,492,078,078

NOTES:

* Amounts represent collections, rather than revenues.

- (1) Amounts represent collections received net of refunds made.
- (2) Total Revenues represent the sum of Collections, during the current year, of Current and Prior Year Levy Assessments, (i.e., cash basis) and related Adjustments and Accruals to convert such data to revenues on the modified or full accrual basis of accounting.
- (3) In the basic financial statements and supplementary schedules, governmental fund/activities property tax collections and revenues include any related penalties and interest; this schedule includes only the property tax itself.

SCHEDULE OF PROPERTY TAXES RECEIVABLE BY FUND TYPE

JUNE 30, 2007

Table 13

Year	General	Special Revenue	Enterprise	Other Fiduciary	Total
1998 and prior	\$ 5,859,336	\$ 1,014,581	\$ 384,423	\$ 1,481,435	\$ 8,739,775
1999	(974,721)	8,746	2,282	(4,277)	(967,970)
2000	1,543,941	343,627	99,949	422,530	2,410,047
2001	1,652,251	344,749	93,289	479,320	2,569,609
2002	1,659,452	368,716	97,137	575,199	2,700,504
2003	1,615,407	353,384	112,168	515,281	2,596,240
2004	707,492	325,412	79,756	455,981	1,568,641
2005	245,410	250,062	40,248	356,171	891,891
2006	401,244	382,070	86,041	424,233	1,293,588
2007	<u>1,408,954</u>	<u>640,215</u>	<u>469,569</u>	<u>582,913</u>	<u>3,101,651</u>
Total Property Taxes Receivable	<u>\$ 14,118,766</u>	<u>\$ 4,031,562</u>	<u>\$ 1,464,862</u>	<u>\$ 5,288,786</u>	<u>\$ 24,903,976</u>



MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
INCOME TAX RATES
LAST TEN TAX YEARS

Table 14

Tax Year	State Income Tax Rate				Montgomery County Income Tax Direct Rate
	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	
1996	2 %	3 %	4 %	5.00 %	60.00 %
1997	2	3	4	5.00	60.00
1998	2	3	4	4.88	60.00
1999	2	3	4	4.85	3.01
2000	2	3	4	4.85	2.90
2001	2	3	4	4.80	2.95
2002	2	3	4	4.75	2.95
2003	2	3	4	4.75	2.95
2004	2	3	4	4.75	3.20
2005	2	3	4	4.75	3.20

NOTE:

* Rates are based on tax year which coincides with calendar year.

* Prior to tax year 1999, the amount of taxes paid by Montgomery County residents was based on the proportion (60%) of State income taxes paid by Montgomery County residents. Beginning in tax year 1999, the amount of taxes paid by Montgomery County residents was based on a tax rate applied to the Maryland taxable income.

Source: Montgomery County Department of Finance.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
INCOME TAX FILERS SUMMARY INFORMATION
LAST TEN TAX YEARS

Table 15

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Montgomery County Income Tax Direct Rate
1996	326,498	\$ 20,875,051,156	\$ 16,911,363,999	\$ 794,330,922	\$ 491,985,090	\$ 1,286,316,012	60.00 %
1997	334,434	22,997,825,881	18,849,618,136	887,279,183	549,607,813	1,436,886,996	60.00
1998	344,313	25,376,661,788	20,674,848,589	946,963,099	614,597,906	1,561,561,005	60.00
1999	351,029	26,889,853,381	21,931,842,602	1,001,777,692	655,091,540	1,656,869,232	3.01
2000	362,992	29,964,678,276	24,646,416,218	1,129,111,759	710,212,841	1,839,324,600	2.90
2001	361,096	28,656,151,308	22,947,566,549	1,036,317,921	665,601,650	1,701,919,571	2.92
2002	359,268	28,257,501,173	22,249,338,226	987,286,050	651,225,903	1,638,511,953	2.95
2003	357,522	28,992,891,462	22,917,536,979	1,013,579,288	671,079,128	1,684,658,416	2.95
2004	361,268	31,160,185,053	24,901,353,842	1,102,583,780	791,114,843	1,893,698,623	3.20
2005	380,241	39,581,589,250	32,241,963,585	1,384,669,182	1,025,536,849	2,410,206,031	3.20

NOTES:

* See Table 16 for detailed breakout of adjusted gross income level.

* Rates are based on tax year which coincides with calendar year.

* Prior to tax year 1999, the amount of taxes paid by Montgomery County residents was based on the proportion (60%) of State income taxes paid by Montgomery County residents. Beginning in tax year 1999, the amount of taxes paid by Montgomery County residents was based on a tax rate applied to the Maryland taxable income.

Source: Montgomery County Department of Finance.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
INCOME TAX FILERS, NET TAXABLE INCOME, AND LIABILITY BY ADJUSTED GROSS INCOME LEVEL
LAST TEN TAX YEARS
Table 16

