

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report



Fiscal Year 2017

July 1, 2016 - June 30, 2017
Rockville, Maryland



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Montgomery County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report

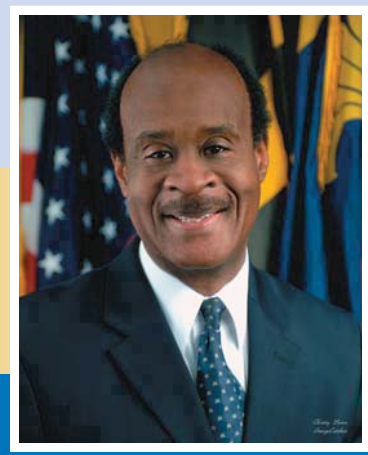
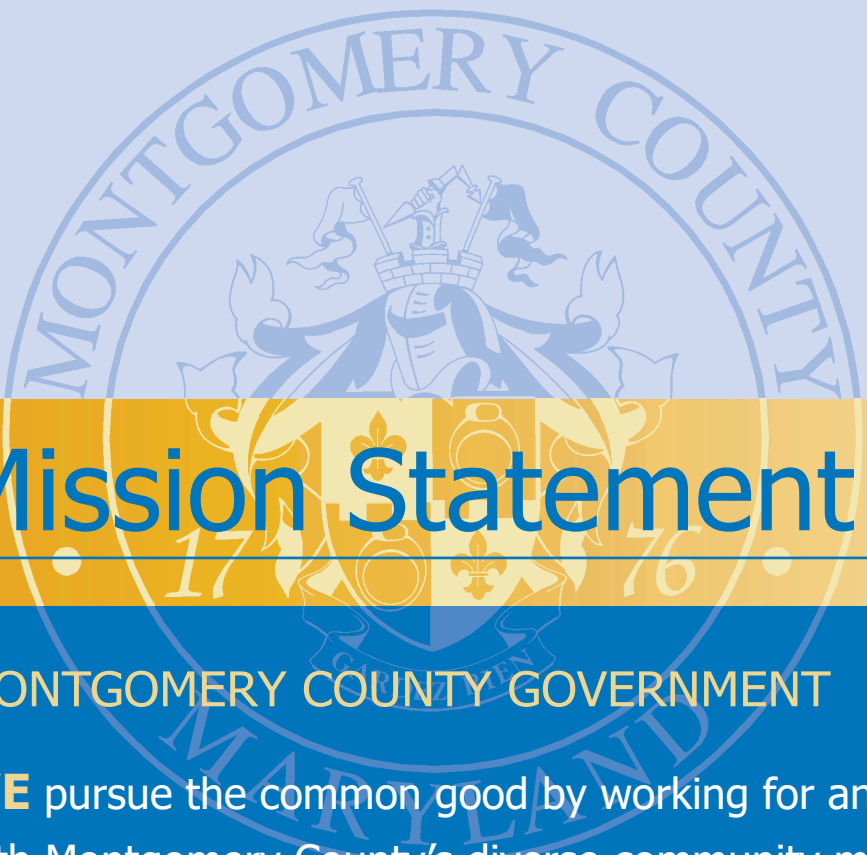


Prepared by the
DEPARTMENT OF FINANCE

Alexandre A. Espinosa, Director
101 Monroe Street
Rockville, Maryland 20850
240-777-8860

Fiscal Year 2017

July 1, 2016 - June 30, 2017



Isiah Leggett
ISIAH LEGGETT

Mission Statement

MONTGOMERY COUNTY GOVERNMENT

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

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

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

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

Montgomery County, Maryland
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2017
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INTRODUCTORY SECTION

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DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Alexandre A. Espinosa
Director

December 15, 2017

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, 2017.

FORMAL TRANSMITTAL OF THE CAFR

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

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

The public accounting firm of CliftonLarsonAllen, LLP has performed an independent audit of, and issued an unmodified opinion on, the County's financial statements as of and for the year ended June 30, 2017. The independent auditors' report is located at the front of the financial section of this report. This independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The independent auditors' reports associated with the Single Audit are available in a separately issued *Report on Expenditures of Federal Awards*.

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

Office of the Director

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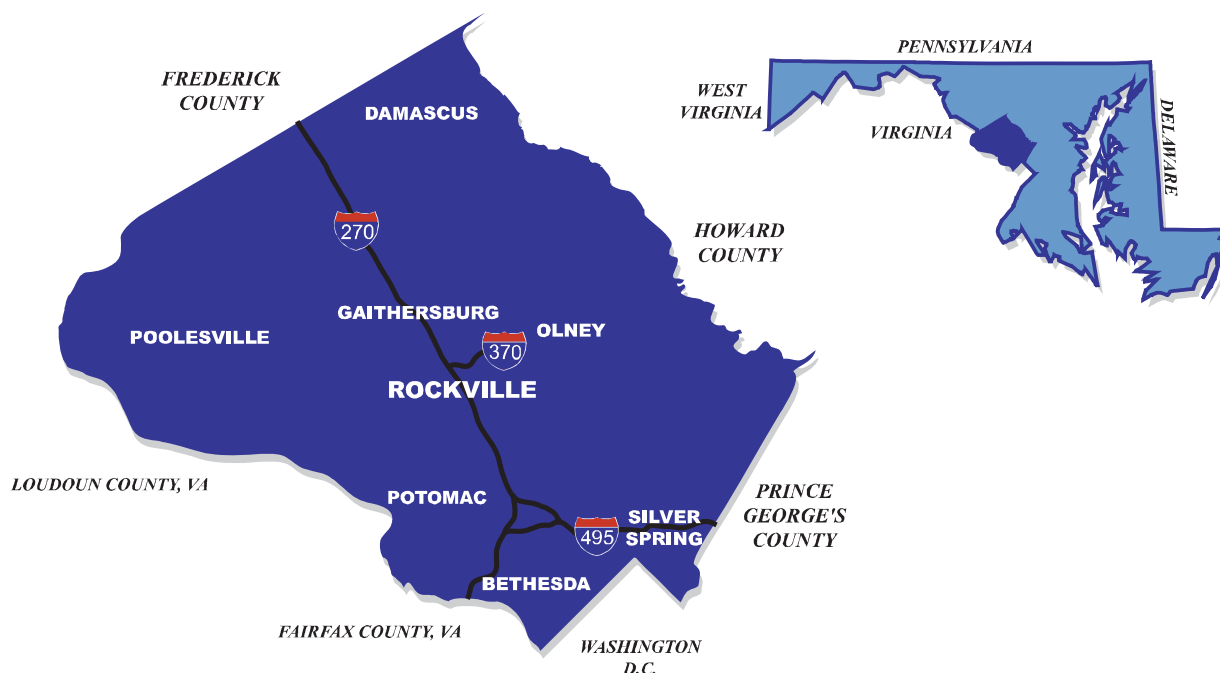
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PROFILE OF THE GOVERNMENT

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



Budgetary Overview

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

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

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

Budget-to-actual comparison schedules (statements) for major funds are presented in Exhibits RSI-1 to RSI-3 as part of the Required Supplementary Information section of this annual report. Non-major funds are presented in the Supplementary Data section of the report.

The Reporting Entity

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

INFORMATION USEFUL IN ASSESSING THE COUNTY'S ECONOMIC CONDITION

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

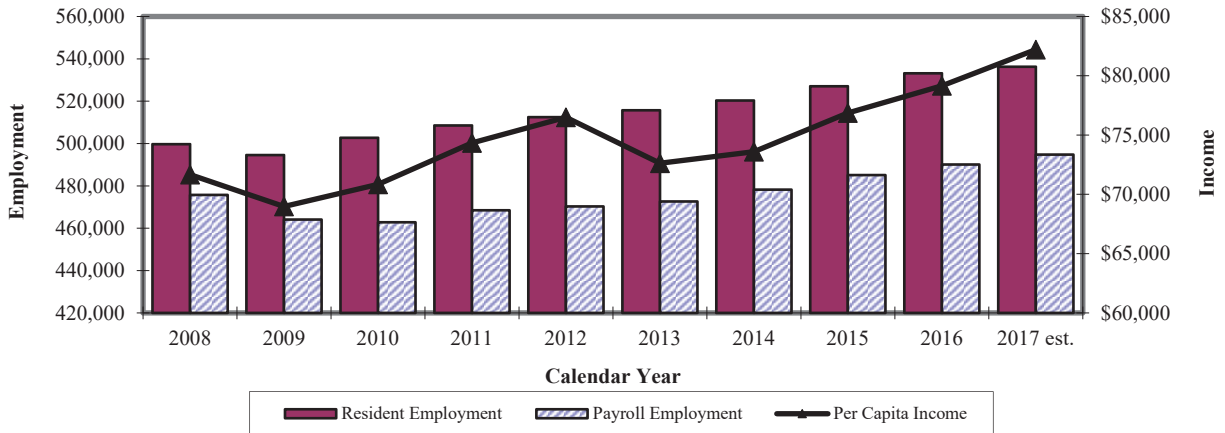
The Local Economy

Montgomery County's economy improved during fiscal year 2017 (FY17) compared to the economic performance in FY16. On a fiscal year basis, the major reasons for the improvement were increases in payroll employment (1.3%) and in resident employment (1.9%). Other economic indicators improved during FY17 as well. The unemployment rate declined from 3.5 percent in FY16 to 3.2 percent in FY17, and sales of existing homes increased from 12,315 in FY16 to 12,644 in FY17 (2.7%), and median sales price for an existing home increased from \$398,446 to \$413,407 (3.8%). Total new construction increased 13.7 percent in FY17, solely attributed to new non-residential construction which increased 38.6 percent while new residential construction decreased 18.9 percent.

Personal Income and Employment

Income tax revenues for the County represented 40.2 percent of total tax revenues for the General Fund in FY17. Two economic indicators, personal income and employment, are the major contributors that drive income tax receipts. On a calendar year basis, per capita personal income increased from \$71,668 in 2008 to an estimated \$82,209 in 2017 – an average annual rate of 1.5 percent. However, over the past ten years, the rate of growth in per capita personal income experienced two distinct cycles. From 2008 to 2010, per capita income declined at a 0.4 percent average annual rate, but it is estimated to grow at an annual rate of 2.5 percent from 2010 to 2017.

Resident, Payroll Employment, and Per Capita Income Montgomery County



SOURCES: Bureau of Labor Statistics, U.S. Department of Labor
 Bureau of Economic Analysis, U.S. Department of Commerce
 Montgomery County Department of Finance

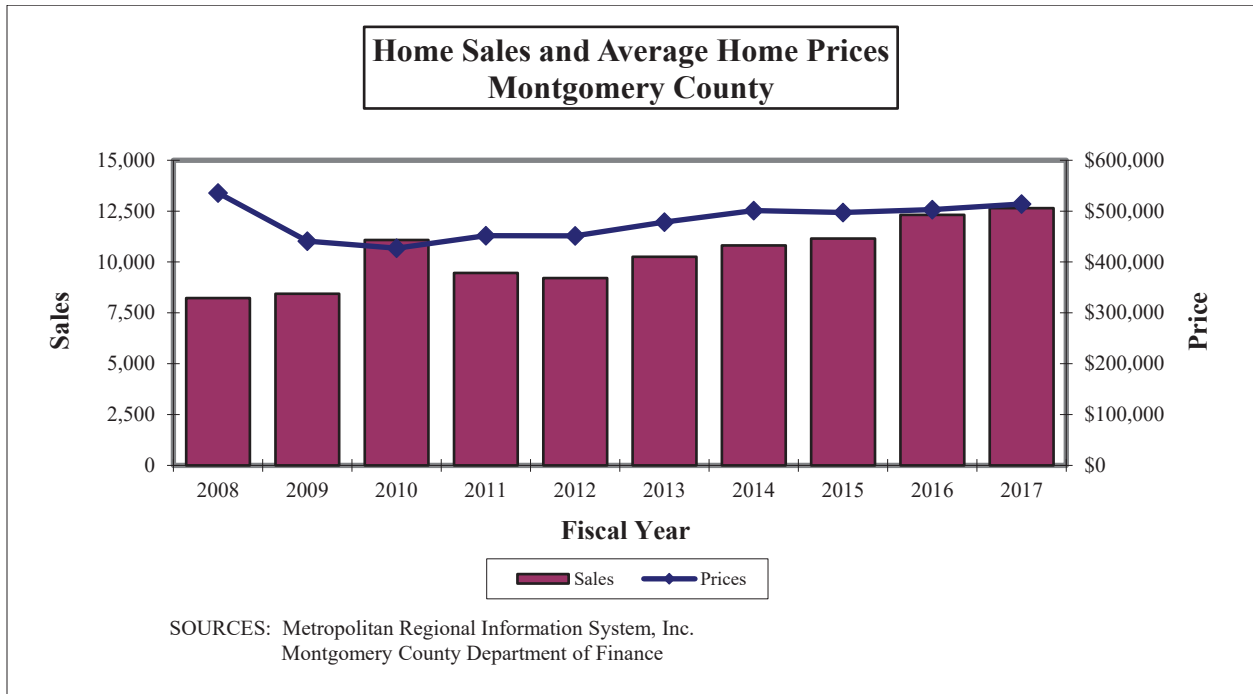
In 2008, resident employment in Montgomery County stood at 499,705. By calendar year 2017 (CY17), employment is expected to reach approximately 536,300 — an average annual increase of 0.8 percent. However, growth in resident employment also experienced two distinct cycles. Between 2008 and 2010, resident employment grew at an average annual rate of only 0.2 percent, but is expected to increase at an average annual rate of 1.1 percent between 2010 and 2017, or 5.4 times the 2008-2010 rate.

Payroll employment in the County was approximately 475,700 in 2008 and is expected to experience an increase in 2017 to approximately 494,800 – an average annual increase of 0.4 percent. Payroll employment experienced two distinct cycles over the ten-year period. From 2008 to 2010, payroll employment steadily decreased at an average annual rate of 0.9 percent. From 2010 to 2017, payroll employment is expected to increase at an average annual rate of 1.1 percent.

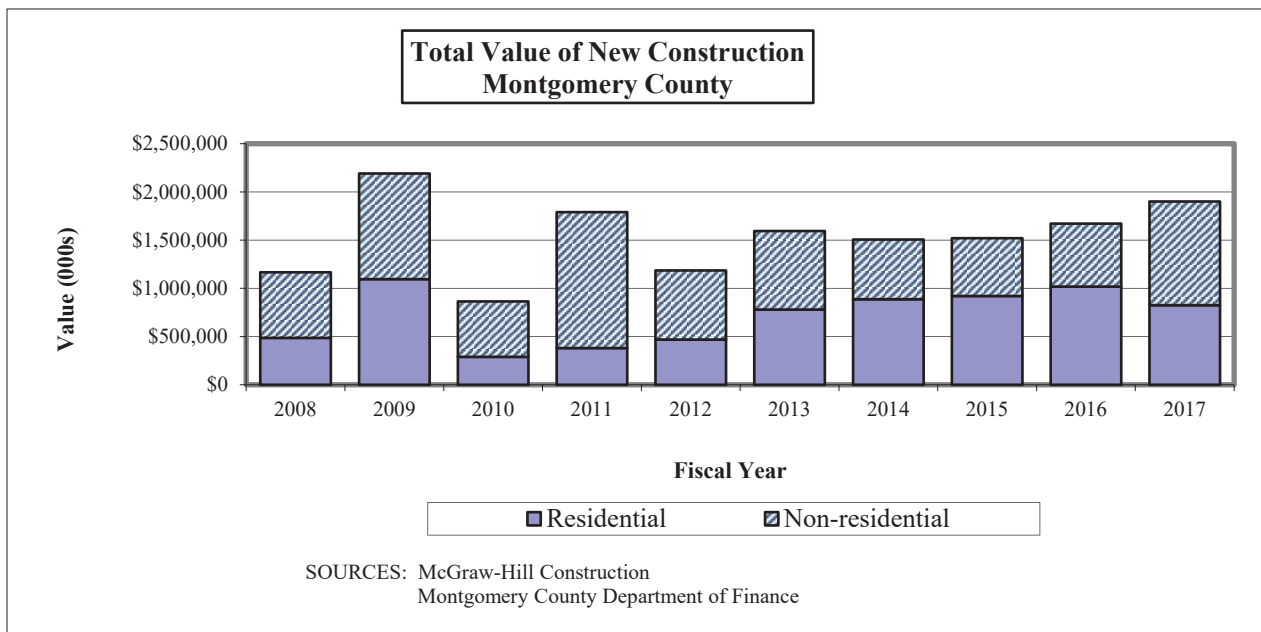
Construction and Real Estate

The property taxes in the General Fund and the transfer and recordation taxes consisted of 47.5 percent share and 4.9 percent share, respectively, of total tax revenues for the General Fund in FY17. Construction and real estate activity play a significant role in Montgomery County’s economy and 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 obsolescent property (equipment and real estate) and grow the base by providing additional capacity to meet increases in employment and new households. Changes in home prices affect both the property tax assessments and the transfer and recordation taxes. However, changes in home prices may affect property tax revenues with a lag because of the homestead tax credit. Average prices for existing homes were up 2.2 percent in FY17, and sales of existing homes increased 2.7 percent. That increase in home sales followed a decrease of 2.7 percent in FY12, an increase of 11.4 percent in FY13, an increase of 5.5 percent in FY14, an increase of 3.1 percent in FY15, and an increase of 10.4 percent in FY16. The increase in average sales price and the increase in sales in FY17 resulted in an increase of 3.6 percent from residential transfer taxes. Receipts from non-residential transfer taxes (including farm and rezoned rates) increased 29.5 percent in FY17. Overall, transfer taxes

collected for the General Fund were up 17.3 percent but recordation taxes were down 1.3 percent in FY17 attributed to a decrease in the General Fund rate.