2005							2004						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total		Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level													
\$200,000 and higher	32,289	8.5 %	\$ 16,822,880,955	52.2 %	\$ 538,333,470	52.5 %		24,529	6.8 %	\$ 10,214,344,217	41.0 %	\$ 326,859,346	41.3 %
\$100,000 - 199,999	67,171	17.7	7,344,360,047	22.8	235,024,270	22.9		61,333	17.0	6,729,437,859	27.0	215,346,908	27.2
\$75,000 - 99,999	29,705	7.8	1,973,884,323	6.1	63,168,474	6.2		37,159	10.3	2,416,623,481	9.7	77,335,230	9.8
\$50,000 - 74,999	65,722	17.3	2,990,204,062	9.3	95,694,416	9.3		55,487	15.4	2,455,348,478	9.9	78,581,106	9.9
\$25,000 - 49,999	96,118	25.3	2,312,771,299	7.2	72,276,536	7.0		95,230	26.4	2,300,676,859	9.2	72,216,385	9.1
\$10,000 - 24,999	72,054	18.9	727,599,564	2.3	19,364,575	1.9		70,752	19.6	715,905,106	2.9	19,080,205	2.4
Under \$10,000	17,182	4.5	70,263,335	0.2	1,675,108	0.2		16,778	4.6	69,017,842	0.3	1,695,663	0.2
Total	380,241	100.0 %	\$ 32,241,963,585	100.0 %	\$1,025,536,849	100.0 %		361,268	100.0 %	\$ 24,901,353,842	100.0 %	\$ 791,114,843	100.0 %
2003							2002						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total		Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level													
\$200,000 and higher	21,620	6.0 %	\$ 8,524,970,852	37.2 %	\$ 251,486,662	37.5 %		20,419	5.7 %	\$ 7,887,781,460	35.5 %	\$ 232,563,263	35.7 %
\$100,000 - 199,999	58,288	16.3	6,372,559,207	27.8	187,994,449	28.0		57,190	15.9	6,229,296,601	28.0	183,563,929	28.2
\$75,000 - 99,999	37,193	10.4	2,418,752,401	10.6	71,356,625	10.6		36,937	10.3	2,398,326,122	10.8	70,750,382	10.9
\$50,000 - 74,999	55,699	15.6	2,474,338,793	10.8	73,000,914	10.9		56,464	15.7	2,523,919,220	11.3	74,453,063	11.4
\$25,000 - 49,999	96,019	26.9	2,334,019,236	10.2	67,753,134	10.1		98,038	27.3	2,398,287,771	10.8	69,728,546	10.7
\$10,000 - 24,999	71,880	20.1	724,230,132	3.2	17,860,602	2.7		73,098	20.3	740,420,038	3.3	18,425,403	2.8
Under \$10,000	16,823	4.7	68,666,358	0.3	1,626,742	0.2		17,122	4.8	71,307,014	0.3	1,741,317	0.3
Total	357,522	100.0 %	\$ 22,917,536,979	100.0 %	\$ 671,079,128	100.0 %		359,268	100.0 %	\$ 22,249,338,226	100.0 %	\$ 651,225,903	100.0 %
2001							2000						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total		Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level													
\$200,000 and higher	20,630	5.7 %	\$ 8,311,388,988	36.2 %	\$ 242,692,506	36.5 %		21,625	6.0 %	\$ 9,976,062,609	40.5 %	\$ 289,305,720	40.7 %
\$100,000 - 199,999	56,891	15.8	6,260,401,379	27.3	182,802,250	27.5		55,563	15.3	6,214,562,476	25.2	180,221,931	25.4
\$75,000 - 99,999	36,704	10.2	2,430,652,307	10.6	70,974,728	10.7		35,841	9.9	2,416,862,333	9.8	70,088,730	9.9
\$50,000 - 74,999	56,657	15.7	2,597,014,496	11.3	75,832,458	11.4		55,063	15.2	2,571,890,354	10.4	74,584,328	10.5
\$25,000 - 49,999	98,320	27.2	2,491,015,571	10.9	72,095,922	10.8		96,861	26.7	2,525,104,738	10.2	72,790,832	10.2
\$10,000 - 24,999	73,465	20.3	777,801,765	3.4	19,264,377	2.9		76,293	21.0	845,836,485	3.4	20,835,577	2.9
Under \$10,000	18,429	5.1	79,292,043	0.3	1,939,409	0.3		21,746	6.0	96,097,223	0.4	2,385,723	0.3
Total	361,096	100.0 %	\$ 22,947,566,549	100.0 %	\$ 665,601,650	100.0 %		362,992	100.0 %	\$ 24,646,416,218	100.0 %	\$ 710,212,841	100.0 %

REVENUE CAPACITY
INCOME TAX FILERS, NET TAXABLE INCOME, AND LIABILITY BY ADJUSTED GROSS INCOME LEVEL
LAST TEN TAX YEARS
Table 16

	1999						1998					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level												
\$200,000 and higher	18,256	5.2 %	\$ 8,085,616,152	36.9 %	\$ 243,023,279	37.1 %	15,778	4.6 %	\$ 7,353,105,823	35.6 %	\$ 220,784,878	35.9 %
\$100,000 - 199,999	50,546	14.4	5,615,596,397	25.6	168,959,972	25.8	46,591	13.5	5,144,278,517	24.9	154,824,233	25.2
\$75,000 - 99,999	34,173	9.7	2,304,332,648	10.5	69,333,245	10.6	33,096	9.6	2,231,524,400	10.8	67,176,917	10.9
\$50,000 - 74,999	53,600	15.3	2,507,166,200	11.4	75,448,017	11.5	53,455	15.5	2,496,223,724	12.1	74,908,663	12.2
\$25,000 - 49,999	94,737	27.0	2,469,587,375	11.3	73,959,333	11.3	94,263	27.4	2,473,516,873	12.0	73,329,216	11.9
\$10,000 - 24,999	77,000	21.9	850,386,972	3.9	21,801,771	3.3	77,844	22.6	873,673,353	4.2	21,368,248	3.5
Under \$10,000	22,717	6.5	99,156,858	0.5	2,565,923	0.4	23,286	6.8	102,525,899	0.5	2,205,751	0.4
Total	351,029	100.0 %	\$ 21,931,842,602	100.0 %	\$ 655,091,540	100.0 %	344,313	100.0 %	\$ 20,674,848,589	100.0 %	\$ 614,597,906	100.0 %
	1997						1996					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level												
\$200,000 and higher	13,819	4.1 %	\$ 5,849,735,231	31.0 %	\$ 174,974,044	31.8 %	11,604	3.6 %	\$ 4,637,484,967	27.4 %	\$ 138,709,405	28.2 %
\$100,000 - 199,999	42,664	12.8	4,762,197,031	25.3	141,321,269	25.7	38,378	11.8	4,244,713,982	25.1	125,956,399	25.6
\$75,000 - 99,999	31,774	9.5	2,180,922,515	11.6	64,281,882	11.7	30,310	9.3	2,072,542,868	12.3	61,084,992	12.4
\$50,000 - 74,999	52,253	15.6	2,486,533,520	13.2	72,708,339	13.2	51,526	15.8	2,435,637,435	14.4	71,211,914	14.5
\$25,000 - 49,999	93,457	27.9	2,528,760,875	13.4	72,326,301	13.2	91,700	28.1	2,472,826,561	14.6	70,783,526	14.4
\$10,000 - 24,999	78,086	23.3	937,268,807	5.0	21,726,746	4.0	79,033	24.2	940,158,755	5.6	21,907,631	4.5
Under \$10,000	22,381	6.7	104,200,157	0.6	2,269,232	0.4	23,947	7.3	107,999,431	0.6	2,331,223	0.5
Total	334,434	100.0 %	\$ 18,849,618,136	100.0 %	\$ 549,607,813	100.0 %	326,498	100.0 %	\$ 16,911,363,999	100.0 %	\$ 491,985,090	100.0 %

* Information in this table presents data by adjusted gross income level to support summary level information in Table 15.

* Information relating to the ten highest tax payers is not available from the State of Maryland; therefore, as an alternative, data is presented above by adjusted gross income level.

* Rates are based on tax year which coincides with calendar year.

* See Tables 14 and 15 for direct tax rate information.

Source: Revenue Administration Division, State Comptroller's Office and Montgomery County Department of Finance.

MONTGOMERY COUNTY, MARYLAND
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
Table 17

Fiscal Year	Governmental Activities						
	General Obligation Bonds	Variable Rate Demand Obligations	Bond Anticipation Notes	Notes Payable	Lease Revenue Bonds	State MICRF Loan	Certificates of Participation
1998	\$ 1,053,839,413	\$ -	\$ 150,000,000	\$ 89,807	\$ -	\$ -	\$ -
1999	1,089,111,888	-	80,000,000	697,555	-	1,753,025	-
2000	1,130,321,123	-	160,000,000	137,971	-	1,689,553	-
2001	1,177,635,952	-	125,000,000	31,925	-	1,625,240	54,660,000
2002	1,241,920,821	-	125,000,000	-	37,880,000	1,408,951	43,530,000
2003	1,288,100,672	-	125,000,000	1,088,738	37,880,000	1,341,206	31,570,000
2004	1,329,669,923	-	150,000,000	7,075,167	37,880,000	1,270,924	19,215,000
2005	1,415,151,542	-	-	11,575,144	41,275,000	1,198,385	9,780,000
2006	1,393,883,160	100,000,000	100,000,000	13,980,419	39,790,000	-	-
2007	1,512,675,607	100,000,000	150,000,000	13,975,293	38,255,000	-	-

NOTES:

* Amounts for 1998 - 2001 represent debt relating to total governmental funds (from the General Long-Term Obligations Account Group) and total enterprise funds, since the reporting of governmental activities and business-type activities in government-wide financial statements was implemented in FY02.

(1) See Table 23 for personal income and population data, used in calculating these ratios.

Business-type Activities						Ratios	
Capital Leases	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Debt to Personal Income (1)	Outstanding Debt per Capita (1)
\$ 437,507	\$ 3,623,641	\$ 80,200,855	\$ -	\$ -	\$ 1,288,191,223	3.52 %	\$ 1,520
-	2,501,166	75,444,958	1,586,888	-	1,251,095,480	3.20	1,451
-	1,511,931	70,419,788	2,166,869	-	1,366,247,235	3.14	1,555
-	1,072,082	65,120,348	1,515,464	-	1,426,661,011	3.13	1,595
19,940,589	632,233	86,835,000	800,000	-	1,557,947,594	3.31	1,716
31,201,945	192,382	78,680,000	800,000	-	1,595,854,943	3.29	1,742
69,173,538	108,131	70,915,000	800,000	-	1,686,107,683	3.23	1,830
83,969,583	56,512	62,655,000	-	-	1,625,661,166	2.92	1,753
87,086,843	4,894	70,620,000	-	-	1,805,365,316	3.04	1,927
81,316,156	2,447	61,800,000	926,268	10,033,172	1,968,983,943	3.14	2,079

MONTGOMERY COUNTY, MARYLAND
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
Table 18

Fiscal Year	General Bonded Debt Outstanding (1)			Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Total		
1998	\$ 1,057,463,054	\$ -	\$ 1,057,463,054	1.45 %	\$ 1,248
1999	1,091,613,054	-	1,091,613,054	1.45	1,266
2000	1,131,833,054	-	1,131,833,054	1.44	1,288
2001	1,178,708,034	-	1,178,708,034	1.42	1,318
2002	1,242,553,054	-	1,242,553,054	1.41	1,369
2003	1,288,293,054	-	1,288,293,054	1.32	1,406
2004	1,329,778,054	-	1,329,778,054	1.30	1,443
2005	1,415,208,054	-	1,415,208,054	1.30	1,526
2006	1,393,888,054	100,000,000	1,493,888,054	1.22	1,594
2007	1,512,675,607	100,000,000	1,612,675,607	1.19	1,703

NOTES:

- (1) General Bonded Debt includes all general obligation debt, Variable Rate Demand obligation, regardless of purpose or repayment source, and other bonded debt financed with general government resources. Governmental lease revenue bonds and business-type revenue bonds are excluded because they are repayable from specific resources other than general governmental resources. Other debt is excluded because it is not in the form of bonds.
- (2) General Obligation Bonds and Variable Rate Demand Obligation are comprised of both governmental and business-type activities from Table 17.
- (3) See Table 8 for estimated actual value of taxable property data.
- (4) See Table 23 for population data.