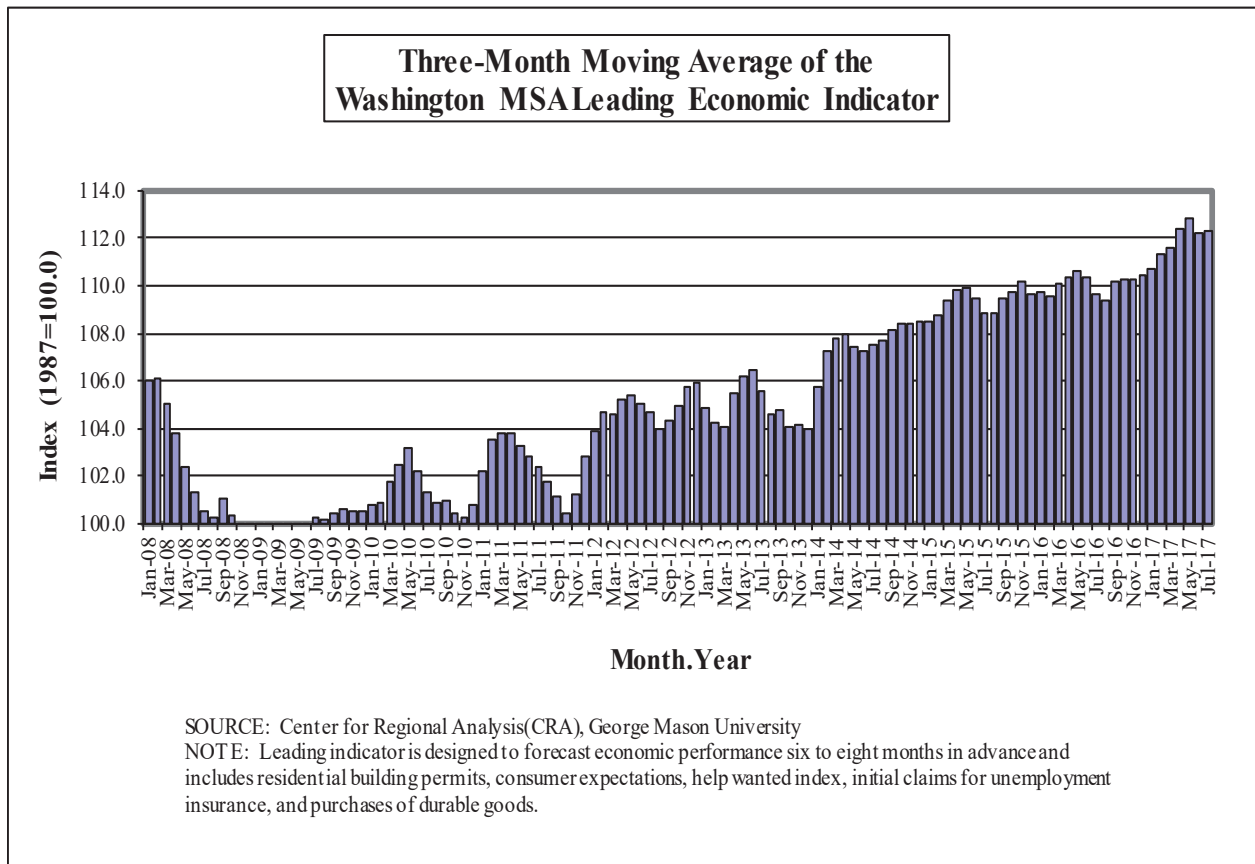
While the value of residential construction decreased 18.9 percent in FY17, total value of new construction at \$825.6 million was up \$122.6 million compared to the nine-year average between FY08-FY16. The total number of residential construction starts - both multi-family and single-family units – decreased 15.4 percent from FY16. The number of new detached single-family units increased 0.3 percent from 1,422 units in FY16 to 1,426 units in FY17. Construction of multi-family units in FY17 of 2,980 decreased 20.4 percent but was still the third highest number in the past ten fiscal years. Compared to the decrease in value of residential sector construction in FY17, the total value of non-residential construction at \$1,075.0 million was up 64.6 percent in FY17.



Future Economic Outlook

Following FY17 in which the County’s economy experienced an increase in resident employment (1.9%), a decline in the average monthly unemployment rate to 3.2 percent, an estimated increase in per capita income (3.9% in *calendar* year 2017), and an increase in the sales of existing homes, the outlook for FY18 is expected to see a modest continuation of economic growth with uncertainty regarding increases in interest rates. Because of the uncertainty of the increases in interest rates – both the rate and the number of increases - attributed to the actions by the Federal Reserve in FY18, such increases could have an impact on mortgage rates and thereby affect the sales prices of homes in the County and affect both residential transfer and recordation tax revenues.

According to the Stephen S. Fuller Institute, the Washington Area Leading Index, which forecasts the performance of the region’s economy six to eight months in advance, increased by 3.3 percent from July 2016 to July 2017, which is the strongest increase since November 2014. The Leading Index has registered solid gains for six consecutive months in calendar year 2017 (from February through July). The strong performance of the Leading Index during this six-month period suggests further economic growth through FY18.



Collective Bargaining

International Association of Fire Fighters (IAFF)

Full funding was appropriated for the following contract provisions in FY18 for the Local 1664, Montgomery County Career Fire Fighters Association of the International Association of Fire Fighters, AFL-CIO:

- 2% general wage adjustment for all bargaining unit members on the first full pay period after October 1, 2017
- 3.5% longevity increments for bargaining unit members with either 20 or 24 years of service.
- 3.5% service increments for all eligible bargaining unit members on their anniversary date.

Fraternal Order of Police (FOP)

Full funding was appropriated for the following contract provisions in FY18 for the Fraternal Order of the Police, Lodge 35:

- 2% general wage adjustment for all bargaining unit members on the first full pay period beginning after July 1, 2017.
- 3.5% service increments for all eligible members on their anniversary date.
- 3.5% longevity increments for members who have completed 20 years of service.

Municipal and County Government Employees Organization (MCGEO)

Full funding was appropriated for the following contract provisions in FY18 for Local 1994, Municipal and County Government Employees Organization of the United Food and Commercial Workers, AFL-CIO (MCGEO):

- 2% general wage adjustment payable on the first full pay period after August 1, 2017
- 3.5% service increments for all eligible bargaining unit members on their anniversary date.
- 3.5% longevity increments for eligible bargaining unit members on the Deputy Sheriff and Correctional Officer Salary Schedule with 20 years of service, and 3% longevity increments for all other eligible members with 20 years of service.

Long-term Financial Planning

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

The reserves will be budgeted in order to provide sufficient funds for unanticipated revenue shortfalls or expenditure requirements. The County's Revenue Stabilization Fund was established to accumulate funds during periods of strong economic growth in order to provide budgetary flexibility during times of funding shortfalls. Annual transfers to the Revenue Stabilization Fund must be made of the greater of: 50 percent of selected revenues in excess of budgeted amounts; or 0.5 percent of Adjusted Governmental Revenues; or the amount needed to obtain a total reserve of 10% of Adjusted Governmental Revenues. Additional discretionary contributions may also be made. Withdrawals may be used, with the vote of six or more council members, only to support appropriations which have become unfunded. The County's Revenue Stabilization Fund is consolidated with the General Fund for financial reporting purposes.

As part of the annual operating budget process, the County develops a structurally balanced six-year fiscal plan. This plan addresses long-term structural issues in the budget, maintains the General Fund reserves at the required policy

levels, and emphasizes the priorities of education, public safety, affordable housing, transportation, and health and human services.

Significant budget challenges include rising retirement and medical costs, recognition of retiree health expenses, addressing deferred maintenance, and funding program improvements. In addition to these challenges, actions implemented at the Federal and State level may complicate the County's ability to plan for the FY18 – FY23 period. The County is closely monitoring proposed changes in the federal budget and tax policy, and analyzing the potential impact on the County's economy and financial position.

Relevant Financial Policies

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

Major Initiatives

Major initiatives of the County during FY17 that are expected to affect future financial position include the following:

Housing

The County invested over \$53.0 million in Affordable Housing including the Montgomery Housing Initiative (MHI) fund and utilized \$17.0 million from the Affordable Housing Acquisition and Preservation CIP project. This increase in dedicated funding provides for the renovations of distressed housing, the acquisition and preservation of affordable housing units, the creation of housing units for special needs residents, services to the "Building Neighborhoods to Call Home" and "Housing First" programs, and the creation of mixed income housing. The County has allocated funding to implement Bill 19-15, Landlord-Tenant Relations-Licensing of Rental Housing-Landlord-Tenant Obligations, to achieve goals of enhancing landlord-tenant outreach, tenant protections, and housing code enforcement.

Transportation

The County worked collaboratively with the Maryland Congressional delegation to secure a highly competitive transportation federal grant (\$10.0 million TIGER grant) that will be used to fund a Bus Rapid Transit (BRT) program on U.S. Route 29.

The County began a new Rock Spring Express service in July 2016, which provides express bus service between Grosvenor Metrorail Station and five bus stops in the Rock Spring Business Park. The County also began new Route 301 service on October 2, 2016. This service operates from Tobytown Drive to Rockville Metrorail Station. The new Express Service from the Cabin Branch/Clarksburg community to the Shady Grove Metro Station was launched in May 2017.

Public Safety

The County added sixteen new officer positions and one sergeant position to keep pace with population growth and calls for service. The County opened the new Public Safety Training Academy and a newly constructed Glenmont Fire Station 18.

Culture and Recreation

Montgomery County Public Libraries (MCPL) was awarded the Urban Libraries Council award for its Library Refresh program. Aspen Hill, Davis, and Little Falls libraries are currently undergoing facility refresh upgrades.

The County reopened the Ross Boddy Neighborhood Recreation Center in October 2016, which includes the addition of a new gymnasium, expanded social hall, and many new upgrades.

Education

The County increased the contribution to MCPS by \$59.6 million or 2.4%. The County's total contribution is \$19.0 million over the State required MOE level of funding.

The County's funding for Montgomery College is \$2.0 million over MOE for the sixth year in a row. The County contribution increased by 47% in total and 75.3% on a per student full-time enrollment basis since 2013.

General Government

The County bolstered the MOVE Program with the EXPAND program to incentivize local companies in leasing vacant office space to support their growth in the County.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County, Maryland for its CAFR for the fiscal year ended June 30, 2016. Montgomery County has received the Certificate of Achievement more than any other county in the nation; 47 times since 1951, and consecutively for 45 years since 1972.

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

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

Distinguished Budget Presentation

GFOA presented the Distinguished Budget Presentation Award to Montgomery County, Maryland for its annual budget for the fiscal year beginning July 1, 2017. In order to receive this award, a government must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. Montgomery County has received this award every year since 1984, the year the program was established. The Office of Management and Budget believes the current budget continues to conform to program requirements and is submitting it to GFOA to determine its eligibility for another award.

Acknowledgments

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

USE OF THIS REPORT

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

Respectfully submitted,



Alexandre A. Espinosa
Director of Finance

ACKNOWLEDGMENTS

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

Department of Finance, The Division of the Controller

Eiman Abdalla	Mauricio Delgado	Xuerong Liu	Karen Smith
Mahlet Alemu	Tuyet Garcia	Dongmei Li	Iraj Soroori
Yihui Brown	Jayanthi Hariprasadh	Lenny Moore	Sarita Swar
Douglas Campbell	Jason Hsu	Marcia Mikulski	Michael Toney
Chander Chadha	Rachel Hsu	Jay Narang	Almon Turner
Mei Chen	Tim Hughes	Lal Sangliani	Jeanie Yu
Melissa Chui	Joelle Kabala	Stephanie Sawyer	Kim Williams
Sean D'Costa	Chong Lee	Lisa Sesny	Rami Zackaria
William Davis	Michael Lee	Laleh Shabani	

Department of General Services

Jamie P. Cooke	Michelle West
Quinton McHenry	Rick Taylor
Gary Tillman and the Print Shop	

Department of Liquor Control

Phil Smith
Courtney Orsini

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

Jacqueline Carter	Kimberly Gay-Armour	Lih Jiang	David Platt
Sing Chan	Robert Hagedoorn	Lydia Lan	Uday Ravipati
Phavann Chhuan	Amanda Hardy-Konkus	Chandra Maddela	Matthew Rosenstock
Michael Coveyou	Karen Hawkins	Andrew Marschhauser	Pam Schroeder
Dennis Denisov	Molly Hayward-Koert	Karen Michalak	Pamela Vaughn
			Erin Von Nessen

Department of Environmental Protection

Richard Hands	Scott McClure
Don Birnesser	Anthony Skinner
Rao Malladi	

Office of Management and Budget

Chris Mullin	Jelani Newton
--------------	---------------

Office of Public Information

David Jeo

Department of Transportation

Alex Kinyenje	Flor Reichers
Annette Cheng	Luz Rodriguez

Office of Human Resources

Karen Bass	Jennifer Shovlin
Kay Russell Deerin	

Montgomery County Employee Retirement Plans

Linda Herman	Michael Quinn
Priti Mehta	Yan Yan

Component Units

Bethesda Urban Partnership, Inc.

Jeff Oyer	Enrico Ammirato
-----------	-----------------

Montgomery County Public Schools

Bei (Susan) Chen	Jack Dodson
Nicola Diamond	

Housing Opportunities Commission

Eugenia Pascual	Gail Willison
Francisco Vega	

Montgomery College

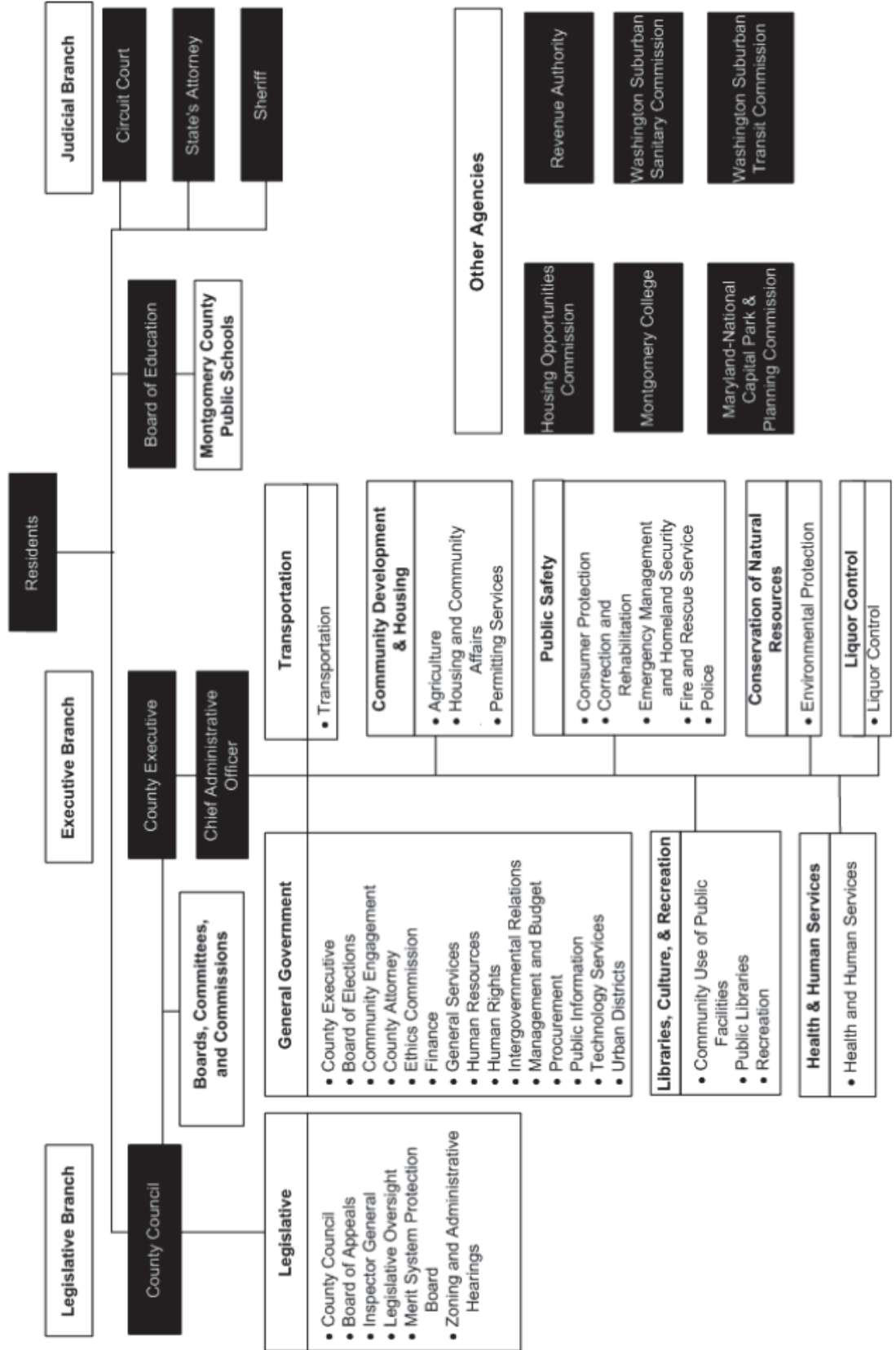
Phillip Howard	Monica Wong
Kathryn Chantry	

Montgomery County Revenue Authority

Michael Boone	Patricia Conrad
---------------	-----------------

Appreciation is also extended to employees in all County departments and agencies who participate in the year-end process.

Montgomery County, Maryland Functional Organization Chart



**MONTGOMERY COUNTY, MARYLAND
ELECTED OFFICIALS
June 30, 2017**

**COUNTY EXECUTIVE
Isiah Leggett**

COUNTY COUNCIL

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

Other Elected Officials

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

APPOINTED OFFICIALS

Chief Administrative Officer	Timothy L. Firestine
Agriculture Services	Jeremy V. Criss
Board of Appeals	Barbara Jay
Consumer Protection	Eric Friedman
Correction and Rehabilitation	Robert Green
County Attorney	Marc Hansen
County Council	Stephen B. Farber
Environmental Protection	Lisa Feldt
Ethics Commission	Robert W. Cobb
Finance	Alexandre A. Espinosa
Fire and Rescue Service	Scott Goldstein
General Services	David E. Dise
Health and Human Services	Uma S. Ahluwalia
Housing and Community Affairs	Clarence J. Snuggs
Human Resources	Shawn Y. Stokes
Inspector General	Edward L. Blansitt, III
Intergovernmental Relations	Melanie L. Wenger
Legislative Oversight	Dr. Chris Cihlar
Liquor Control	Robert Dorfman
Management and Budget	Jennifer Hughes
Merit System Protection Board	Bruce P. Martin
Permitting Services	Diane Schwartz Jones
Police	J. Thomas Manger
Procurement	Cherri Branson
Public Information	Patrick Lacefield
Public Libraries	Parker Hamilton
Recreation	Gabriel Albornoz
Technology Services	Sonny Segal
Transportation	Al Roshdiah
Zoning and Administrative Hearings	Martin L. Grossman

COMPONENT UNIT OFFICIALS

Montgomery County Public Schools

Board of Education:

Michael A. Durso, President
Dr. Judith R. Docca, Vice President

Jeanette Dixon Jill Ortman-Fouse
Shebra Evans Rebecca Smondrowski
Patricia O'Neill
Matthew Post, Student Member

Dr. Jack Smith, Superintendent of Schools

Montgomery County Revenue Authority

Board of Directors:

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

David Freishtat
Andrew Kleine
Jonathan W. Powell
Ramona Bell-Pearson, Ex-Officio Member

Keith Miller, Chief Executive Officer

Bethesda Urban Partnership, Inc.