MONTGOMERY COUNTY, MARYLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2007
Table 19

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Brookeville - bank loans	\$ 108,000	100.00 %	\$ 108,000
Garrett Park - bonds	655,900	100.00	655,900
Poolesville - bonds	2,509,376	100.00	2,509,376
Rockville - bonds	37,806,036	100.00	37,806,036
Takoma Park:			
Bonds	5,656,677	100.00	5,656,677
Certificates or notes	122,260	100.00	122,260
Capital leases	541,584	100.00	541,584
Component Units (2):			
MCPS - capital leases	45,400,158	100.00	45,400,158
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	137,425,000	23.30	32,025,000
Advance land acquisition bonds	5,480,000	78.28	4,290,000
Notes payable	6,781,660	73.37	4,975,496
Loan payable	284,000	100.00	284,000
Development Districts (2):			
Kingsview Village Center - bonds	2,205,000	100.00	2,205,000
West Germantown - bonds	15,450,000	100.00	15,450,000
Total Overlapping Debt			152,029,487
Montgomery County direct debt (5)			1,896,222,056
Total Direct and Overlapping Debt			<u>\$ 2,048,251,543</u>

NOTES:

- (1) Direct debt relating to the governmental activities of the County includes general obligation bonds, variable rate demand obligations, bond anticipation notes, notes payable, lease revenue bonds, and capital leases. Overlapping debt is the debt of other governmental entities in the County that is payable in whole or in part by taxpayers of the County. It includes general obligation bonds, revenue bonds, mortgages payable, notes payable, commercial paper, bond anticipation notes, certificates of participation, capital leases, and bank loans.
- (2) Entities are wholly within Montgomery County.
- (3) Unaudited information provided by entities.
- (4) Overlapping debt percentage is based on the debt relating to the County.
- (5) Source: total of governmental activities debt on Table 17.

MONTGOMERY COUNTY, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
Table 20

	1998	1999	2000	2001
Assessed Value				
Real property (1, 3)	\$ 27,274,641,135	\$ 27,906,079,996	\$ 28,674,553,821	\$ 29,649,012,878
Personal property (2)	3,654,450,970	3,758,546,555	3,879,302,990	4,077,848,090
Total Assessed Value	<u>\$ 30,929,092,105</u>	<u>\$ 31,664,626,551</u>	<u>\$ 32,553,856,811</u>	<u>\$ 33,726,860,968</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior) (2)	\$ 4,091,196,170	\$ 4,185,911,999	\$ 4,301,183,073	\$ 4,447,351,932
For personal property at 15%	<u>548,167,646</u>	<u>563,781,983</u>	<u>581,895,449</u>	<u>611,677,214</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>4,639,363,816</u>	<u>4,749,693,982</u>	<u>4,883,078,522</u>	<u>5,059,029,146</u>
Debt Applicable to Limit:				
General obligation bonds	1,057,463,054	1,091,613,054	1,131,833,054	1,178,708,054
Variable Rate Demand Obligation	-	-	-	-
Bond anticipation notes	150,000,000	80,000,000	160,000,000	125,000,000
Long-term notes payable	-	<u>1,753,025</u>	<u>1,689,553</u>	<u>1,625,240</u>
Total Debt Applicable to Limit	<u>1,207,463,054</u>	<u>1,173,366,079</u>	<u>1,293,522,607</u>	<u>1,305,333,294</u>
Legal Debt Margin	<u>\$ 3,431,900,762</u>	<u>\$ 3,576,327,903</u>	<u>\$ 3,589,555,915</u>	<u>\$ 3,753,695,852</u>
Legal Debt Margin as a Percentage of Debt Limit	74%	75%	74%	74%

NOTES:

- (1) See (1) on Table 8.
- (2) See (3) on Table 8.
- (3) As a Charter County, the legal debt limit is provided by Article 25A, Section 5(P(i)), of the Annotated Code of Maryland. Prior to June 1, 2001, the legal debt limit was 15 percent of the assessable base (real and personal property) of the County. During that time, the assessable base for real property was 40 percent of the full assessed value. Effective June 1, 2001, real property in the State of Maryland began being assessed at 100 percent of full assessed value instead of the previous 40 percent assessment method. Also effective June 1, 2001, the section of the Code referred to above was amended in conjunction with the real property assessment change. Under the amendment, the legal debt margin is a total of 6 percent of the assessable base (presented at 100 percent) of real property of the County and 15 percent of the County's assessable base of personal property and operating real property.

2002	2003	2004	2005	2006	2007
\$ 77,574,947,550	\$ 82,407,337,831	\$ 89,263,005,267	\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118
4,201,344,590	4,227,854,400	3,963,801,610	3,902,612,110	3,831,629,230	3,948,949,550
<u>\$ 81,776,292,140</u>	<u>\$ 86,635,192,231</u>	<u>\$ 93,226,806,877</u>	<u>\$ 102,184,336,833</u>	<u>\$ 114,360,878,346</u>	<u>\$ 129,659,725,668</u>
\$ 4,654,496,853	\$ 4,944,440,270	\$ 5,355,780,316	\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567
630,201,689	634,178,160	594,570,242	585,391,817	574,744,385	592,342,433
<u>5,284,698,542</u>	<u>5,578,618,430</u>	<u>5,950,350,558</u>	<u>6,482,295,300</u>	<u>7,206,499,332</u>	<u>8,134,989,000</u>
1,242,553,054	1,288,293,054	1,329,778,054	1,415,208,054	1,393,888,054	1,512,675,607
-	-	-	-	100,000,000	100,000,000
125,000,000	125,000,000	150,000,000	-	100,000,000	150,000,000
1,408,951	1,341,206	1,270,924	1,198,385	-	-
<u>1,368,962,005</u>	<u>1,414,634,260</u>	<u>1,481,048,978</u>	<u>1,416,406,439</u>	<u>1,593,888,054</u>	<u>1,762,675,607</u>
<u>\$ 3,915,736,537</u>	<u>\$ 4,163,984,170</u>	<u>\$ 4,469,301,580</u>	<u>\$ 5,065,888,861</u>	<u>\$ 5,612,611,278</u>	<u>\$ 6,372,313,393</u>
74%	75%	75%	78%	78%	78%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
PLEDGED-REVENUE COVERAGE (1)
LAST TEN FISCAL YEARS
Table 21

Fiscal Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue for Debt Service	Debt Service (4)			Coverage %
				Principal	Interest	Total	
Bethesda Parking Lot District:							
1998	\$ 10,473,491	\$ 4,013,533	\$ 6,459,958	\$ 1,405,000	\$ 1,313,208	\$ 2,718,208	237.66 %
1999	11,542,133	4,243,424	7,298,709	1,495,000	1,237,337	2,732,337	267.12
2000	11,460,424	4,400,300	7,060,124	1,585,000	1,155,112	2,740,112	257.66
2001	12,925,815	4,534,938	8,390,877	1,670,000	1,064,768	2,734,768	306.82
2002	16,445,984	4,436,394	12,009,590	1,785,000	967,908	2,752,908	436.25
2003	16,149,547	4,929,120	11,220,427	3,135,000	1,646,881	4,781,881	234.64
2004	17,228,514	5,160,881	12,067,633	3,190,000	1,509,278	4,699,278	256.80
2005	17,317,168	5,447,448	11,869,720	3,315,000	1,386,603	4,701,603	252.46
2006	18,167,711	5,959,821	12,207,890	3,430,000	1,567,391	4,997,391	244.29
2007	20,055,735	6,587,481	13,468,254	3,550,000	1,848,185	5,398,185	249.50
Silver Spring Parking Lot District:							
1998	\$ 9,387,880	\$ 5,403,014	\$ 3,984,866	\$ 1,300,000	\$ 1,139,503	\$ 2,439,503	163.35 %
1999	12,939,292 (a)	5,552,587	7,386,705	1,395,000	1,069,302	2,464,302	299.75
2000	9,526,984	6,326,478	3,200,506	1,480,000	992,578	2,472,578	129.44
2001	15,060,379 (b)	6,059,478	9,000,901	1,570,000	908,218	2,478,218	363.20
2002	9,331,496	5,752,439	3,579,057	1,650,000	817,158	2,467,158	145.07
2003	11,170,551	5,923,323	5,247,228	1,950,000	484,128	2,434,128	215.57
2004	12,815,999	5,443,131	7,372,868	2,020,000	388,388	2,408,388	306.13
2005	12,472,095	6,972,166	5,499,929	2,110,000	307,588	2,417,588	227.50
2006	13,569,363	7,753,608	5,815,755	2,180,000	244,288	2,424,288	239.90
2007	14,852,415	8,240,788	6,611,627	2,265,000	173,438	2,438,438	271.14
Solid Waste Disposal:							
1998	\$ 85,622,526	\$ 74,431,661	\$ 11,190,865	\$ 1,810,000	\$ 2,481,401	\$ 4,291,401	260.77 %
1999	96,173,895 (c)	74,918,714	21,255,181	1,900,000	2,394,521	4,294,521	494.94
2000	93,198,853	75,359,998	17,838,855	1,995,000	2,299,521	4,294,521	415.39
2001	92,669,945	76,597,308	16,072,637	2,095,000	2,199,771	4,294,771	374.24
2002	80,977,037 (d)	78,748,230	2,228,807	2,205,000	2,090,831	4,295,831	51.88 (5)
2003	88,331,791	80,007,807	8,323,984	2,320,000	1,973,966	4,293,966	193.85 (5)
2004	93,065,778	88,366,006	4,699,772	2,555,000	1,456,033	4,011,033	117.17 (5)
2005	92,697,769	94,957,279	(2,259,510)	2,835,000	1,177,350	4,012,350	(56.31) (5)
2006	100,566,075	90,819,590	9,746,485	2,920,000	1,092,300	4,012,300	242.92 (5)
2007	99,134,303	94,818,949	4,315,354	3,005,000	1,004,700	4,009,700	107.62 (5)
Metrorail Garage Project:							
2003	\$ 1,682,005	\$ -	\$ 1,682,005	\$ -	\$ 1,682,005	\$ 1,682,005	100.00 %
2004	1,682,005	-	1,682,005	-	1,682,005	1,682,005	100.00
2005	3,158,382	-	3,158,382	1,350,000	1,808,382	3,158,382	100.00
2006	3,292,758	-	3,292,758	1,485,000	1,807,758	3,292,758	100.00
2007	3,294,214	-	3,294,214	1,535,000	1,759,214	3,294,214	100.00

NOTES:

- (1) Table includes debt that is secured by a pledge of a specific revenue stream, and is designed to reflect whether the County had to use general (unpledged) revenues to repay debt that was intended to be self-supporting.
 - (2) Gross revenues include non-operating investment income. Gross revenues for the parking lot district bonds include all revenues of the district and consist primarily of parking fee charges for services, parking fines, and dedicated property taxes. Gross revenues for the metrotrans garage project lease revenue bonds include lease payments from WMATA.
 - (3) Operating expenses do not include interest, depreciation, or amortization expenses.
 - (4) Debt service consists of amounts relating to revenue or lease revenue bonds; amounts relating to general obligation bonds are excluded.
 - (5) Since 2002, the Solid Waste Disposal Fund has been deliberately using fund net assets (not general unpledged revenues) to fund expenditures in an attempt to reduce the accumulated fund net assets. Over each budget and cash projection period of six years, Solid Waste Disposal Fund works toward the goal of reducing the excess cash to a point where the cash plus investments in excess of reserve requirements is no more than \$1 million. During these periods, rates are established and resulting cash and gross revenues will increase or decrease due to the timing of operating and capital projects. At times, this may result in negative net available revenue for debt service.
- (a) Silver Spring Parking Lot District revenue increase is due to revenue received from the sale of Lot #19 to a third party in connection with the Silver Spring revitalization project.
 - (b) Silver Spring Parking Lot District revenue increase is due to state aid intergovernmental revenue for the purchase of land in connection with the Silver Spring revitalization project.
 - (c) Solid Waste Disposal revenue increase is due primarily to a decrease in the landfill closure liability.
 - (d) Solid Waste Disposal revenue decrease is due to write offs of accounts receivables.