Board of Directors:

Jack Alexander, Chair
Robert Donohoe, Jr., Vice Chair
Len Simon, Treasurer
Deborah Michaels, Secretary

Jane Fairweather Gregory Rooney
Andrew Jones Patrick O'Neill
Elaine Joost Samir Paul

Kenneth B. Hartman, Ex-Officio: County Executive Rep
Rick Ammirato, Executive Director (9/16 - present)

Montgomery College

Board of Trustees:

Marsha Suggs Smith, Chair
Michael J. Knapp, First Vice-Chair
Gloria Aparicio Blackwell, Second Vice-Chair

Dr. Kenneth J. Hoffman Robert F. Levey
Dr. Robert J. Hydorn Michael D. Priddy
Dr. Leslie S. Levine Benjamin H. Wu

Dr. DeRionne P. Pollard, President & Secretary-Treasurer

Housing Opportunities Commission of Montgomery County

Commissioners:

Jackie Simon, Chair
Christopher Hatcher, Vice Chair
Richard Y. Nelson, Jr., Chair Pro Tem

Pamela Byrd
Linda Croom
Margaret McFarland
Edgar G. Rodriguez

Stacy L. Spann, Executive Director

INDEPENDENT AUDITORS

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

Elected Officials

Montgomery County, Maryland



Isiah Leggett
County Executive



Roger Berliner
Council President



Hans Riemer
Council Vice-President



Marc Elrich
Council Member



Nancy Floreen
Council Member



Tom Hucker
Council Member



Sidney Katz
Council Member



George Leventhal
Council Member



Nancy Navarro
Council Member



Craig Rice
Council Member





FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable County Council
of Montgomery County, Maryland
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., which represent 2.4 percent, 1.4 percent, and 0.1 percent, respectively, of the assets, net position and revenues of the non-major component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Bethesda Urban Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 25 and the budgetary comparison information for the general, housing initiative and grants funds, the Consolidated Retiree Health Benefits Trust, Employees' Retirement System, Maryland State Retirement and Pension System, and the notes to required supplementary information on pages 149 through 167 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

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

Financial Highlights

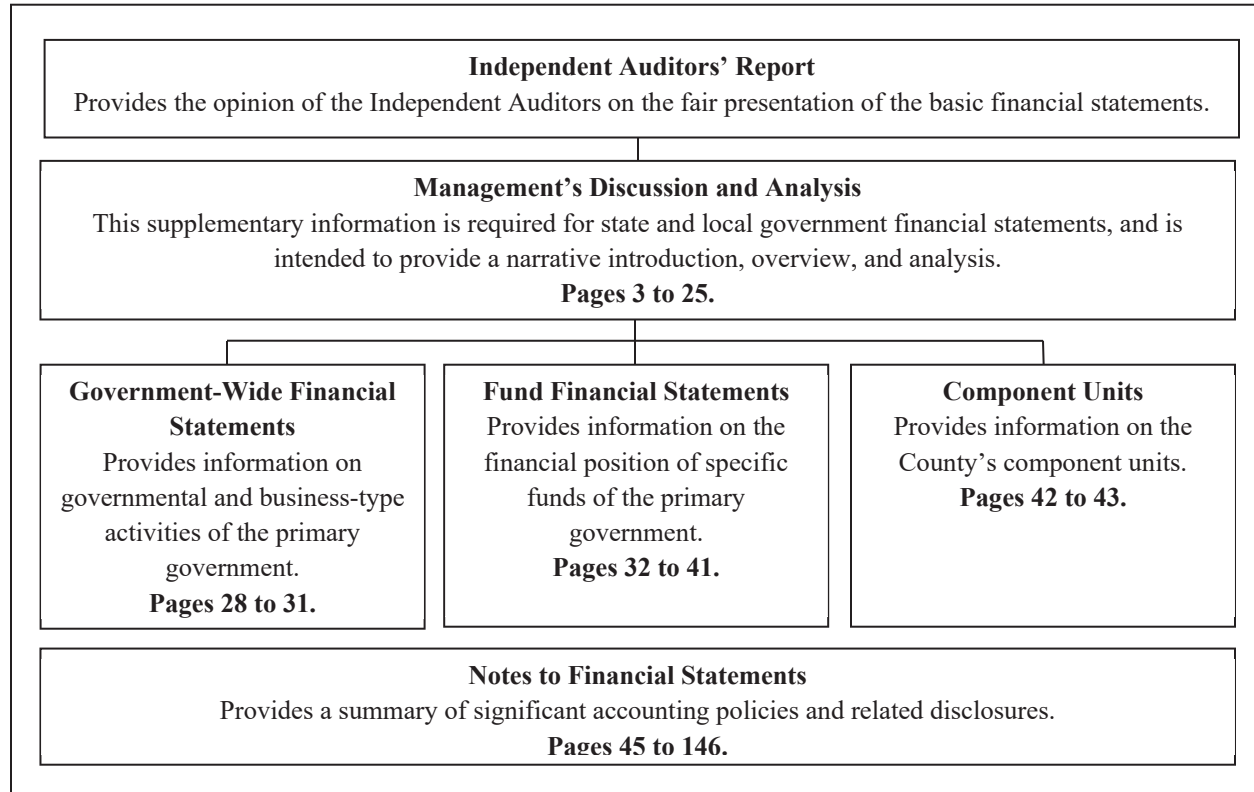
- The government-wide assets and deferred outflows of the County exceeded its liabilities and deferred inflows of resources at the close of FY17 by \$1,187.5 million. That amount is net of a \$1,845.6 million unrestricted deficit. The deficit occurs mainly because the County issues debt to fund construction costs for Montgomery County Public Schools (MCPS) and Montgomery College (MC), 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 \$1,706.3 million at June 30, 2017. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of \$139.3 million.
- The County's total government-wide net position increased by \$200.2 million.
- As of the close of FY17, the County's governmental funds reported combined ending fund balances of \$948.6 million; an increase of \$52.9 million over the prior year's ending fund balances. Of the total ending fund balances, \$118.4 million is available for spending at the County's discretion.
- At the end of FY17, unassigned fund balance for the General Fund was \$118.4 million, or 4.0 percent of total General Fund expenditures.
- The County's government-wide long-term debt and obligations increased by \$272.2 million during FY17. The key factors in this increase are:
 - The issuance of \$340.0 million in general obligation (GO) bonds, used to refund \$340.0 million in bond anticipation notes (BANS). Included in this issuance was an addition of \$29.8 million in GO premiums.
 - The issuance of an additional \$340.0 million in BANS.
 - The issuance of Certificates of Participation (Montgomery College Improvements) in the amounts of \$23.1 million and \$1.8 million.
 - An increase in the Net Pension Liability of \$126.1 million.
 - The retirement of \$218.0 million in GO bond and variable rate demand obligations principal and amortization of related premiums of \$38.7 million.

Overview of the Financial Statements

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

an introduction to Montgomery County’s basic financial statements. Montgomery County’s basic financial statements comprise three components, including government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Organization and Flow of Financial Section Information



Government-Wide Financial Statements

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

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

The second statement – the statement of activities – presents information showing how the County’s net position changed during the fiscal year. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The information on governmental activities included in the statement reflect the County’s basic services, including general government, public safety, public works and transportation, health and human services, and others. Taxes, including the property and income tax, license and permit fees, intergovernmental revenues, charges for services, fines and forfeitures, and investment income

finance the majority of these services. The business-type activities reflect private sector-type operations, including: liquor control, solid waste activities, four parking lot districts, permitting services, and community use of public facilities, where fees for services or products are required or designed to recover the cost of operation, including depreciation.

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

that the excess income/loss for the internal service funds has been redistributed to the customers, including business-type activities; such reconciliations are reflected on the bottom of the proprietary fund financial statements.

Fiduciary Funds

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

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

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

Statement of Net Position

The following presents a summary of the Statements of Net Position for the County as of June 30, 2017 and 2016:

Summary of Net Position *						
June 30, 2017 and 2016						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 1,916,290,728	\$ 1,746,800,903	\$ 240,962,701	\$ 225,735,790	\$ 2,157,253,429	\$ 1,972,536,693
Capital assets, net	4,563,021,889	4,317,030,553	267,940,685	272,409,833	4,830,962,574	4,589,440,386
Total Assets	<u>6,479,312,617</u>	<u>6,063,831,456</u>	<u>508,903,386</u>	<u>498,145,623</u>	<u>6,988,216,003</u>	<u>6,561,977,079</u>
Deferred outflows of resources	<u>298,181,741</u>	<u>323,653,705</u>	<u>13,817,332</u>	<u>13,009,404</u>	<u>311,999,073</u>	<u>336,663,109</u>
Liabilities						
Long-term liabilities outstanding	5,235,915,855	4,965,410,989	162,687,020	160,944,227	5,398,602,875	5,126,355,216
Other liabilities	638,703,194	552,978,496	36,565,897	43,810,425	675,269,091	596,788,921
Total Liabilities	<u>5,874,619,049</u>	<u>5,518,389,485</u>	<u>199,252,917</u>	<u>204,754,652</u>	<u>6,073,871,966</u>	<u>5,723,144,137</u>
Deferred inflows of resources	<u>37,127,197</u>	<u>180,450,501</u>	<u>1,697,815</u>	<u>7,749,588</u>	<u>38,825,012</u>	<u>188,200,089</u>
Net position:						
Net investment in capital assets	2,336,853,956	2,280,466,863	186,321,262	139,122,346	2,523,175,218	2,419,589,209
Restricted	441,648,621	415,275,255	68,287,578	88,115,316	509,936,199	503,390,571
Unrestricted (deficit)	<u>(1,912,754,465)</u>	<u>(2,007,096,943)</u>	<u>67,161,146</u>	<u>71,413,125</u>	<u>(1,845,593,319)</u>	<u>(1,935,683,818)</u>
Total Net Position	<u>\$ 865,748,112</u>	<u>\$ 688,645,175</u>	<u>\$ 321,769,986</u>	<u>\$ 298,650,787</u>	<u>\$ 1,187,518,098</u>	<u>\$ 987,295,962</u>

* Primary Government

Note: 2016 balances have been restated for the adoption of GASB No. 73. See details in Note I-E.

The County's current and other assets increased by \$184.7 million or 9.4 percent from FY16. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of FY17 by \$1,187.5 million. By far the largest portion of the County's net position reflects its investment in capital assets (e.g., land, buildings, improvements, furniture and equipment, infrastructure), less any related outstanding debt used to construct or acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

It is also important to note that although counties in the state of Maryland issue debt for the construction of schools, those school buildings are owned by each county's Board of Education. The County also funds projects for MC 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 \$1,706.3 million at June 30, 2017. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of \$139.3 million. An additional portion of the County's net position (\$510.0 million or 43.0 percent) represents resources that are subject to restrictions on how they may be used.

The County's total net position increased by \$200.2 million for FY17 or 20.3 percent over FY16.

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Statement of Activities

The following table summarizes the County's change in net position for the years ended June 30, 2017 and 2016:

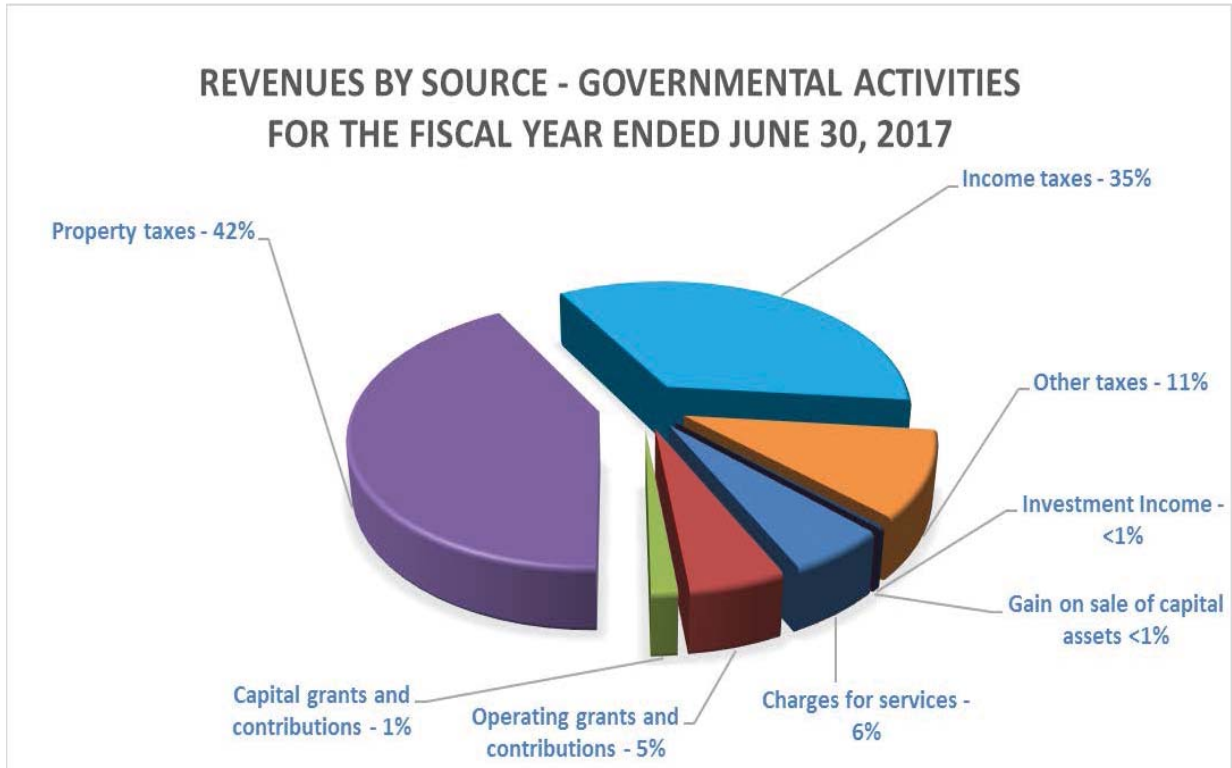
Summary of Changes in Net Position *						
For the Fiscal Years Ended June 30, 2017 and 2016						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for services	\$ 235,174,216	\$ 204,117,528	\$ 500,633,492	\$ 491,983,515	\$ 735,807,708	\$ 696,101,043
Operating grants and contributions	224,788,411	204,015,609	-	-	224,788,411	204,015,609
Capital grants and contributions	61,960,979	62,338,151	-	-	61,960,979	62,338,151
General revenues:						
Property taxes	1,792,921,614	1,593,880,896	(45,762)	(657,506)	1,792,875,852	1,593,223,390
Income taxes	1,481,806,881	1,464,946,447	-	-	1,481,806,881	1,464,946,447
Other taxes	447,445,749	429,329,869	-	-	447,445,749	429,329,869
Investment income	13,770,994	7,907,133	1,068,863	415,329	14,839,857	8,322,462
Gain/(loss) on sale of capital assets	-	172,639	162,042	9,855,423	162,042	10,028,062
Total Revenues	4,257,868,844	3,966,708,272	501,818,635	501,596,761	4,759,687,479	4,468,305,033
EXPENSES						
Governmental Activities:						
General government	540,011,504	624,551,802	-	-	540,011,504	624,551,802
Public safety	641,585,272	620,407,666	-	-	641,585,272	620,407,666
Public works and transportation	258,627,800	279,744,940	-	-	258,627,800	279,744,940
Health and human services	319,917,837	292,252,497	-	-	319,917,837	292,252,497
Culture and recreation	134,848,367	116,004,130	-	-	134,848,367	116,004,130
Community development and housing	50,618,370	42,140,359	-	-	50,618,370	42,140,359
Environment	29,095,268	29,886,401	-	-	29,095,268	29,886,401
Education	2,037,048,982	1,899,997,038	-	-	2,037,048,982	1,899,997,038
Interest on long-term debt	100,887,704	99,889,037	-	-	100,887,704	99,889,037
Business-type Activities:						
Liquor control	-	-	273,828,277	264,763,943	273,828,277	264,763,943
Solid waste activities	-	-	92,126,174	105,838,154	92,126,174	105,838,154
Parking lot districts	-	-	34,418,684	33,453,769	34,418,684	33,453,769
Permitting services	-	-	36,065,066	31,042,939	36,065,066	31,042,939
Community use of public facilities	-	-	10,386,038	10,301,634	10,386,038	10,301,634
Total Expenses	4,112,641,104	4,004,873,870	446,824,239	445,400,439	4,559,465,343	4,450,274,309
Net Position Before Transfers	145,227,740	(38,165,598)	54,994,396	56,196,322	200,222,136	18,030,724
Transfers	31,875,197	49,385,156	(31,875,197)	(49,385,156)	-	-
Change in Net Position	177,102,937	11,219,558	23,119,199	6,811,166	200,222,136	18,030,724
Net Position, beginning of year, as restated	688,645,175	677,425,617	298,650,787	291,839,621	987,295,962	969,265,238
Net Position, end of year	<u>\$ 865,748,112</u>	<u>\$ 688,645,175</u>	<u>\$ 321,769,986</u>	<u>\$ 298,650,787</u>	<u>\$ 1,187,518,098</u>	<u>\$ 987,295,962</u>

* Primary Government

Note: 2016 balances have been restated for the adoption of GASB No.73. See details in Note I-E.