MONTGOMERY COUNTY, MARYLAND
 PRINCIPAL EMPLOYERS
 CURRENT FISCAL YEAR AND NINE YEARS AGO
Table 22

Employer	Fiscal Year 2007			Fiscal Year 1998		
	Employees (1)	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Department of Health and Human Services	41,250	1	8.87 %	32,908	1	8.41 %
Montgomery County Public Schools	20,875	2	4.49	15,114	2	3.86
U.S. Department of Defense	14,709	3	3.16	12,448	3	3.18
Montgomery County Government	8,675	4	1.87	7,391	4	1.89
Adventist Healthcare	8,134	5	1.75	3,800	10	0.97
U.S. Department of Commerce	6,721	6	1.45	6,705	5	1.71
Giant Food Corporation	3,896	7	0.84	4,500	7	1.15
Lockheed Martin	3,832	8	0.82	*		-
Marriott International, Inc. (Headquarters)	3,000	9	0.65	5,000	6	1.28
Nuclear Regulatory Commission	2,712	10	0.58	*		-
Chesapeake and Potomac Telephone Company	*		-	4,500	7	1.15
Tracor, Inc. (Regional)	*		-	4,500	7	1.15
Total	<u>113,804</u>		<u>24.48 %</u>	<u>96,866</u>		<u>24.75 %</u>

NOTES:

* Employer is not one of the ten largest employers during the year noted.

(1) The employee numbers listed are best estimates taken during the 4th quarter of FY2007 from various sources, including first-hand research by the County's Department of Economic Development, the Montgomery County Department of Park and Planning Research and Technology Center, CoStar Tenant, and company Internet websites.

Source: Montgomery County Department of Economic Development.

MONTGOMERY COUNTY, MARYLAND
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
Table 23

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
1998	847,596	\$ 36,586,455	\$ 43,165	472,944	462,620	2.2 %	125,035
1999	862,350	39,049,711	45,283	478,946	470,018	1.9	127,852
2000	878,683	43,575,224	49,592	489,050	476,197	2.6	130,689
2001	894,575	45,537,627	50,904	490,213	475,049	3.1	134,180
2002	907,926	47,041,902	51,812	496,101	478,782	3.5	136,832
2003	916,198	48,533,753	52,973	497,820	481,200	3.3	138,891
2004	921,264	52,215,427	56,678	498,237	482,131	3.2	139,203
2005	927,405	55,600,356	59,953	507,556	491,643	3.1	139,337
2006	937,000	59,300,000	63,287	519,688	504,751	2.9	139,387
2007	947,000	62,700,000	66,209	525,018	510,022	2.8	137,798

NOTES:

- (1) Sources: Data for 1998-2005 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2006-2007 from the Maryland-National Capital Park and Planning Commission, Research and Technology Center, Round 7.1 Cooperative Estimates and pertain to population in households (July 2007). Estimates for 2000-2004 revised by BEA in May 2007.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2003-2004 were revised by BEA and data for 2005 are a preliminary estimate from BEA. Data for 2006-2007 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2002 - 2006. Data for 2007 estimated by the Department of Finance.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2002-2006 revised by BLS. Data for 2007 estimated by the Department of Finance.
- (6) The unemployment rate for 2007 is the average of the unemployment rates for the first half of calendar year 2007.
- (7) Source: County Executive's Recommended FY08 Operating Budget, Office of Management and Budget, Montgomery County, p 9-6.

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 EMPLOYEE WORKYEARS BY FUNCTION (1)
 LAST TEN FISCAL YEARS
Table 24

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities:										
General Government:										
Legislative Branch:										
Board of Appeals	4	4	5	5	5	5	5	5	5	5
County Council	69	70	74	76	75	73	70	69	69	70
Inspector General	-	4	4	4	4	4	4	3	5	5
Legislative Oversight	6	8	8	8	8	8	8	8	10	11
Merit System Protection Board	1	1	1	1	1	1	1	1	1	1
People's Counsel	-	-	-	2	2	2	2	2	2	2
Zoning and Administrative Hearings	2	2	2	2	2	2	4	4	4	4
Judicial Branch:										
Circuit Court	92	96	96	108	109	108	100	103	106	111
State's Attorney	82	86	91	100	103	103	104	108	112	115
Executive Branch:										
Board of Elections	22	31	27	26	29	38	33	33	28	47
Board of Liquor License Commissioners	8	8	11	12	12	12	13	12	12	12
Commission for Women	11	11	11	12	12	12	12	10	10	11
County Attorney	35	42	46	49	48	46	46	45	44	44
County Executive	42	42	44	48	47	45	41	40	38	37
Ethics Commission	2	2	2	2	2	2	2	2	2	3
Finance	105	108	111	114	124	122	118	115	116	117
Human Resources	46	44	44	50	49	47	56	52	57	58
Human Rights	19	20	21	22	21	24	23	23	23	22
Intergovernmental Relations	4	4	4	4	4	4	4	4	5	5
Management and Budget	36	36	36	37	36	34	33	32	31	31
Procurement	24	24	26	29	28	27	28	29	29	30
Public Information	13	13	12	13	13	12	12	9	9	9
Regional Services Centers	20	21	24	29	30	29	28	27	29	30
Technology Services	100	107	112	124	137	135	137	140	147	156
Urban Districts	25	25	28	32	42	45	50	51	57	57
Non-Departmental Accounts	1	22	20	1	1	3	2	1	3	3
Public Safety:										
Consumer Protection	-	-	-	-	-	-	-	-	-	23
Correction and Rehabilitation	356	375	386	426	510	526	540	572	585	626
Fire and Rescue	972	1,025	1,073	1,091	1,105	1,088	1,078	1,142	1,155	1,236
Homeland Security	-	-	-	-	-	-	-	-	70	72
Police	1,391	1,423	1,443	1,510	1,508	1,499	1,513	1,582	1,651	1,733
Sheriff	125	135	136	153	156	169	164	166	169	177
Public Works and Transportation:										
Fleet Management	137	139	135	136	139	142	155	164	164	170
Transit Services	475	509	538	561	586	600	625	642	652	680
Other (2)	487	496	499	509	510	507	493	515	472	477
Health and Human Services	1,247	1,248	1,281	1,370	1,403	1,435	1,423	1,437	1,476	1,506
Culture and Recreation:										
Cable TV	5	5	6	8	8	8	7	13	13	14
Public Libraries	388	408	422	431	427	416	407	402	403	420
Recreation	363	382	404	426	412	402	412	405	416	442
Community Development and Housing										
Economic Development	24	28	31	36	36	36	36	37	40	45
Housing and Community Affairs	85	85	91	99	97	95	92	90	91	74
Environment	34	34	37	37	39	42	43	43	45	49
Business-Type Activities:										
Community Use of Public Facilities	20	20	21	24	26	27	26	26	26	26
Liquor Control	237	255	269	274	274	286	292	293	321	330
Parking Lot Districts	44	46	47	51	54	54	46	42	43	45
Permitting Services	174	174	174	175	184	187	189	191	191	215
Solid Waste Activities	129	126	129	131	134	134	139	148	152	156
Total Workyears	<u>7,462</u>	<u>7,744</u>	<u>7,982</u>	<u>8,358</u>	<u>8,552</u>	<u>8,596</u>	<u>8,616</u>	<u>8,838</u>	<u>9,089</u>	<u>9,512</u>

NOTES:

* Amounts represent budgeted workyears rounded to nearest whole workyear.

- (1) Represents County government workyears only, and excludes component units. Therefore, no workyears are listed for Education function, which relates to component units MCPS and MCC.
 (2) Excludes programs presented under business-type activities

Source: County Executive's Annual Recommended Operating and Public Services Program, Schedule D-2, various years.

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
Table 25

	1998	1999	2000	2001
Governmental Activities:				
General Government:				
Number of Procurement Office actions (2)	6,089	7,620	8,223	7,129
Number of property tax bills processed	290,000	300,000	369,000	331,000
Number of payments issued	139,000	154,000	154,000	164,000
Investment portfolio return (5)	5.63 %	5.14 %	5.72 %	6.16 %
Public Safety:				
Fire and Rescue:				
Number of responses to incidents	80,858	85,920	83,295	95,100
Number of calls handled - routine and emergency	NA	NA	NA	461,692
Number of fire incidents investigated	516	552	499	508
Police:				
Number of arrests	13,149	12,810	12,332	11,796
Number of traffic citations (calendar years)	73,580	65,220	78,969	98,219
Number of warrants served	10,635	11,168	11,112	10,039
Public Works and Transportation (3):				
Lane-miles of streets resurfaced	300	300	309	281
Number of passengers transported	18,149,000	19,963,000	20,568,000	21,858,000
Health and Human Services:				
Number of applicants approved for the Home Energy Program	NA	NA	NA	2,585
Number of individuals served through the Crisis Center	NA	NA	NA	NA
Number of licensed and registered child care slots in the County	NA	NA	30,063	29,942
Number of in-home aide service hours for seniors and people with disabilities	161,127	193,455	190,901	184,094
Culture and Recreation:				
Library:				
Number of items circulated	9,837,000	9,993,000	10,087,000	10,876,000
Recreation:				
Number of community center visits/contacts	NA	NA	NA	NA
Number of visits to County pools	1,038,509	1,081,231	1,132,816	1,142,109
Number of persons registered for camps and classes	NA	NA	NA	39,568
Community Development and Housing:				
Housing and Community Affairs:				
Number of properties/housing units inspected	10,850	11,217	12,952	14,893
Number of requests for information from landlords and tenants	NA	40,500	50,000	50,000
Environment:				
Number of sediment control inspections performed for development sites	12,315	11,996	11,902	11,776
Education:				
Average number of pupils registered pre-K through 12 (4)	125,124	128,090	131,231	134,412
College students - credit and non-credit (4)	NA	NA	42,148	45,160
Business-Type Activities:				
Land development plans approved	NA	2,986	4,121	4,324
Refuse collected (tons)	78,805	78,237	78,154	75,404
Waste processed at the Resource Recovery Facility (tons)	NA	469,748	497,467	516,536
Number of cases transferred from warehouse to County-operated liquor stores to be sold	569,000	593,000	609,000	645,000
Number of wholesale liquor cases sold to private liquor stores	3,634,000	3,685,000	3,802,000	3,845,000

NOTES:

NA - Data not readily available, or not available in a manner consistent with this display.

(1) Estimated.

(2) Indicators provided by Office of Procurement.

(3) Excludes programs presented under "Business-Type Activities."

(4) Indicators provided by the Montgomery County Public Schools and Montgomery College, two component unit organizations.

(5) Indicators provided by Department of Finance.

(6) Except where specifically noted above.

Sources (6): *Montgomery Measures Up! (March 2007)*, *Montgomery County Office of Management and Budget (March 2006)*, and *Montgomery Measures Up!* for the years prior to 2005.