Governmental Activities

Revenues for the County's governmental activities were \$4,257.9 million for FY17. Sources of revenue are comprised of the following items:

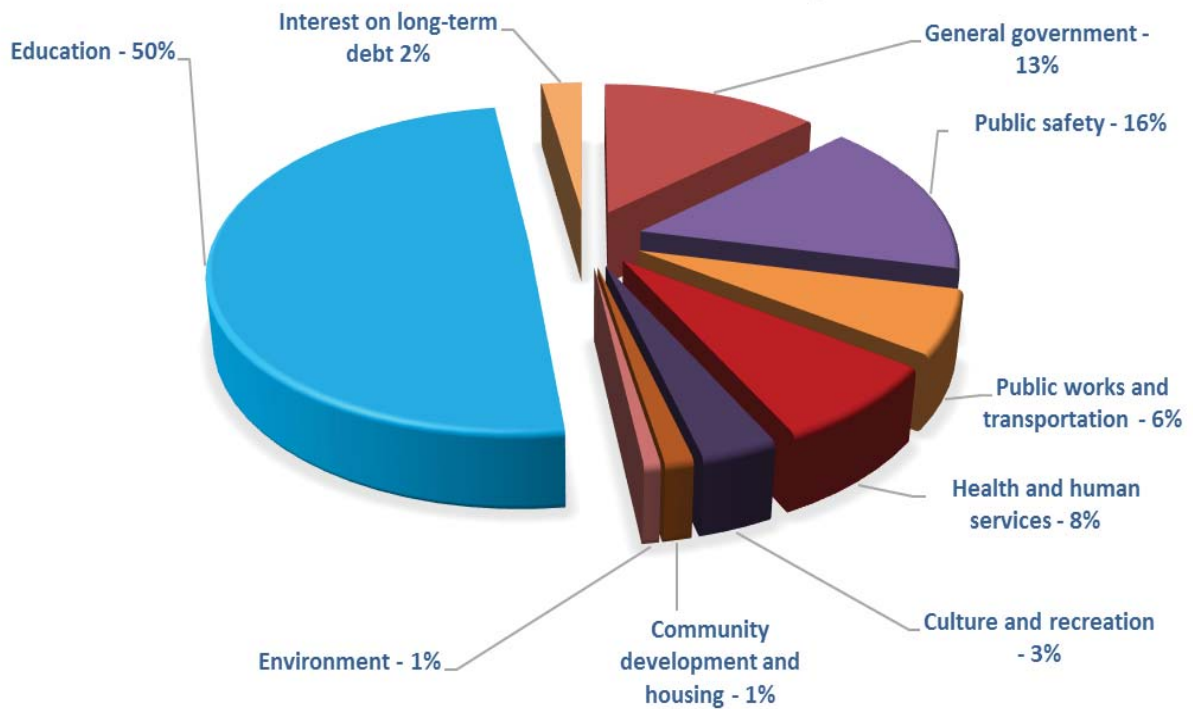


- Taxes constitute the largest source of County revenues, amounting to \$3,722.2 million for FY17.
- Property and local income taxes combined comprise 76.9 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 3.2 percent of the State taxable income for calendar years 2017 and 2016. 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 (\$119.8 million or 53.3 percent), public works and transportation (\$55.4 million or 24.7 percent) and public safety (\$32.0 million or 14.3 percent).

A more detailed discussion of the County's revenue results for FY17 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 FY17 was \$4,112.6 million. As the chart on the next page indicates, education constitutes the County's largest program and highest priority; education expenses totaled \$2,037.0 million. Public safety expenses totaled \$641.6 million, general government services totaled \$540.0 million, and health and human services, the fourth largest expense for the County, totaled \$319.9 million.

**EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



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

Net Cost of County's Governmental Activities						
For the Fiscal Years Ended June 30, 2017 and 2016						
	Expenses		Revenues		Net Cost of Services	
	2017	2016	2017	2016	2017	2016
Education	\$ 2,037,048,982	\$ 1,899,997,038	\$ -	\$ -	\$ 2,037,048,982	\$ 1,899,997,038
Public safety	641,585,272	620,407,666	90,861,570	95,505,531	550,723,702	524,902,135
General government	540,011,504	624,551,802	94,290,229	81,021,166	445,721,275	543,530,636
Public works and transportation	258,627,800	279,744,940	142,662,558	125,931,857	115,965,242	153,813,083
Health and human services	319,917,837	292,252,497	125,629,316	107,349,912	194,288,521	184,902,585
Culture and recreation	134,848,367	116,004,130	50,479,019	44,982,761	84,369,348	71,021,369
Other	180,601,342	171,915,797	18,000,914	15,680,061	162,600,428	156,235,736
Total	\$ 4,112,641,104	\$ 4,004,873,870	\$ 521,923,606	\$ 470,471,288	\$ 3,590,717,498	\$ 3,534,402,582

Of the total cost of governmental activities of \$4,112.6 million, \$521.9 million was paid by those who directly benefited from the programs (\$235.2 million) and other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$286.7 million). Of the \$3,590.7 million net cost of services, our taxpayers paid for these activities through County taxes which totaled \$3,722.2 million; also available to contribute towards such net costs were investment income and other contributions not restricted to a specific program.

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

- Education:
\$137.1 million increase in resources spent on education.
- General Government:
\$84.5 million decrease in expenses primarily due to significant decrease of a one-time charge (Wynne case).
- Public Safety:
\$21.2 million increase in expenses primarily due to an increase in pension expense. Pension expenses are expected to fluctuate based on the calculation of the net pension liability.
- Public Works and Transportation:
\$21.1 million decrease in expenses primarily driven by fewer inclement weather events in FY17 than FY16. In General Fund, snow removals expenditures were decreased by \$17.9 million.
- Culture and Recreation:
\$18.8 million increase in expenses is due to an increase in reimbursement requests from M-NCPPC.

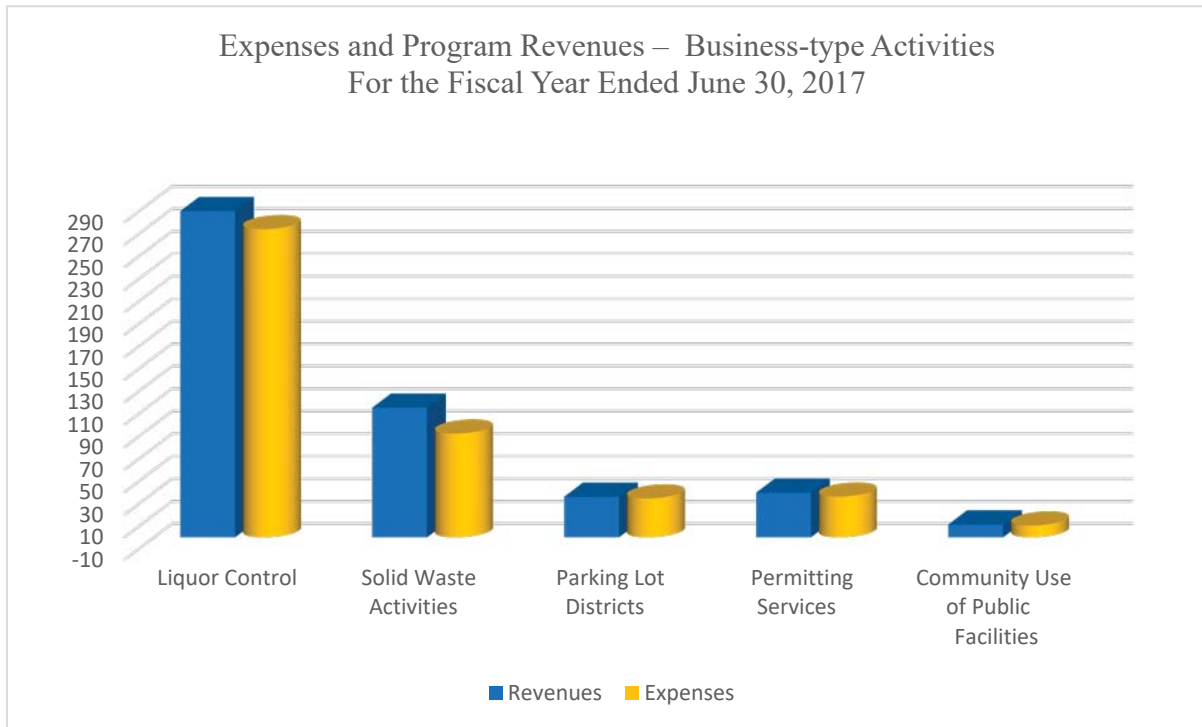
Business-type Activities

Highlights of the County's business-type activities for FY17 are as follows:

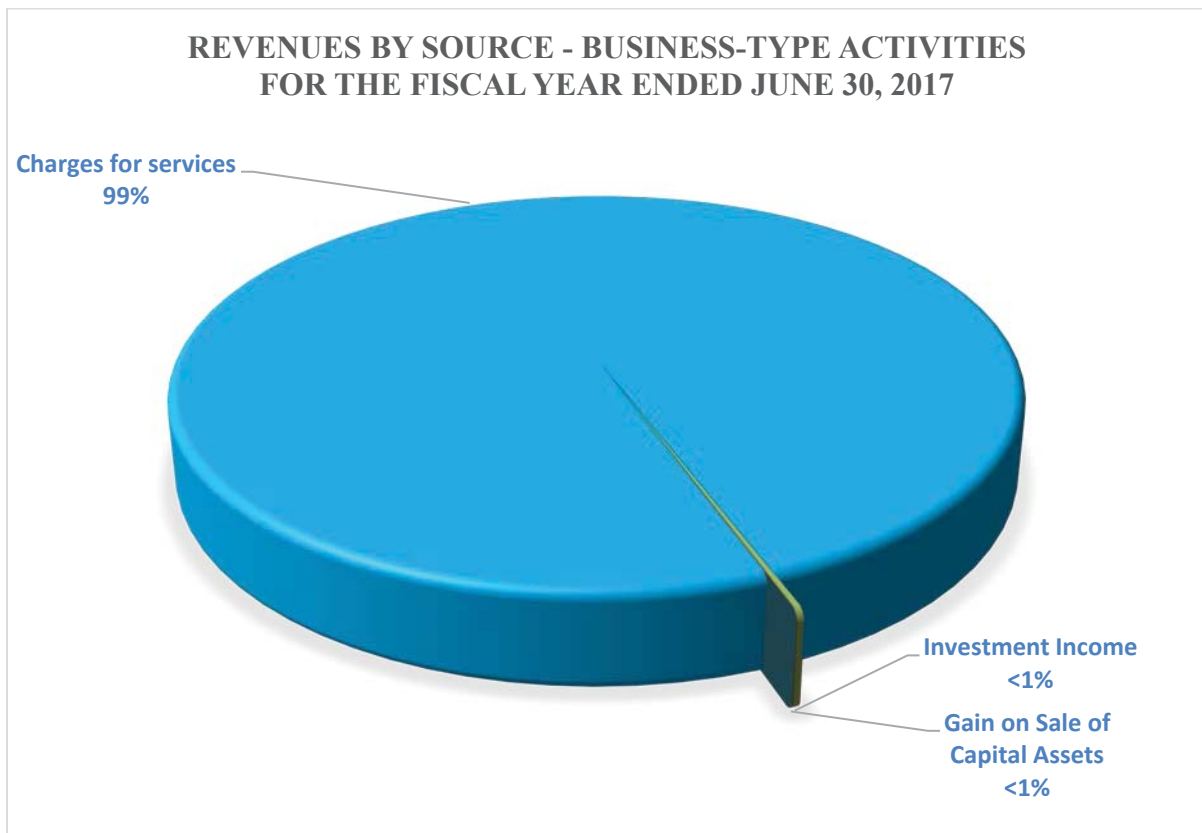
- Business-type activities experienced an increase in net position of \$23.1 million for FY17. This amount is reported after total net transfers out of \$31.9 million. The most significant components of the change include:
 - \$5.3 million increase in net position related to liquor control,
 - \$2.7 million decrease in net position related to parking lot districts; and
 - \$1.1 million decrease in net position related to permitting services.
- Charges for services to users comprise 99.8 percent of revenues, with \$298.5 million (59.6 percent of charges for services revenue) attributable to liquor control operations and \$115.2 million (23.0 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.
- Investment income of \$1.1 million reflects an increase of \$0.7 million or 157.4 percent from FY16, primarily because of the increase in pooled cash and investments during the year.

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



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



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of FY17, the County's governmental funds reported combined ending fund balances of \$948.6 million, an increase of \$53.0 million from the end of FY16. Of the total ending fund balances, \$118.3 million constitutes the unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of \$830.3 million is unavailable for new spending because it has been set aside for prior period commitments and legal restrictions.

General Fund

The General Fund is the primary operating fund of the County. At the end of FY17, the General Fund had \$118.4 million of unassigned fund balance and total fund balance was \$507.0 million. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 17.0 percent of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$26.6 million during FY17, primarily due to increases in tax revenues that were partially offset by increases other financing uses and expenditures for general government, health and human services, and education.

Housing Initiative Fund

The Housing Initiative Fund (HI) is used to account for the fiscal activity of financing, supplementing, and constructing affordable residential facilities for eligible participants. At the end of FY17, HI had a fund balance of \$249.8 million, which is entirely restricted for legal reasons. The HI fund balance represents a decrease of \$4.1 million over FY16. Mortgage Receivables for this fund, which is a measure of its financing activities, decreased \$13.2 million or 7.0 percent over FY16.

Grants Fund

The Grants Fund is used to account for Federal and State grant-funded activities of the tax-supported General and special revenue funds. The Grants Fund normally does not have fund balance at the end of each fiscal year as revenues equal expenditures - that is, expenditures of this fund are either billable to one or more federal or state agencies or paid via a transfer from another fund. However, the Grants Fund has a fund balance of \$216,033 which represents restricted assets held by the County pursuant to a grant agreement. Grants Fund received \$107.3 million in revenues for FY17. This is a \$1.7 million increase from FY16.

Debt Service Fund

The Debt Service Fund accumulates resources for the payment of general long-term debt principal, interest, and related costs. This fund does not maintain an unassigned fund balance; the restricted fund balance of \$42.3 million represents a debt service reserve account.

Capital Projects Fund

The Capital Projects Fund (CIP) has a total fund balance of \$58.3 million, an increase of \$9.3 million from the end of FY16. The fund balance of this fund can increase or decrease significantly depending on the timing of source of funds for larger capital projects. In FY16 the fund received \$357.0 million in new debt proceeds and \$381.9 million in FY17. The expenditures in FY17 increased by \$3.7 million.

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

Proprietary Funds

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

The unrestricted net position of the Liquor Fund at the end of FY17 amounted to \$21.4 million, and operating income was \$25.9 million. After a subsidy transfer to the General Fund of \$19.0 million, the fund ended FY17 with an increase in net position of \$5.3 million.

The Solid Waste Activities Fund total net position amounted to \$73.3 million. Of this amount, \$42.3 million (57.6 percent) represents the net investment of capital assets and \$31.0 million is restricted for environment.

The Parking Lot Districts Fund decrease in net position amounted to \$2.7 million in FY17, resulting in a total ending net position of \$171.3 million. Of this amount, \$136.5 million (79.7 percent) represents the net investment in capital assets; \$6.6 million (3.9 percent) is restricted for debt service on revenue bonds; and \$28.1 million (16.4 percent) is restricted for public works and transportation.

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 \$21.1 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:

- \$3.5 million to support Green Bank and Home Energy Coach Network programs to leverage investment in clean energy and energy efficient technology.
- \$2.3 million increase in snow removal and wind and rain storm cleanup relating to seven snow/ice events with total accumulation of approximately 6.4 inches.
- \$2.0 million increase for the Ryan White B – Health Support Services by the Maryland Department of Health and Mental Hygiene to fund clinical and client centered services to indigent residents living with HIV/AIDS.

Actual revenues were less than budget amounts by \$12.3 million, while actual expenditures and net transfers out were less than final budget by \$12.7 million and \$49.9 million, respectively. Highlights of the comparison of final budget to actual figures for expenditures and net transfers for the fiscal year-ended June 30, 2017, include the following:

- Actual expenditures of \$1,179.0 million were \$12.7 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 \$39.1 million and \$21.3 million, respectively. This is due both to the multi-year nature of capital projects, and to time delays that can be encountered for certain projects.

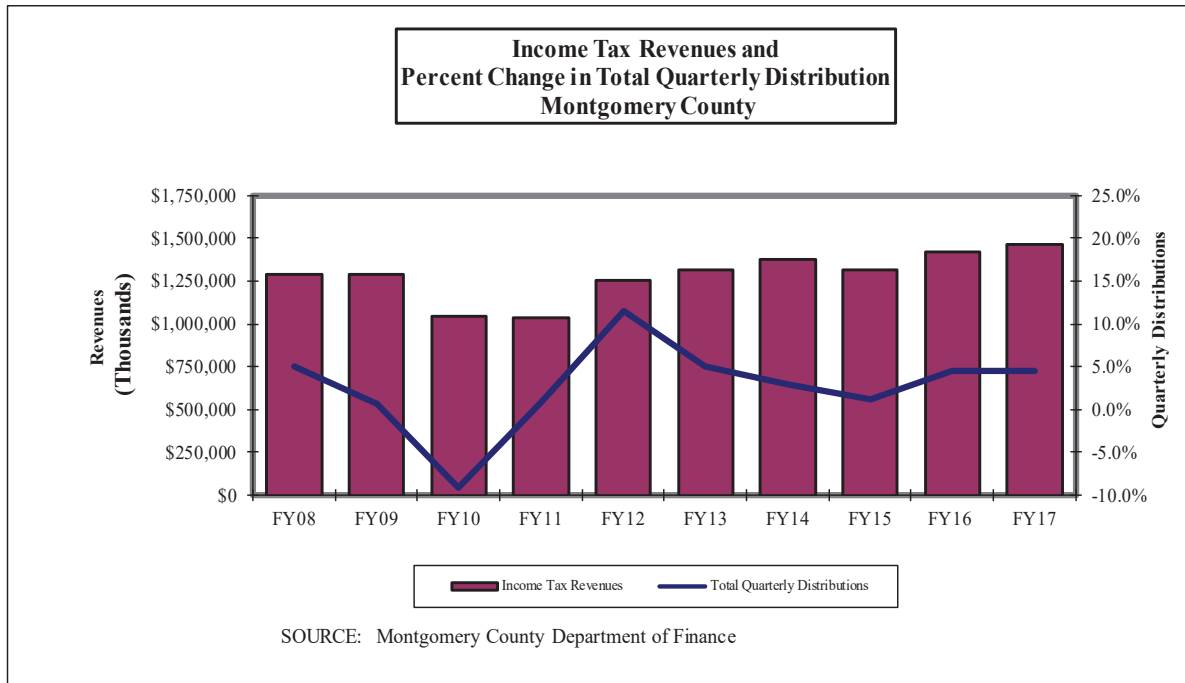
A more detailed comparison of final budget to actual figures for revenues is presented below:

Overview

Actual revenues for the General Fund totaled \$3,324.7 million and were 0.3 percent below the budget estimate for the fiscal year but 7.5 percent above actual tax revenues for FY16. The two largest contributors to the decline between the budget estimate and actual revenues were the income tax (\$21.0 million) and the fuel and energy tax (\$11.5 million). Revenues from the property tax amounted to \$1,266.9 million (\$5.0 million), or 0.4 percent, below the budget estimate but 12.5 percent above actual tax revenues for FY16. Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and other taxes, were \$268.9 million in FY17. That amount was \$9.4 million, or 4.3 percent below the budget estimate and that decrease was driven solely by the fuel and energy tax (\$11.5 million or 5.7%) below the budget estimate. However, the remaining excise taxes were \$2.1 million, or 2.8 percent above the budget estimate. Investment income was \$0.5 million below the budget estimate. Licenses and Permits came in below the budget estimate (5.8%), while Charges for Services came in above the budget estimate (12.4%). Intergovernmental revenues were \$1.8 million (or 2.4%) below the budget estimate. This decrease was solely attributed to federal reimbursements, which came in 10.0 percent below budget estimates.

Income Taxes

One of the largest revenue sources for the General Fund is the County income tax. Revenues from the income tax were \$1,466.6 million and represented 46.1 percent of actual tax revenues in FY17 and 44.1 percent of total actual revenues. The increased reliance on the income tax as a major source of revenue in recent years can be attributed to three factors: growth in the employment base as reflected in resident employment, steady increases in wage and salary income in the County, and growth in capital gains. This contrasts with the County's second largest revenue source – property taxes – which is held at the Charter Limit and thus generally represents revenue growth limited to the rate of inflation. However, while capital gains, on average, increases over time, the Standard & Poor's 500 index, representing a proxy for capital gains, experienced significant volatility over the past ten calendar years (2007 – 2016) - ranging from a decrease of 38.5 percent in 2008 to an increase of 29.6 percent in 2013. In addition, resident employment experienced volatility during this period - an average annual rate of increase of 0.42 percent in the County's resident employment during the 2007-2010 period. The lower average annual growth during the 2007-2010 period is attributed to a decline of 1.0 percent from 2008 to 2009. As the chart below illustrates, total quarterly distributions for withholding and estimated payments increased 4.5 percent in FY17, which followed a similar increase of 4.5 percent in FY16, an increase of 1.2 percent in FY15, an increase of 2.9 percent in FY14, an increase of 5.0 percent in FY13, an increase of 11.5 percent in FY12, an increase of 0.8 percent in FY11, a decrease of 9.1 percent in FY10, and an increase of 0.7 percent in FY09.



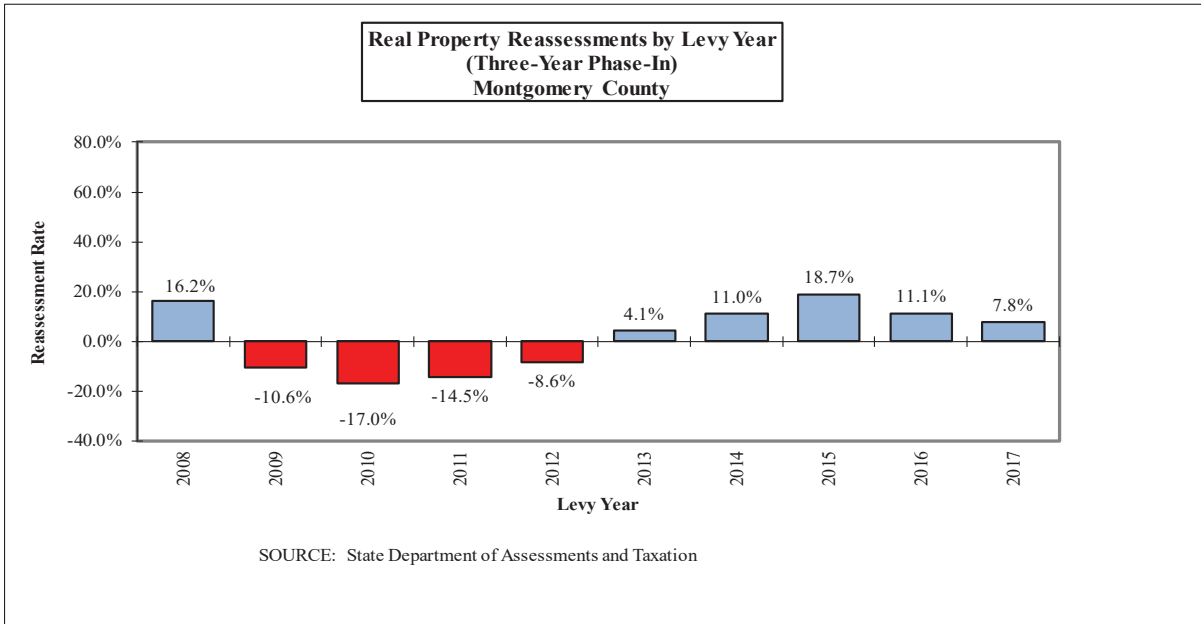
On May 18, 2015, the U.S. Supreme Court made a final ruling in the long-standing court case of *Comptroller of the Treasury of Maryland v. Wynne et ux*. The case involved a dispute over the credit a state taxpayer should get for taxes paid to other states for income earned in those states. The U.S. Supreme Court ruled in favor of the litigants. As a result, the State of Maryland owes refunds to all taxpayers who filed amended returns requesting the additional credit. Based on data provided by the Revenue Administration Division, Comptroller of Maryland (Comptroller), as of June 2017, the total amount of income tax refunds for tax years 2007 through 2014, including interest, attributable to the Wynne case is \$141.2 million. As the Comptroller issues refunds to eligible taxpayers, the refunds are paid from the Local Reserve Account (Account) which is maintained by the State, and the State will replenish the fund through financial transactions with counties and municipalities. In 2016, the Maryland General Assembly passed legislation that will allow counties and municipalities to replenish the fund by reducing quarterly income tax distributions to the counties and municipalities starting with the third distribution (May) in FY19 with a total of twenty installments ending in FY24. Although the majority of refund claims have been processed and issued as of June 2017, refund claims are still pending and amended returns for the most recent tax years can still be filed. Also, starting with tax year 2015 taxpayers have been reducing their tax payments to reflect the new credit.

Property Taxes

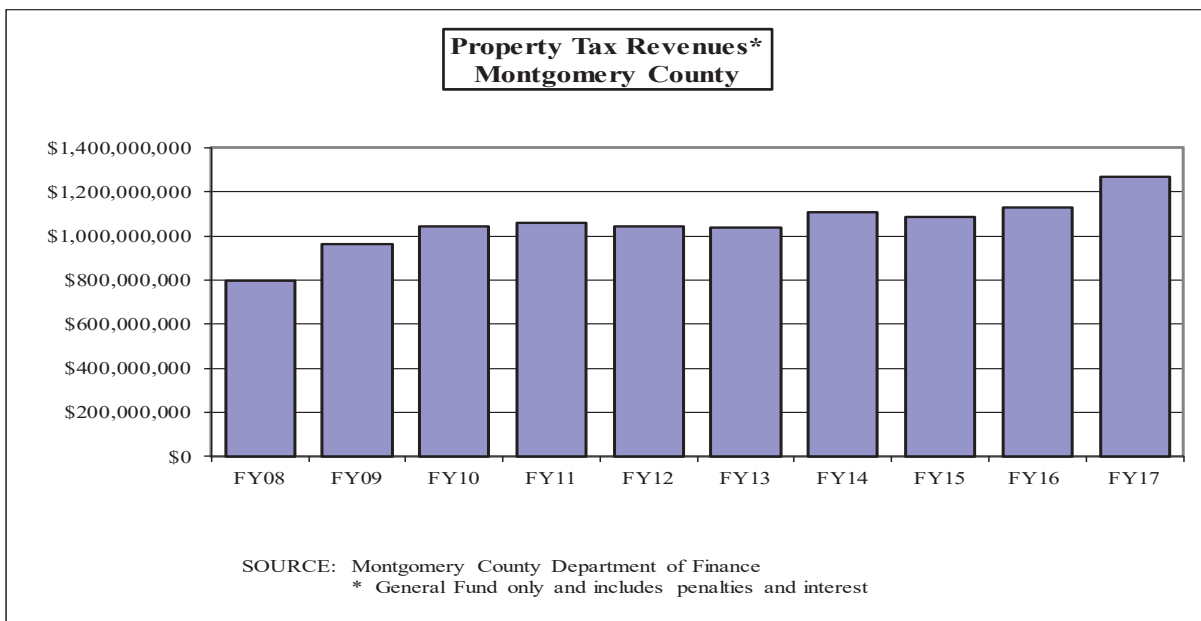
Property tax collections, which represent another major contributor of actual tax revenues to the General Fund and the second largest in FY17, amounted to \$1,266.9 million in FY17, which were \$5.0 million (0.4%) below the budget estimate but 12.5 percent above actual revenues in FY16. The increase was primarily due to an increase in assessments in real property. Actual property taxes, excluding penalties and interest and other items, were \$1,265.5 million in FY17 – an increase of 12.5 percent from the previous fiscal year. Collections from penalties and interest and other items were \$1.4 million – a 37.2 percent decrease from FY16.

The taxable assessments for real property increased 4.3 percent from FY16 to FY17. This was the fourth consecutive increase starting in FY14. New construction, which added an estimated \$1.7 billion to the base in FY17, was 7.4 percent higher than in FY16. Following the real estate market boom and bust cycle in the previous decade, the triennial reassessment rates experienced the same trend albeit with a lag. The recent residential and

commercial real estate market recovery resulted also in a recovery of property assessments. After an unprecedented four-year decline in triennial reassessment rates (levy year 2009-2012), reassessments increased 4.1 percent (levy year 2013 or FY2014), 11.0 percent in levy year 2014, 18.7 percent in levy year 2015, 11.1 percent in levy year 2016, and 7.8 percent in levy year 2017.



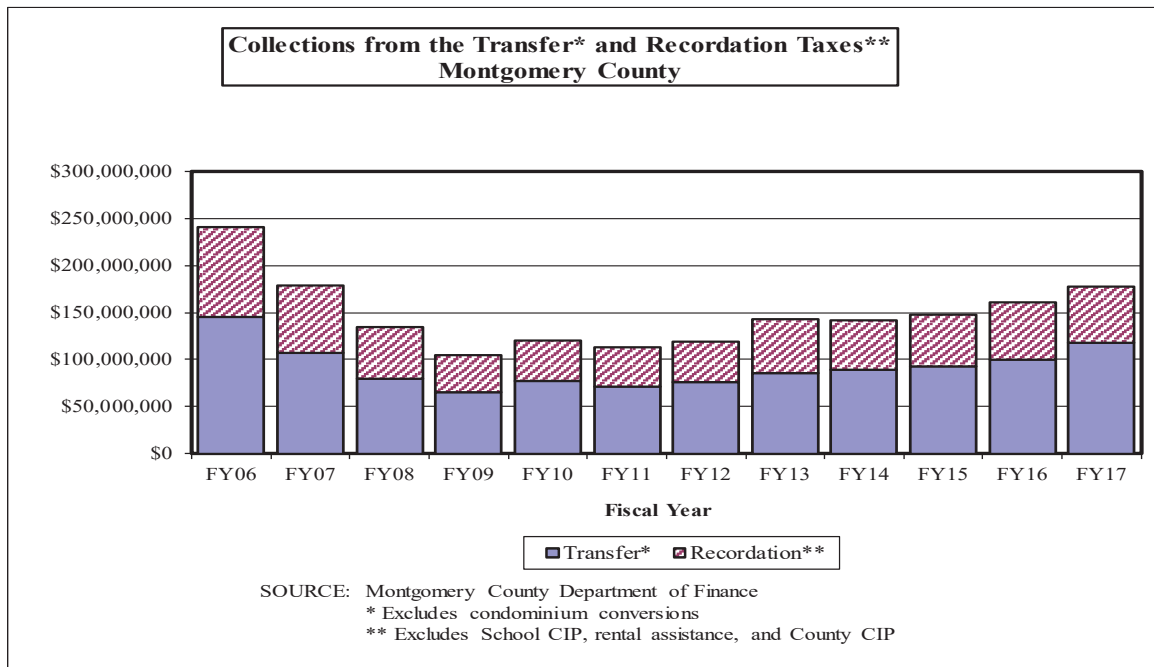
The homestead tax credit limits annual increases in homeowners' taxable assessments to 10 percent per year although other taxable assessments such as for commercial and investment residential properties are not limited by this credit. The homestead credit is the amount of annual assessment growth above the 10 percent limit. Following several years of declining reassessments, most properties that had built up a significant amount of homestead credit during the housing boom cycle, used up their homestead credit during the housing bust cycle. However, in FY17 the amount increased from \$78.7 million in FY16 to \$89.7 million in FY17, therefore the increase of the aggregate homestead credit reduced the real property taxable assessment by \$11.0 million.



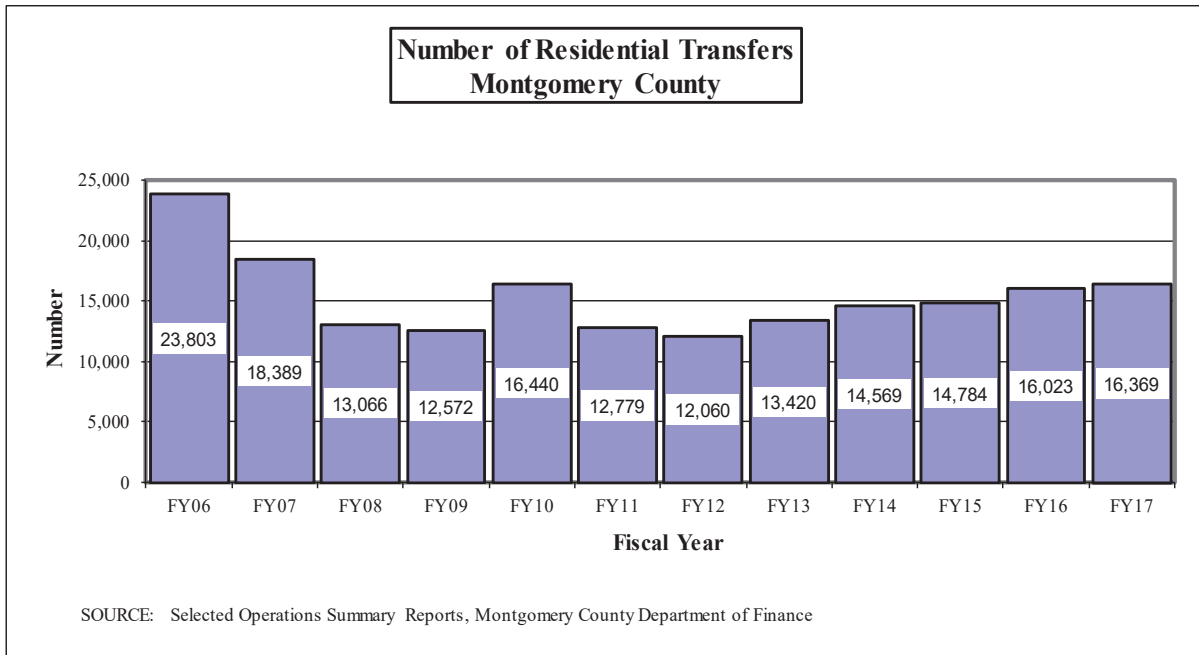
Because of declines in individual and corporate personal property and public utility tax assessments, total personal property assessments declined 1.3 percent in FY09 rebounding in FY10 (5.2%) attributed to increases in corporate and public utility assessments, declined 6.5 percent in FY11 to \$3.9 billion, declined again in FY12 to \$3.7 billion, and declined further in FY13 to \$3.6 billion attributed to declines in corporate and utility personal property, but increased 2.9 percent in FY14 to \$3.7 billion, decreased 1.5 percent in FY15 to \$3.7 billion, but increased 6.3 percent in FY16 to \$3.9 billion. For the previous five fiscal years (FY12 – FY16), taxable assessments for personal property averaged \$3.7 billion ranging from a low of \$3.6 billion in FY13 to a high of \$3.9 billion in FY11. Assessments of personal property increased 4.3 percent to \$4.1 million in FY17 due to increases in all three categories: individual, public utility, and corporate.

Transfer and Recordation Taxes

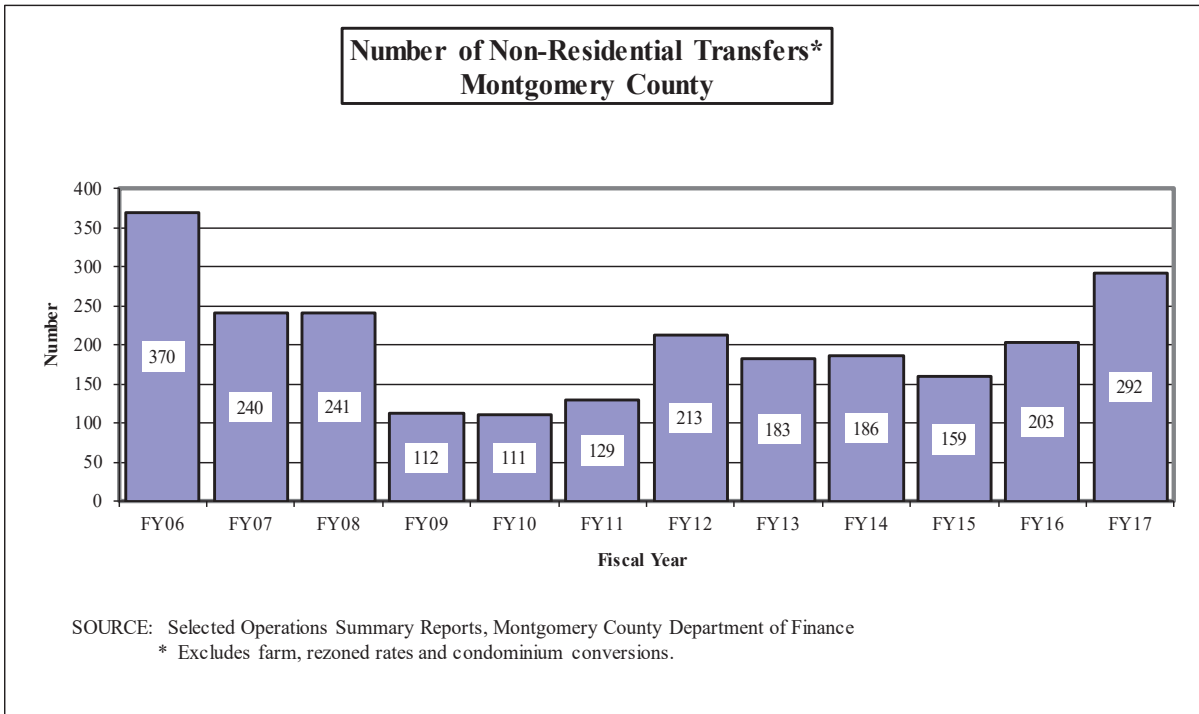
Another major tax revenue category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY17 were \$178.4 million (excluding recordation tax revenues earmarked for CIP funding of school construction, rental assistance, and CIP funding for the County; and transfer tax revenues from condominium conversions). Actual revenues increased in FY17 and were 7.6 percent above the budget estimate. As the accompanying chart illustrates, the total amount collected from these taxes reached a peak of \$241.7 million in FY06 before declining to \$107.2 million in FY09. In FY10, taxes from the combined transfer and recordation taxes rebounded to \$122.0 million, increased further to \$129.5 million in FY11, declined to \$127.3 million in FY12, and began a steady increase to \$142.0 million in FY13, \$144.5 million in FY14, \$147.6 million in FY15, \$161.7 million FY16, and \$178.4 million in FY17.



General Fund revenues from the transfer tax experienced an increase of 17.3 percent in FY17 but a 1.3 percent decrease in the recordation tax from FY16 attributed to a cut in the General Fund tax rate enacted by the County Council. Because of the increase in existing home sales in FY17 (2.7%), revenues from the residential sector for the transfer tax were \$83.1 million, an increase of 3.6 percent from FY16. The number of residential transfers increased to 16,369 (2.2%). However, because of the decline in the volume and the cut in the tax rate, collections from the residential recordation tax decreased 16.7 percent in FY17.



Based on the amount of collections from the non-residential transfer tax, the commercial market increased 72.0 percent in FY17 from FY16 with revenues at \$33.8 million. The increase in revenues from the commercial market was attributed to strong growth in the number of transactions which increased from 203 in FY16 to 292 in FY17 (43.8%) yielding an average tax per transaction of approximately \$115,840 (19.6%).



Other Revenues

The remaining tax sources – consisting of fuel/energy, telephone, hotel/motel, and other taxes – totaled \$268.9 million and were \$9.4 million, or 4.3 percent, below the budget estimate but nearly 1.0 percent above actual revenues in FY16. Revenues from the fuel/energy tax were \$192.5 million in FY17 and down from the budget estimate (\$11.5 million) as well as a decrease of 0.4 percent from actual revenues in FY16. The decline in actual revenues from FY16 was attributed to a reduction in residential natural gas usage (1.3%) and non-residential electricity usage (2.0%).

Revenues from the telephone tax of \$50.8 million were 1.0 percent above the budget estimate and 2.3 percent above actual revenues in FY16. Revenues from the hotel/motel industry of \$21.5 million in FY17 were 4.0 percent above the budget estimate and 10.4 percent above actual revenues in FY16. Other tax revenues in FY17 were 23.1 percent above the budget estimate and 6.8 percent above actual revenues in FY16.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets at June 30, 2017, amounted to \$4,831.0 million (net of accumulated depreciation and amortization), as summarized below:

Capital Assets, Net of Depreciation June 30, 2017				
	Governmental Activities	Business-type Activities	Total FY17	Total FY16
Land	\$ 936,319,233	\$ 58,444,082	\$ 994,763,315	\$ 989,049,634
Buildings	448,852,840	142,880,811	591,733,651	595,343,848
Improvements other than buildings	55,656,496	47,880,057	103,536,553	72,384,402
Furniture, fixtures, equipment and machinery	38,206,539	17,170,976	55,377,515	56,747,466
Leasehold improvements	7,915,043	-	7,915,043	4,488,278
Automobiles and trucks	138,640,592	1,274,207	139,914,799	145,353,121
Infrastructure	1,143,243,202	8,180	1,143,251,382	1,167,596,133
Other assets	16,474,306	-	16,474,306	20,477,885
Construction in progress	1,777,713,638	282,372	1,777,996,010	1,537,999,619
Total	<u>\$ 4,563,021,889</u>	<u>\$ 267,940,685</u>	<u>\$ 4,830,962,574</u>	<u>\$ 4,589,440,386</u>

Changes in the County's capital assets for FY17 are summarized as follows:

Change in Capital Assets For the Fiscal Year Ended June 30, 2017				
	Governmental Activities	Business-type Activities	Total FY17	Total FY16
Beginning Balance	\$ 4,317,030,553	\$ 272,409,833	\$ 4,589,440,386	\$ 4,355,972,674
Additions*	344,091,363	11,690,991	355,782,354	359,007,364
Retirements, net*	3,128,717	167,666	3,296,383	17,937,693
Depreciation expense	94,971,310	15,992,473	110,963,783	107,601,959
Ending Balance	<u>\$ 4,563,021,889</u>	<u>\$ 267,940,685</u>	<u>\$ 4,830,962,574</u>	<u>\$ 4,589,440,386</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 the underlying land, valued at \$16.4 million were transferred to the county by various developers.
- The Technology Modernization – MCG project accumulated \$14.8 million in cost this fiscal year. This project provides for the replacement, upgrade, and implementation of IT initiatives that will ensure ongoing viability of key processes, replace outdated and vulnerable systems, and produce a high return in terms of customer service and accountability to our residents.
- The Capital Crescent Trail project accumulated \$13.7 million in cost this fiscal year, and the Bethesda Metro Station South Entrance project accumulated \$14.7 million in cost this fiscal year. These two projects are part of a joint effort between the County and the Maryland Transit Administration (MTA) on the Purple Line project. The Purple Line is a new line within the Washington Metropolitan Area Transit Authority (WMATA) transit system that is planned to extend from Bethesda in Montgomery County to New Carrollton in Prince George’s County, providing direct connections to various lines within WMATA and connect to other train and bus services.
- The MD-355 Crossing (BRAC) project accumulated \$22.6 million in cost this fiscal year. This project provides for right-of-way negotiations, utility relocations, and the design and construction of a multi-modal grade separated connection between the Walter Reed National Military Medical Center (WRNMMC) and the Medical Center Metro Rail station.
- The Montgomery County Public Schools and Maryland-National Park and Planning Maintenance Facilities Relocation project accumulated \$35.6 million in cost this fiscal year. This project is part of the County Executive's comprehensive Smart Growth Initiative and provides for the design and construction of new facilities to accommodate the relocation of the Montgomery County Public Schools and Maryland-National Park and Planning Maintenance facilities from the County Service Park on Crabbs Branch Way to a site on Snouffer School Road in Gaithersburg known as the Webb Tract.
- Montgomery County funded Montgomery County Public School \$208.6 million, and Montgomery County College \$45.7 million for construction, renovations of school facilities, and other capital expenditures.

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

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Long-Term Debt

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2017:

Long-Term Debt June 30, 2017				
	Governmental Activities	Business-type Activities	Total FY17	Total FY16
General obligation bonds	\$ 2,789,265,000	\$ -	\$ 2,789,265,000	\$ 2,657,290,000
Variable rate demand obligation	90,000,000	-	90,000,000	100,000,000
Bond anticipation notes	500,000,000	-	500,000,000	500,000,000
Revenue bonds	137,043,695	75,267,305	212,311,000	223,714,000
Lease revenue bonds	22,785,000		22,785,000	25,065,000
Other lease and notes payable	25,398,332		25,398,332	17,552,909
Equipment notes	56,773,847	5,367,645	62,141,492	42,189,164
Certificates of participation	28,505,000		28,505,000	10,800,000
Capital leases	8,454,830		8,454,830	11,158,430
Taxable Ltd. Obligation Certificates	78,660,000		78,660,000	82,535,000
Compensated absences	81,897,437	6,775,508	88,672,945	82,438,564
Other Postemployment Benefits	436,669,007	3,965,222	440,634,229	449,055,135
Claims payable self-insurance	159,081,601	-	159,081,601	150,256,294
Claims and judgments	1,073,600	-	1,073,600	1,003,200
Net Pension Liability - County	497,356,879	24,039,503	521,396,382	407,854,987
Net Pension Liability - County(LOSAP)	40,657,679	-	40,657,679	33,719,106
Net Pension Liability - State	30,107,615	-	30,107,615	24,421,562
Landfill closure costs	-	15,733,722	15,733,722	15,539,478
Gude landfill remediation	-	28,700,000	28,700,000	28,500,000
Total	\$ 4,983,729,522	\$ 159,848,905	\$ 5,143,578,427	\$ 4,863,092,829

At June 30, 2017, the County had outstanding general obligation (GO) bonds of \$2,789.3 million, with outstanding variable rate demand obligations (VRDOs) of \$90 million and bond anticipation notes (BANs) of \$500 million. Over the last ten years, the County issued its GO bonds once a year, with the exception of FY08, when no GO “new money” bonds were issued. The County currently finances capital construction projects with BANs. BANs are subsequently paid off by the issuance of the County's GO bonds. Montgomery County also issues bonds to finance the capital construction of MCPS, MC, and M-NCPPC not otherwise financed by the State of Maryland.

The County continues to maintain its status as a top-rated issuer of municipal securities, with the highest credit ratings possible for a local government. For its GO bonds, the County is a ‘Triple AAA’ rated County, and received ratings of Aaa from Moody's Investors Service, Inc., AAA from Standard and Poor's, and AAA from Fitch Ratings. County GO bonds have been consistently awarded the highest credit rating from Moody's and Standard and Poor's since 1973 and 1976, respectively, and from Fitch since 1991. Montgomery County is one of only 14 ‘Triple AAA’ rated counties in the nation with a population greater than 900,000.

In November 2016, the County received its annual credit ratings. Fitch cited “key rating drivers” of the county's “stable economic underpinnings, strong gap-closing capacity and low long-term liability burden.” Fitch also reported on the County's “demonstrated capacity to absorb the constraints of a recessionary revenue environment and the fiscal decision-making to proactively restore and enhance the County's financial cushion and operations support.”

Moody's cited the County's healthy reserve position and benefits from various new fiscal policies and multi-year planning. Moody's also stated that their ratings rationale reflected the County's sizeable, strong and diverse tax base, affluent demographics and manageable debt burden.

Standard and Poor's stated their opinion of the County as having a very strong economy in addition to very strong budgetary flexibility, liquidity, management and institutional framework. Standard and Poor's also cited the strength of the County's debt and contingent liability profile, and the adequacy of budget performance.

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

Significant bond-related debt activities during FY17 were:

- **Certificates of Participation** – In July 2016, the County issued Series 2016A and 2016B, Certificates of Participation (Montgomery College Improvements) in the amounts of \$23,050,000 and \$1,810,000 respectively. The proceeds will fund the purchase and improvements to an office building to consolidate administration and eliminate leased space.
- **Master Lease Purchase Agreements** – In July 2016, the County entered into two Master Lease Purchase agreements with JP Morgan Chase Bank N.A. in the amount of \$23,990,960 to fund the County's Health and Human Services information technology project.
- **Master Equipment/Lease Purchase Agreement** – In September 2016, the County entered into a Banc of America Public Capital Corp, Master Equipment Lease/Purchase Agreement. The Agreement provides a \$40 million Master Lease facility to fund energy savings projects for which the repayment of debt is guaranteed through energy savings. In FY17, there were three draws under the facility to finance County projects approximating \$8 million.
- **General Obligation Bonds** – In December 2016, the County's annual general obligation bond was issued in the amount of \$340 million. The proceeds of this bond issue were used to pay off an equivalent amount of the County's BANs which funded capital expenditures for education, transportation, and other County facilities.
- **Bond Anticipation Notes (BANs)** – Over the course of FY17, the County retired \$340.0 million in BANs with general obligation bond proceeds and issued \$340.0 million in BANs.
- **Bethesda Parking Lot District (PLD) 2015 Refunding Bonds** – In March 2017, the County entered into a Taxable Rate Modification with the existing shareholder for which the outstanding \$8.541 million of the Series 2015 Bonds, were converted from a tax-exempt to taxable obligation. The amortization schedule for the Series 2015 Bond remains the same, except for conversion of the tax-exempt interest rate of 2.55% to a taxable rate of 3.57%.
- **Additional information** pertaining to the County's long-term debt can be found in Notes to Financial Statements, Notes I-D8, III-E3, and III-F.

Economic Factors and Next Year's Budgets and Rates

The following economic factors are reflected in the County's fiscal year 2018 (FY18) budget with updates based on revised economic data subsequent to the approval of the County's budget:

- Montgomery County experienced mixed economic performance during FY17 compared to FY16. The major reasons for this were a decrease in the unemployment rate, an increase in resident employment

(labor force series), an increase in payroll employment (establishment series), and an increase in the sales of existing homes. However, the number of new residential construction started decreased in FY17, which was largely attributed to the decline in the construction of multi-family units, and the number of non-residential projects also decreased.

- The County's economic projections in the FY18 budget assume a modest, yet improving, economic performance in calendar year 2017 (CY17) with a further decline in the unemployment rate in CY17. On the same calendar year basis, the County projects a modest increase in total resident employment (0.6%) and slightly stronger growth in payroll employment (1.0 percent).
- During the past ten years (CY07 – CY16), total payroll employment in Montgomery County, which is based on the survey of establishments and derived by the Department of Finance, experienced two distinct cycles: a decline from CY07 to CY10 at an average annual rate of 1.0 percent, but an increase at an average annual rate of 1.0 percent from CY10 to CY16. The Department of Finance estimates that total payroll employment is expected to increase 1.0 percent in CY17.
- Resident employment in the County, which is based on a survey of County households, provides a slightly different picture of employment growth. For example, resident employment grew at an average annual rate of 0.4 percent between CY07 and CY10 and increased at an average annual rate of 1.0 percent from CY10 to CY16. Resident employment is expected to increase 0.6 percent in CY17.
- Based in part on employment projection for CY17, personal income will increase 4.6 percent in CY17 with per capita income increasing 3.9 percent. Income data for CY17 are based on estimates derived by the Department of Finance.
- The estimated increases in employment and personal income in CY17 along with the decline in the unemployment rate reflect a positive performance in the County's economy in FY17 which is expected to continue into FY18.
- The Federal Open Market Committee (FOMC) of the Board of Governors of the Federal Reserve System has increased the targeted federal funds rate twice from the recent range of 0.25-0.50 percent prior to December 2016 to 1.00-1.25 percent in June of CY17 and was expected to increase the rate again in December of CY17. Because of that expectation by the FOMC, the County's budget projections include an increase in the yield on its investments from 0.70 percent in FY17 to 1.20 percent in FY18.
- Inflation, as measured by the Consumer Price Index, is expected to increase 2.25 percent in FY18.

Other Significant Matters

In FY2017, Montgomery County committed \$26 million to the \$5.6 billion State Purple Line project. The Purple Line is a 16-mile light rail that will extend from Bethesda in Montgomery County to New Carrollton in Prince George's County. It will provide a direct connection to the Metrorail red, green and orange lines at Bethesda, Silver Spring, College Park and New Carrollton. The Purple Line will also connect to MARC, Amtrak and local bus services. Twenty-one stations are planned. Additional funding is expected over the construction phase of the project. It is estimated that the Purple Line will begin service in 2022.

In connection with the Pepco Holdings, Inc. and Exelon Corporation merger, the County is slated to receive \$41.6 million over three years for energy efficiency improvement programs. As of June 30, 2017, the County has received \$30.2 million of the allocated funds. To date, the County has planned to spend \$18.3 million for an energy coach network, expanded weatherization program and the establishment of a local Green Bank; \$1.7

million for workforce development and \$8.4 million for the green stability fund to stimulate public and private investments.

For the status of, and impact to, the County in the case of Comptroller of the Treasury of Maryland v. Wynne et ux., see the Income Taxes section of this Management's Discussion and Analysis. As a result, \$141.2 million has been reflected as a liability to the State of Maryland in the accompanying financial statements.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2017
Exhibit A-1

	Primary Government			Component Units Total
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Equity in pooled cash and investments	\$ 980,728,191	\$ 156,752,130	\$ 1,137,480,321	\$ 60,737,840
Cash with fiscal agents	101,150,984	2,458,665	103,609,649	75,847,631
Cash	420,779	142,021	562,800	17,777,347
Investments - cash equivalents	-	-	-	111,672,660
Investments	-	-	-	36,846,927
Receivables (net of allowance for uncollectibles):	665,235,841	10,238,498	675,474,339	457,062,603
Internal balances	(1,606,913)	1,606,913	-	-
Due from primary government	-	-	-	92,960,193
Due from component units	66,212,235	349,925	66,562,160	-
Due from other governments	63,883,788	181,470	64,065,258	33,764,861
Inventory of supplies	12,840,359	33,709,400	46,549,759	10,663,456
Prepaid expenses	657,872	172,452	830,324	781,330
Other assets	-	-	-	40,247,053
Restricted Assets:				
Equity in pooled cash and investments	26,767,592	32,236,418	59,004,010	4,299,455
Cash with fiscal agents	-	-	-	22,677,543
Cash	-	-	-	682,275
Investments - cash equivalents	-	-	-	152,502,516
Investments	-	3,114,809	3,114,809	87,385,298
Capital Assets:				
Nondepreciable assets	2,714,032,871	58,726,454	2,772,759,325	385,153,968
Depreciable assets, net	1,848,989,018	209,214,231	2,058,203,249	3,630,398,567
Total Assets	<u>6,479,312,617</u>	<u>508,903,386</u>	<u>6,988,216,003</u>	<u>5,221,461,523</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	27,285,087	96,468	27,381,555	826,841
Pension deferrals	270,896,654	13,720,864	284,617,518	281,793,421
Accumulated decrease in fair value of hedging derivatives	-	-	-	11,556,824
Total Deferred Outflows of Resources	<u>298,181,741</u>	<u>13,817,332</u>	<u>311,999,073</u>	<u>294,177,086</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2017
Exhibit A-1 (Concluded)

	Primary Government			Component Units Total
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 70,102,705	\$ 10,992,722	\$ 81,095,427	\$ 118,715,363
Interest payable	29,821,957	626,518	30,448,475	18,392,640
Retainage payable	22,454,080	215,605	22,669,685	9,559,555
Accrued liabilities	177,597,130	8,801,875	186,399,005	97,511,837
Deposits	220,527	8,887,245	9,107,772	18,656,966
Due to primary government	-	-	-	66,658,836
Due to component units	92,907,938	52,255	92,960,193	-
Due to other governments	146,154,381	3,510,325	149,664,706	149,387
Unearned revenue	99,444,476	3,375,767	102,820,243	43,471,349
Other liabilities	-	103,585	103,585	48,207,103
Noncurrent Liabilities:				
Due within one year	853,803,651	12,288,966	866,092,617	201,470,235
Due in more than one year	4,382,112,204	150,398,054	4,532,510,258	2,185,359,383
Total Liabilities	5,874,619,049	199,252,917	6,073,871,966	2,808,152,654
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	-	3,094,000
Pension deferrals	37,127,197	1,697,815	38,825,012	108,092,185
Total Deferred Inflows of Resources	37,127,197	1,697,815	38,825,012	111,186,185
NET POSITION				
Net investment in capital assets	2,336,853,956	186,321,262	2,523,175,218	3,293,777,711
Restricted for:				
Capital projects	58,300,451	-	58,300,451	223,333
General government	3,381,926	-	3,381,926	-
Public safety	2,824,512	-	2,824,512	-
Public works and transportation	37,464,195	28,123,152	65,587,347	-
Recreation	17,778,523	-	17,778,523	-
Community development and housing	254,494,216	-	254,494,216	-
Environment	25,122,395	31,077,023	56,199,418	-
Debt service	42,282,403	9,087,403	51,369,806	95,780,295
Other purposes	-	-	-	40,002,094
Unrestricted (deficit)	(1,912,754,465)	67,161,146	(1,845,593,319)	(833,483,663)
Total Net Position	\$ 865,748,112	\$ 321,769,986	\$ 1,187,518,098	\$ 2,596,299,770

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit A-2

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General government	\$ 540,011,504	\$ 86,023,992	\$ 2,506,534	\$ 5,759,703
Public safety	641,585,272	57,893,409	32,049,554	918,607
Public works and transportation	258,627,800	34,480,822	55,439,795	52,741,941
Health and human services	319,917,837	5,806,436	119,822,880	-
Culture and recreation	134,848,367	43,338,703	6,375,674	764,642
Community development and housing	50,618,370	6,484,254	8,593,974	(11,539)
Environment	29,095,268	1,146,600	-	1,787,625
Education	2,037,048,982	-	-	-
Interest on long term debt	100,887,704	-	-	-
Total Governmental Activities	4,112,641,104	235,174,216	224,788,411	61,960,979
Business-type Activities				
Liquor control	273,828,277	298,493,309	-	-
Solid waste disposal and collection	92,126,174	115,150,999	-	-
Parking lot districts	34,418,684	36,001,841	-	-
Permitting services	36,065,066	39,652,271	-	-
Community use of public facilities	10,386,038	11,335,072	-	-
Total Business-type Activities	446,824,239	500,633,492	-	-
Total Primary Government	\$ 4,559,465,343	\$ 735,807,708	\$ 224,788,411	\$ 61,960,979
Component Units:				
General government (BUP)	\$ 5,600,713	\$ 5,399,502	\$ 219,920	\$ -
Culture and recreation (MCRA)	18,508,707	16,557,849	-	1,823,462
Community development and housing (HOC)	244,228,543	114,643,198	118,488,346	8,406,478
Education:				
Elementary and secondary education (MCPS)	2,857,377,551	30,583,631	122,283,065	74,501,828
Higher education (MC)	348,267,060	69,296,995	17,699,154	45,690,553
Total Component Units	\$ 3,473,982,574	\$ 236,481,175	\$ 258,690,485	\$ 130,422,321
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 Position				
Net Position - Beginning				
Net Position - Ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (445,721,275)	\$ -	\$ (445,721,275)	\$ -	-
(550,723,702)	-	(550,723,702)	-	-
(115,965,242)	-	(115,965,242)	-	-
(194,288,521)	-	(194,288,521)	-	-
(84,369,348)	-	(84,369,348)	-	-
(35,551,681)	-	(35,551,681)	-	-
(26,161,043)	-	(26,161,043)	-	-
(2,037,048,982)	-	(2,037,048,982)	-	-
(100,887,704)	-	(100,887,704)	-	-
<u>(3,590,717,498)</u>	<u>-</u>	<u>(3,590,717,498)</u>	<u>-</u>	<u>-</u>
-	24,665,032	24,665,032	-	-
-	23,024,825	23,024,825	-	-
-	1,583,157	1,583,157	-	-
-	3,587,205	3,587,205	-	-
-	949,034	949,034	-	-
<u>-</u>	<u>53,809,253</u>	<u>53,809,253</u>	<u>-</u>	<u>-</u>
\$ (3,590,717,498)	\$ 53,809,253	\$ (3,536,908,245)	\$ -	-
\$ -	\$ -	\$ -	\$ 18,709	-
-	-	-	(127,396)	-
-	-	-	(2,690,521)	-
-	-	-	(2,630,009,027)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(215,580,358)</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (2,848,388,593)	-
1,792,921,614	(45,762)	1,792,875,852	-	-
1,481,806,881	-	1,481,806,881	-	-
118,000,203	-	118,000,203	-	-
60,375,616	-	60,375,616	-	-
192,459,066	-	192,459,066	-	-
21,462,751	-	21,462,751	-	-
50,812,917	-	50,812,917	-	-
4,335,196	-	4,335,196	-	-
-	-	-	2,944,183,500	-
13,770,994	1,068,863	14,839,857	7,756,715	-
-	162,042	162,042	30,772,353	-
<u>31,875,197</u>	<u>(31,875,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,767,820,435</u>	<u>(30,690,054)</u>	<u>3,737,130,381</u>	<u>2,982,712,568</u>	<u>-</u>
177,102,937	23,119,199	200,222,136	134,323,975	-
<u>688,645,175</u>	<u>298,650,787</u>	<u>987,295,962</u>	<u>2,461,975,795</u>	<u>-</u>
\$ 865,748,112	\$ 321,769,986	\$ 1,187,518,098	\$ 2,596,299,770	-

MONTGOMERY COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
Exhibit A-3

	General	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 315,614,724	\$ 33,904,228	\$ 1,628,903	\$ 31,975,306	\$ 276,973,268	\$ 96,887,149	\$ 756,983,578
Cash with fiscal agents	6,992,620	-	-	13,386,793	80,771,571	-	101,150,984
Cash	170,279	212,450	-	-	-	37,750	420,479
Equity in pooled cash and investments-Restricted	26,767,592	-	-	-	-	-	26,767,592
Receivables (net of allowances for uncollectibles)	373,933,322	175,411,606	45,203,968	47,645,000	368,345	21,477,182	664,039,423
Due from other funds	173,075,001	-	-	-	-	1,174,577	174,249,578
Due from component units	89,893	45,488,870	10,901,752	-	8,951,415	-	65,431,930
Due from other governments	31,572,255	-	19,853,481	-	10,262,801	1,965,202	63,653,739
Inventory of supplies	8,334,700	-	-	-	-	-	8,334,700
Prepays	462,829	-	-	-	-	-	462,829
Total Assets	<u>\$ 937,013,215</u>	<u>\$ 255,017,154</u>	<u>\$ 77,588,104</u>	<u>\$ 93,007,099</u>	<u>\$ 377,327,400</u>	<u>\$ 121,541,860</u>	<u>\$ 1,861,494,832</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	30,787,982	309,596	3,826,051	538,626	22,113,639	2,283,004	59,858,898
Retainage payable	653,235	-	33,663	-	21,685,561	81,621	22,454,080
Accrued liabilities	78,213,481	131,843	4,213,101	12,945	50,929,070	14,612,205	148,112,645
Deposits	55,000	-	-	-	-	165,527	220,527
Due to other funds	10,325,051	33,058	16,266,417	-	158,920,278	4,490,005	190,034,809
Due to component units	34,859,438	521,160	688,036	2,411,775	54,286,805	94,749	92,861,963
Due to other governments	603,711	1,625	1,275,849	-	2,402,252	437,997	4,721,434
Unearned revenue	-	-	51,068,954	47,761,350	1,184,887	11,642	100,026,833
Total Liabilities	<u>155,497,898</u>	<u>997,282</u>	<u>77,372,071</u>	<u>50,724,696</u>	<u>311,522,492</u>	<u>22,176,750</u>	<u>618,291,189</u>
Deferred Inflows of Resources:							
Unavailable income taxes	259,138,293	-	-	-	-	-	259,138,293
Unavailable property taxes	9,988,725	-	-	-	-	3,252,203	13,240,928
Unavailable revenues	5,416,504	4,244,696	-	-	7,504,457	5,099,142	22,264,799
Total Deferred Inflows of Resources	<u>274,543,522</u>	<u>4,244,696</u>	<u>-</u>	<u>-</u>	<u>7,504,457</u>	<u>8,351,345</u>	<u>294,644,020</u>
Fund Balances:							
Nonspendable	8,797,529	-	-	-	-	-	8,797,529
Restricted	292,445,250	249,775,176	216,033	42,282,403	58,300,451	91,074,558	734,093,871
Committed	60,445,573	-	-	-	-	-	60,445,573
Assigned	26,916,962	-	-	-	-	-	26,916,962
Unassigned	118,366,481	-	-	-	-	(60,793)	118,305,688
Total Fund Balances	<u>506,971,795</u>	<u>249,775,176</u>	<u>216,033</u>	<u>42,282,403</u>	<u>58,300,451</u>	<u>91,013,765</u>	<u>948,559,623</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 937,013,215</u>	<u>\$ 255,017,154</u>	<u>\$ 77,588,104</u>	<u>\$ 93,007,099</u>	<u>\$ 377,327,400</u>	<u>\$ 121,541,860</u>	<u>\$ 1,861,494,832</u>

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

MONTGOMERY COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017
Exhibit A-4

Total fund balance - governmental funds (see Exhibit A-3)		\$ 948,559,623
Amounts reported for governmental activities in the statement of net position are difference because:		
Capital assets uses in governmental fund activities are not financial resources and therefore not reported in the funds:		
Nondepreciable capital assets:		
Land	\$ 936,296,729	
Construction in progress	1,777,713,638	
Depreciable capital assets:		
Buildings	877,745,860	
Improvements other than buildings	95,751,661	
Furniture, fixtures, equipment and machinery	217,266,661	
Automobiles and trucks	215,646,468	
Infrastructure	1,908,094,853	
Other capital assets	<u>40,387,339</u>	
Total capital assets	6,068,903,208	
Less accumulated depreciation	<u>(1,548,523,670)</u>	4,520,379,537
Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds:		
General obligation bonds payable	(2,789,265,000)	
Variable rate demand obligations	(90,000,000)	
Bond anticipation notes payable	(500,000,000)	
Lease revenue bonds payable	(22,785,000)	
Accrued interest payable	(29,821,957)	
Capital leases payable	(8,454,830)	
Taxable limited obligation	(78,660,000)	
Certificates of participation	(28,505,000)	
Notes payable	(82,172,180)	
Revenue bonds	(137,043,695)	
Net pension liability	(562,618,313)	
Other postemployment benefits	(435,527,793)	
Claims and judgements	(1,073,600)	
Compensated absences	<u>(79,363,460)</u>	(4,845,290,828)
Due to other governments - long term debt due to state government not expected to be repaid with current financial reserves	<u>(141,231,325)</u>	(141,231,325)
Certain costs related to long-term liabilities are recognized as expenditures in the fund statements, but are deferred in the government-wide statements:		
Unamortized premiums	(252,186,333)	
Unrecognized amount on refunding	27,285,087	
Pension related deferrals, net	<u>231,059,178</u>	6,157,932
Internal service funds are used by management to provide certain goods and services to governmental funds. The assets and liabilities of internal service funds are included in the government-wide statement of net position:		
Assets:		
Current and non current assets	238,821,842	
Capital assets	101,411,580	
Less accumulated depreciation	(58,769,227)	
Deferred outflows of resources	3,098,995	
Liabilities	(199,963,493)	
Deferred inflows of resources	(388,716)	
Cumulative gain/loss for certain activities of internal service funds that are reported with business-type activities	<u>(2,299,002)</u>	81,911,979
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes	259,138,293	
Property taxes	13,240,928	
Intergovernmental revenue	13,761,527	
Other revenue	<u>9,120,446</u>	<u>295,261,194</u>
Net position of governmental activities (See Exhibit A-1)		<u><u>\$ 865,748,112</u></u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit A-5

	General	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 3,182,472,064	\$ 15,418,027	\$ -	\$ -	\$ 129,869,700	\$ 383,640,962	\$ 3,711,400,753
Licenses and permits	11,236,330	-	-	-	-	522,354	11,758,684
Intergovernmental	75,066,678	-	104,279,494	5,689,944	13,736,764	43,321,031	242,093,911
Charges for services	30,128,687	390	138,334	-	563,507	96,933,192	127,764,110
Fines and forfeitures	26,826,771	-	-	-	-	1,807,069	28,633,840
Investment income (loss)	1,120,236	5,153,166	781,152	76,713	1,143,812	933,697	9,208,776
Miscellaneous	22,474,705	1,805,585	2,079,647	4,034,113	25,234,646	4,929,944	60,558,640
Total Revenues	3,349,325,471	22,377,168	107,278,627	9,800,770	170,548,429	532,088,249	4,191,418,714
EXPENDITURES							
Current:							
General government	446,202,270	-	648,976	-	-	1,887,073	448,738,319
Public safety	379,644,039	-	11,096,067	-	-	232,812,646	623,552,752
Public works and transportation	67,413,701	-	4,414,248	-	-	123,301,568	195,129,517
Health and human services	237,717,134	-	82,409,234	-	-	306,184	320,432,552
Culture and recreation	45,250,504	-	203,335	-	-	49,099,438	94,553,277
Community development and housing	13,662,421	29,945,130	8,858,366	-	-	1,303	52,467,220
Environment	2,314,408	-	-	-	-	25,432,087	27,746,495
Education	1,792,988,988	-	-	25,915,255	-	-	1,818,904,243
Debt Service:							
Principal retirement	-	-	-	224,618,357	-	-	224,618,357
Leases and other obligations	-	-	-	29,326,306	-	-	29,326,306
Interest	-	-	-	141,126,787	-	-	141,126,787
Issuing costs	-	-	-	5,639,495	-	-	5,639,495
Capital projects	-	-	-	-	627,826,903	-	627,826,903
Total Expenditures	2,985,193,465	29,945,130	107,630,226	426,626,200	627,826,903	432,840,299	4,610,062,223
Excess (Deficiency) of Revenues over (under) Expenditures	364,132,006	(7,567,962)	(351,599)	(416,825,430)	(457,278,474)	99,247,950	(418,643,509)
OTHER FINANCING SOURCES (USES)							
Transfers in	53,211,761	28,497,252	351,599	376,733,181	91,054,330	3,606,010	553,454,133
Transfers (out)	(390,731,179)	(26,842,787)	-	-	(6,423,117)	(97,673,164)	(521,670,247)
Sale of property	22,844	1,825,683	-	-	37,808	-	1,886,335
Financing under notes and leases payable	-	-	-	-	41,921,607	-	41,921,607
Debt Issued (Retired):							
General obligation bonds	-	-	-	340,000,000	-	-	340,000,000
Premium on original issue debt	-	-	-	29,810,010	-	-	29,810,010
Bond anticipation notes	-	-	-	(340,000,000)	340,000,000	-	-
Certificates of participation	-	-	-	24,860,000	-	-	24,860,000
Premium on certificates of participation	-	-	-	1,329,676	-	-	1,329,676
Total Other Financing Sources (Uses)	(337,496,574)	3,480,148	351,599	432,732,867	466,590,628	(94,067,154)	471,591,514
Net Change in Fund Balances	26,635,432	(4,087,814)	-	15,907,437	9,312,154	5,180,796	52,948,005
Fund Balances - Beginning of Year	480,336,363	253,862,990	216,033	26,374,966	48,988,297	85,832,969	895,611,618
Fund Balances - End of Year	\$ 506,971,795	\$ 249,775,176	\$ 216,033	\$ 42,282,403	\$ 58,300,451	\$ 91,013,765	\$ 948,559,623

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, 2017

Exhibit A-6

Net change in fund balance - total governmental funds (see Exhibit A-5) \$ 52,948,005

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 lives and reported as depreciation expense:

Capital outlay	\$ 315,647,940	
Depreciation expense	<u>(87,350,468)</u>	228,297,472

In the statement of activities, only the gain or loss on capital assets is reported. However, in the governmental funds, all proceeds or losses are reported as financial resources. Thus, the change in net position differs from the change in fund balance by the capital assets value. (7,833,346) (7,833,346)

Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources. 16,381,019 16,381,019

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

Income taxes	15,180,887	
Property taxes	(4,407,396)	
Intergovernmental revenues	5,220,807	
Other revenues	<u>1,475,511</u>	17,469,809

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

Debt issued or incurred:		
General obligation bonds	(369,810,010)	
Bond anticipation notes	(340,000,000)	
Notes payable	(41,921,607)	
Revenue bonds	(26,189,676)	
Principal repayments:		
General obligation bonds	208,025,000	
Variable rate demand obligations	10,000,000	
Bond anticipation notes	340,000,000	
Taxable limited obligation certificates	3,875,000	
Leases payable	2,280,000	
Capital leases	2,703,600	
Certificates of participation	7,155,000	
Notes payable	13,735,253	
Revenue bonds	6,138,021	(184,009,419)

Cost incurred for past refunds owed as a result of the supreme court decision related to duplicate taxation (8,657,855) (8,657,855)

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	13,302,251	
Compensated absences	(5,483,417)	
Pension expense	5,170,416	
Other postemployment benefits	8,420,906	
Claims and judgements	(70,400)	
Amortization	32,609,116	53,948,872

The current year gain for certain activities of internal service funds is reported with governmental activities. 8,558,380

Change in net position of governmental activities (see Exhibit A-2) \$ 177,102,937

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
Exhibit A-7

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
ASSETS						
Current Assets:						
Equity in pooled cash and investments	\$ 2,373,129	\$ 56,302,452	\$ 31,616,857	\$ 66,459,692	\$ 156,752,130	\$ 223,744,613
Cash with fiscal agents	2,458,660	-	5	-	2,458,665	-
Cash	54,500	3,600	83,921	-	142,021	300
Receivables (net of allowance for uncollectibles):	4,389,258	3,628,587	1,973,487	247,166	10,238,498	1,186,049
Due from other funds	-	-	-	-	-	8,179,826
Due from component units	-	56,394	293,531	-	349,925	780,305
Due from other governments	-	181,470	-	-	181,470	230,049
Inventory of supplies	33,709,400	-	-	-	33,709,400	4,505,659
Prepays	172,452	-	-	-	172,452	195,041
Total Current Assets	<u>43,157,399</u>	<u>60,172,503</u>	<u>33,967,801</u>	<u>66,706,858</u>	<u>204,004,561</u>	<u>238,821,842</u>
Noncurrent Assets:						
Restricted Assets:						
Equity in pooled cash and equivalents	-	28,722,485	3,513,933	-	32,236,418	-
Investments	-	-	3,114,809	-	3,114,809	-
Restricted Assets	<u>-</u>	<u>28,722,485</u>	<u>6,628,742</u>	<u>-</u>	<u>35,351,227</u>	<u>-</u>
Capital Assets:						
Land, improved and unimproved	7,033,656	17,834,755	33,575,670	-	58,444,081	22,506
Improvements other than buildings	15,054,010	81,554,468	83,756,212	-	180,364,690	268,565
Infrastructure	-	14,351	-	-	14,351	-
Buildings	26,404,147	33,967,015	236,042,928	-	296,414,090	-
Furniture, fixtures, equipment, and machinery	15,736,423	17,439,977	1,079,799	1,803,002	36,059,201	3,989,933
Automobiles and trucks	4,187,948	298,419	172,588	397,939	5,056,894	97,130,576
Construction in progress	-	-	282,372	-	282,372	-
Subtotal	<u>68,416,184</u>	<u>151,108,985</u>	<u>354,909,569</u>	<u>2,200,941</u>	<u>576,635,679</u>	<u>101,411,580</u>
Less: Accumulated depreciation	<u>16,142,929</u>	<u>108,836,115</u>	<u>181,949,993</u>	<u>1,765,956</u>	<u>308,694,993</u>	<u>58,769,227</u>
Total Capital Assets (net of accumulated depreciation)	<u>52,273,255</u>	<u>42,272,870</u>	<u>172,959,576</u>	<u>434,985</u>	<u>267,940,686</u>	<u>42,642,353</u>
Total Noncurrent Assets	<u>52,273,255</u>	<u>70,995,355</u>	<u>179,588,318</u>	<u>434,985</u>	<u>303,291,913</u>	<u>42,642,353</u>
Total Assets	<u>95,430,654</u>	<u>131,167,858</u>	<u>213,556,119</u>	<u>67,141,843</u>	<u>507,296,474</u>	<u>281,464,195</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding of debt	-	-	96,468	-	96,468	-
Pension deferrals	3,971,063	2,348,220	923,727	6,477,854	13,720,864	3,098,995
Total Deferred Outflows of Resources	<u>3,971,063</u>	<u>2,348,220</u>	<u>1,020,195</u>	<u>6,477,854</u>	<u>13,817,332</u>	<u>3,098,995</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
Exhibit A-7 (Concluded)

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds		
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 5,784,537	\$ 3,653,375	\$ 1,433,659	\$ 121,151	\$ 10,992,722	\$ 10,243,808
Interest payable	444,891	-	181,627	-	626,518	-
Retainage payable	69,946	-	145,659	-	215,605	-
Deposits	-	-	-	8,887,245	8,887,245	-
Claims payable	-	-	-	-	-	40,764,793
Accrued liabilities	4,975,901	4,173,002	403,764	2,987,450	12,540,117	6,888,892
Due to other funds	563,420	183,942	81,022	529,545	1,357,929	15,930,623
Due to component units	-	-	824	51,431	52,255	45,975
Due to other governments	1,187,376	2,322,949	-	-	3,510,325	201,622
Equipment notes payable	1,069,466	-	153,332	18,987	1,241,785	-
Unearned revenue	27,010	-	551,422	2,797,335	3,375,767	34,816
Revenue bonds payable	2,206,912	-	3,291,000	-	5,497,912	-
Landfill closure costs	-	1,145,189	-	-	1,145,189	-
Other liabilities	3,585	-	100,000	-	103,585	-
Total Current Liabilities	<u>16,333,044</u>	<u>11,478,457</u>	<u>6,342,309</u>	<u>15,393,144</u>	<u>49,546,954</u>	<u>74,110,529</u>
Noncurrent Liabilities:						
Claims payable	-	-	-	-	-	118,316,809
Equipment note payable	3,969,838	-	156,022	-	4,125,860	-
Revenue bonds payable	37,899,695	-	34,707,812	-	72,607,507	-
Landfill closure costs	-	14,588,533	-	-	14,588,533	-
Gude Landfill remediation costs	-	28,700,000	-	-	28,700,000	-
Compensated absences	913,361	373,581	124,472	960,014	2,371,428	891,081
Net pension liability	6,999,225	4,248,338	1,642,921	11,149,019	24,039,503	5,503,860
Other postemployment benefits	1,838,263	477,233	229,800	1,419,926	3,965,222	1,141,214
Total Noncurrent Liabilities	<u>51,620,382</u>	<u>48,387,685</u>	<u>36,861,027</u>	<u>13,528,959</u>	<u>150,398,053</u>	<u>125,852,964</u>
Total Liabilities	<u>67,953,426</u>	<u>59,866,142</u>	<u>43,203,336</u>	<u>28,922,103</u>	<u>199,945,007</u>	<u>199,963,493</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	494,328	300,043	116,033	787,411	1,697,815	388,716
Total Deferred Inflows of Resources	<u>494,328</u>	<u>300,043</u>	<u>116,033</u>	<u>787,411</u>	<u>1,697,815</u>	<u>388,716</u>
NET POSITION						
Net investment in capital assets	7,127,344	42,272,870	136,505,050	415,998	186,321,262	42,586,894
Restricted for:						
Public works and transportation	-	-	28,123,152	-	28,123,152	-
Environment	-	31,077,023	-	-	31,077,023	-
Debt Service	2,458,660	-	6,628,743	-	9,087,403	-
Unrestricted	<u>21,367,959</u>	<u>-</u>	<u>-</u>	<u>43,494,185</u>	<u>64,862,144</u>	<u>41,624,087</u>
Total Net Position	<u>\$ 30,953,963</u>	<u>\$ 73,349,893</u>	<u>\$ 171,256,945</u>	<u>\$ 43,910,183</u>	<u>319,470,984</u>	<u>\$ 84,210,981</u>
ADJUSTMENTS						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>2,299,002</u>	
Net position of business-type activities					<u>\$ 321,769,986</u>	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit A-8

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds		
OPERATING REVENUES						
Sales - net	\$ 296,155,116	\$ -	\$ -	\$ -	\$ 296,155,116	\$ -
Charges for services	21,868	112,668,265	28,755,384	12,437,095	153,882,612	291,738,094
Licenses and permits	1,913,800	11,230	-	38,442,968	40,367,998	-
Fines and penalties	218,464	50,370	6,578,765	87,485	6,935,084	2,174,238
Total Operating Revenues	298,309,248	112,729,865	35,334,149	50,967,548	497,340,810	293,912,332
OPERATING EXPENSES						
Cost of goods sold	215,872,938	-	-	-	215,872,938	-
Personnel costs	34,409,501	14,418,900	4,756,290	31,539,515	85,124,206	29,471,311
Other post employment contributions	2,157,520	330,980	273,640	1,205,050	3,967,190	1,273,460
Postage	23,119	26,286	6,693	16,068	72,166	1,028,184
Self-insurance incurred and estimated claims	-	-	-	-	-	161,614,455
Insurance	593,071	1,096,825	24,090	395,042	2,109,028	31,639,593
Supplies and materials	717,329	1,156,901	381,230	548,765	2,804,225	22,128,171
Contractual services	3,444,271	70,125,801	8,085,535	6,408,355	88,063,962	13,032,481
Communications	320,881	123,768	130,960	235,375	810,984	450,352
Transportation	1,216,209	1,941,359	277,031	898,080	4,332,679	232,954
Public utility services	713,674	160,147	2,436,932	1,933,790	5,244,543	997,885
Rentals	7,634,056	22,007	1,205,062	3,030,975	11,892,100	2,730,690
Maintenance	1,204,599	598,043	3,407,049	222,458	5,432,149	14,376,357
Depreciation	2,522,575	1,722,399	11,586,478	161,021	15,992,473	7,620,842
Landfill closure expense	-	394,244	-	-	394,244	-
Other	1,623,463	62,808	368,634	89,830	2,144,735	650,267
Total Operating Expenses	272,453,206	92,180,468	32,939,624	46,684,324	444,257,622	287,247,002
Operating Income (Loss)	25,856,042	20,549,397	2,394,525	4,283,224	53,083,188	6,665,330
NONOPERATING REVENUES (EXPENSES)						
Property taxes	-	-	(45,762)	-	(45,762)	-
Gain (loss) on disposal of capital assets	-	162,042	(379,699)	-	(217,657)	521,952
Investment income	78,759	330,715	216,492	442,897	1,068,863	1,309,257
Interest expense	(1,763,512)	-	(1,069,355)	(382)	(2,833,249)	-
Miscellaneous	-	2,259,288	-	-	2,259,288	-
Other revenue	178,931	54,026	435,904	19,795	688,656	-
Insurance recoveries	5,130	107,820	231,788	-	344,738	616,861
Total Nonoperating Revenues (Expenses)	(1,500,692)	2,913,891	(610,632)	462,310	1,264,877	2,448,070
Income (Loss) Before Capital Contributions and Transfers	24,355,350	23,463,288	1,783,893	4,745,534	54,348,065	9,113,400
Transfers In (Out):						
Transfers in	41,865	-	-	25,000	66,865	95,623
Transfers out	(19,088,907)	(2,793,471)	(4,488,528)	(5,571,156)	(31,942,062)	(4,312)
Total Transfers In (Out)	(19,047,042)	(2,793,471)	(4,488,528)	(5,546,156)	(31,875,197)	91,311
Change in Net Position	5,308,308	20,669,817	(2,704,635)	(800,622)	22,472,868	9,204,711
Total Net Position - Beginning of Year	25,645,655	52,680,076	173,961,580	44,710,805		75,006,270
Total Net Position - End of Year	\$ 30,953,963	\$ 73,349,893	\$ 171,256,945	\$ 43,910,183		\$ 84,210,981
ADJUSTMENTS						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					646,331	
Change in net position of business-type activities					\$ 23,119,199	

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, 2017
Exhibit A-9

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 300,450,866	\$ 114,326,667	\$ 35,484,717	\$ 50,901,592	\$ 501,163,842	\$ 293,839,863
Payments to suppliers	(239,451,155)	(75,039,258)	(15,602,122)	(15,850,700)	(345,943,235)	(79,027,006)
Payments to employees	(36,048,042)	(15,480,503)	(5,917,064)	(31,305,744)	(88,751,353)	(27,023,935)
Other operating receipts	178,931	-	435,904	4,254,416	4,869,251	-
Other operating payments	-	-	(368,556)	(4,477,922)	(4,846,478)	-
Other Operating Expenses	(1,623,463)	-	-	-	(1,623,463)	-
Claims paid	5,130	-	-	-	5,130	(154,129,412)
Other revenue	-	2,313,314	-	19,795	2,333,109	453,747
Net Cash Provided (Used) by Operating Activities	23,512,267	26,120,220	14,032,879	3,541,437	67,206,803	34,113,257
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Property tax collections	-	-	(45,762)	-	(45,762)	-
Insurance reimbursement claims	-	107,821	231,788	-	339,609	570,096
Operating subsidies and transfers from other funds	41,864	-	-	25,000	66,864	-
Operating subsidies and transfers to other funds	(19,088,907)	(2,793,471)	(4,488,528)	(5,571,156)	(31,942,062)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(19,047,043)	(2,685,650)	(4,302,502)	(5,546,156)	(31,581,351)	570,096
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of capital assets	-	206,061	-	-	206,061	702,298
Equipment Note Payable	(997,710)	-	-	-	(997,710)	-
Acquisition and construction of capital assets	(2,621,300)	(4,299,265)	(5,026,480)	-	(11,947,045)	(16,947,381)
Proceeds from equipment note payable	778,565	-	-	-	778,565	-
Principal paid on equipment note payable	-	-	(150,689)	-	(150,689)	-
Interest paid on equipment note payable	-	-	(7,380)	-	(7,380)	-
Principal paid on capital debt	(2,294,594)	-	(3,158,000)	(18,769)	(5,471,363)	-
Interest paid on capital debt	(1,763,512)	-	(1,416,348)	(382)	(3,180,242)	-
Internal activity - payments from other funds	-	-	-	-	-	95,623
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,898,551)	(4,093,204)	(9,758,897)	(19,151)	(20,769,803)	(16,149,460)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income from pooled investments	78,759	330,715	202,303	442,897	1,054,674	1,309,257
Investment income from nonpooled investments	-	-	50	-	50	-
Net Cash Provided (Used) by Investing Activities	78,759	330,715	202,353	442,897	1,054,724	1,309,257
Net Increase (Decrease) in Cash and Cash Equivalents	(2,354,568)	19,672,081	173,833	(1,580,973)	15,910,373	19,843,150
Balances - Beginning of Year	7,240,857	65,356,456	35,040,883	68,040,665	175,678,861	203,901,763
Balances - End of Year	\$ 4,886,289	\$ 85,028,537	\$ 35,214,716	\$ 66,459,692	\$ 191,589,234	\$ 223,744,913
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 25,856,042	\$ 20,549,397	\$ 2,394,525	\$ 4,283,224	\$ 53,083,188	\$ 6,665,330
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	2,522,575	1,722,399	11,586,478	161,021	15,992,473	7,620,842
Other revenue	178,931	2,313,314	435,904	19,795	2,947,944	42,456
Unearned revenue	7,291	-	-	-	7,291	-
Insurance Recoveries	5,130	-	-	-	5,130	-
Other operating expenses	-	-	74,042	-	74,042	-
Pension expense	355,210	149,848	68,122	(372,783)	200,397	111,574
Effect of changes in operating assets and liabilities:						
Receivables, net	2,134,326	1,360,840	76,526	(41,321)	3,530,371	338,821
Inventories, prepaids and other assets	-	-	-	-	-	(193,500)
Compensated Absences	26,399	-	-	-	26,399	-
Accounts payable and other liabilities	(7,711,009)	1,004,872	338,155	(898,112)	(7,266,094)	7,303,861
Claims payable	-	-	-	-	-	9,942,688
Accrued expenses	137,372	(980,450)	(940,873)	389,613	(1,394,338)	2,281,185
Net Cash Provided (Used) by Operating Activities	\$ 23,512,267	\$ 26,120,220	\$ 14,032,879	\$ 3,541,437	\$ 67,206,803	\$ 34,113,257
Noncash investing, capital and financing activities:						
Change in fair value of investments that are not cash and cash equivalents	\$ -	\$ -	\$ 12,817	\$ -	\$ 12,817	\$ -
Capital asset disposals	\$ -	\$ -	\$ 379,699	\$ -	\$ 379,699	\$ -

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017
Exhibit A-10

	Pension and Other Employee Benefit Trusts	Investment Trust	Private- Purpose Trusts	Agency Funds
ASSETS				
Current Assets:				
Equity in pooled cash and investments	\$ 2,132,281	\$ 10,760,691	\$ -	\$ 31,001,713
Cash	-	-	-	158,242
Investments:				
Government and agency obligations	550,678,073	-	-	-
Asset-backed securities	701,420	-	-	-
Municipal/Provincial bonds	9,992,343	-	-	-
Corporate bonds	799,906,063	-	-	-
Collateralized mortgage obligations	959,491	-	-	-
Commercial mortgage-backed securities	1,763,609	-	-	-
Common and preferred stock	2,104,805,978	-	-	-
Mutual and commingled funds	1,282,218,549	-	-	-
Short-term investments	202,592,990	-	-	-
Cash collateral received under securities lending agreements	215,647,371	-	-	-
Private real assets	212,332,555	-	-	-
Private equity/debt	378,934,466	-	-	-
Total Investments	<u>5,760,532,908</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receivables (net of allowances for uncollectibles):				
Receivables and accrued interest	17,085,142	-	-	-
Property taxes	-	-	-	4,742,040
Accounts	332,994	-	-	9,950,381
Due from other funds	24,915,925	-	-	-
Due from component units	96,675	-	-	-
Due from other governments	2,868	-	-	161,259
Total Current Assets	<u>5,805,098,793</u>	<u>10,760,691</u>	<u>-</u>	<u>46,013,635</u>
Noncurrent Assets:				
Capital assets:				
Miscellaneous	900,043	-	-	-
Less: Accumulated depreciation	<u>900,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>5,805,098,793</u>	<u>10,760,691</u>	<u>-</u>	<u>46,013,635</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	217,950,812	-	-	498,062
Accrued liabilities	5,530,243	-	-	14,459
Deposits	-	-	-	2,902,951
Claims payable	4,174,423	-	-	-
Due to other funds	21,968	-	-	-
Due to other governments	-	-	-	3,103,002
Uncollected property taxes due to governments	-	-	-	4,417,261
Undistributed taxes and refunds	-	-	-	67,554
Unearned revenue	77,121	-	-	-
Tax sale surplus and redemptions payable	-	-	-	3,213,282
Other liabilities	-	-	-	31,797,064
Total Current Liabilities	<u>227,754,567</u>	<u>-</u>	<u>-</u>	<u>46,013,635</u>
Noncurrent Liabilities:				
Compensated absences	79,775	-	-	-
Total Liabilities	<u>227,834,342</u>	<u>-</u>	<u>-</u>	<u>\$ 46,013,635</u>
NET POSITION				
Restricted for pension and other postemployment benefits, external investment pool participants, and other purposes	<u>\$ 5,577,264,451</u>	<u>\$ 10,760,691</u>	<u>\$ -</u>	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit A-11

	Pension and Other Employee Benefit Trusts	Investment Trust	Private- Purpose Trusts
ADDITIONS			
Contributions:			
Employers	\$ 302,226,682	\$ -	\$ -
Members	82,413,229	-	-
Federal government - Medicare Part D	6,345,721	-	-
Share purchases	-	2,604,404	-
Total Contributions	<u>390,985,632</u>	<u>2,604,404</u>	<u>-</u>
Investment income (loss)	609,706,286	58,178	19
Less: Investment expenses	<u>22,856,109</u>	<u>-</u>	<u>-</u>
Net Investment Income (Loss)	<u>586,850,177</u>	<u>58,178</u>	<u>19</u>
Other income - forfeitures	<u>725,208</u>	<u>-</u>	<u>-</u>
Total Additions, net	<u>978,561,017</u>	<u>2,662,582</u>	<u>19</u>
DEDUCTIONS			
Benefits:			
Annuities:			
Retirees	175,048,760	-	-
Survivors	9,334,089	-	-
Disability	50,741,385	-	-
Claims	<u>115,142,393</u>	<u>-</u>	<u>-</u>
Total Benefits	350,266,627	-	-
Share redemptions	-	1,250,000	-
Member refunds	47,359,201	-	-
Administrative expenses	7,669,572	-	15,458
Depreciation	<u>300,014</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>405,595,414</u>	<u>1,250,000</u>	<u>15,458</u>
Net Increase (Decrease)	572,965,603	1,412,582	(15,439)
Net Position - Beginning of Year	<u>5,004,298,848</u>	<u>9,348,109</u>	<u>15,439</u>
Net Position - End of Year	<u>\$ 5,577,264,451</u>	<u>\$ 10,760,691</u>	<u>\$