2002	2003	2004	2005	2006	2007 (1)
7,575	7,171	8,280	8,066	8,588	8,779
335,000	337,000	342,000	344,000	348,000	353,000
150,000	145,000	147,000	143,000	150,000	144,000
2.61 %	1.59 %	1.13 %	2.19 %	4.19 %	5.21 %
96,774	99,558	101,184	98,508	100,805	104,700
486,927	499,992	518,276 (1)	445,659	356,144	523,000
376	349	397	342	405	359
11,253	11,445	11,978	11,769	13,221	11,683
109,916	106,256	110,612	122,805	123,018	116,820
9,508	9,476	6,079	11,413	12,500	13,600
166	102	182	205	213	250
23,012,000	23,023,000	23,198,000	25,134,000	27,294,000	27,703,000
2,674	3,634	4,224	4,729	2,383	2,454
NA	NA	40,467	53,757	70,000	90,000
30,830	31,055	32,536	33,484	33,224	33,500
194,066	185,912	180,720	173,087	193,317	197,943
11,300,000	11,900,000	11,400,000	11,400,000	11,400,000	11,300,000
NA	7,814,250	7,595,000	3,989,146	3,718,474	4,050,000
1,236,626	1,211,088	1,148,108	1,245,472	1,358,734	1,590,683
42,847	33,623	33,205	25,300	25,133	25,000
15,263	16,648	22,730	20,116	26,910	21,000
40,500	45,000	47,500	45,650	45,000	50,000
12,167	12,885	19,406	19,115	18,063	18,383
137,149	138,886	139,059	139,337	139,387	137,798
45,464	46,359	46,457	55,118	56,490	59,374
4,138	4,271	4,032	4,587	4,674	4,400
74,044	79,153	83,152	80,472	77,596	80,472
578,450	625,710	640,101	574,663	621,822	610,000
686,000	734,000	772,000	808,000	849,000	863,000
3,945,000	3,891,000	4,026,000	4,026,000	4,144,000	5,661,000

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST THREE FISCAL YEARS

Table 26

	2005	2006	2007
Governmental Activities:			
General Government:			
Number of conference centers	1	1	1
Landfills	3	3	3
Public Safety:			
Police stations	6	6	6
Police satellites	6	6	7
Police vehicles	1,208	1,252	1,255
Fire stations	33	34	34
Fire engines	454	464	463
Public Works and Transportation:			
Streets (miles)	2,574	2,588	2,602
Ride-On buses	273	290	393
Administrative vehicles	775	762	778
Fire vehicles	93	96	110
Heavy equipment	664	645	596
Streetlights	61,358	63,489	65,225
Traffic signals	737	747	756
Culture and Recreation:			
Libraries	23	21	22
Volumes in library collection	2,962,910	2,977,017	3,203,802
Swimming pools	12	13	14
Community Development and Housing:			
Number of low income housing units	180	180	180
Environment:			
Storm drains (miles)	852	854	860
Education:			
Elementary, Middle and High School buildings	192	194	199
College buildings	42	42	43
Business-Type Activities:			
Parking spaces in parking lot districts (1)	20,524	21,479	21,282
Parking garages/lots	42	41	40

NOTES:

* Data for 1998-2004 is not readily available.

* Data relates to primary government only, except for education data which relates to MCPS and MCC.

(1) FY05 amount restated to include on-street parking.

Sources: Various County departments, MCPS, and MCC.

INDEX

INDEX

Fund Titles	Page			
	Statements/Schedules			
	Balance Sheet/ Net Assets	Changes in Net Assets	Cash Flows	Budgetary
Montgomery County, Maryland - Primary Government:				
Agricultural Transfer Tax Special Revenue	122	123	-	-
Cable TV Special Revenue	115	117	-	137
Capital Projects	28	30	-	125
Central Duplicating Internal Service	152	153	154	-
Community Use of Public Facilities Enterprise	144	145	146	147
Court Appointed Guardians Private Purpose Trust	160	161	-	-
Debt Service	28	30	-	124
Deferred Compensation POEB * Trust	158	159	-	-
Drug Enforcement Forfeitures Special Revenue	122	123	-	140
Economic Development Special Revenue	114	116	-	136
Employee Health Benefits Self-Insurance Internal Service	152	153	154	155
Employees' Retirement Saving Plan POEB * Trust	158	159	-	-
Employees' Retirement System POEB * Trust	158	159	-	-
Fire Tax District Special Revenue	118	119	-	127
General	28	30	-	32
Grants Special Revenue	115	117	-	138
Housing Initiative Special Revenue	120	121	-	132
HOC Treasury Bonds Permanent	115	117	-	-
Investment Trust	39	40	-	-
Liability and Property Coverage Self-Insurance Internal Service	152	153	154	155
Liquor Enterprise	36	37	38	147
Mass Transit Facilities Special Revenue	118	119	-	128
Miscellaneous Agency	162	-	-	-
Motor Pool Internal Service	152	153	154	-
New Home Warranty Security Special Revenue	120	121	-	134
Noise Abatement Districts Special Revenue	118	119	-	131
Parking Lot Districts Enterprise	36	37	38	149
Permitting Services Enterprise	144	145	146	147
Private Contributions Private Purpose Trust	160	161	-	-
Property Tax Agency	162	-	-	-

(Continued)

I N D E X, Concluded

<u>Fund Titles</u>	<u>Page</u>			
	<u>Statements/Schedules</u>			
	<u>Balance Sheet/ Net Assets</u>	<u>Changes in Net Assets</u>	<u>Cash Flows</u>	<u>Budgetary</u>
Recreation Activities Agency	162	-	-	-
Recreation Special Revenue	118	119	-	126
Rehabilitation Loan Special Revenue	120	121	-	133
Restricted Donations Special Revenue	122	123	-	142
Revenue Stabilization Special Revenue	114	116	-	135
Solid Waste Activities Enterprise	36	37	38	148
Strathmore Hall Private Purpose Trust	-	161	-	-
Tri-centennial Private Purpose Trust	160	161	-	-
Urban Districts Special Revenue	118	119	-	129
Water Quality Protection Special Revenue	122	123	-	141
Component Units:				
Bethesda Urban Partnership, Inc.	166	167	-	-
Housing Opportunities Commission of Montgomery County	41	42	-	-
Montgomery Community College	166	167	-	-
Montgomery County Public Schools	41	42	-	-
Montgomery County Revenue Authority	166	167	-	-

* POEB = Pension and Other Employee Benefits



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

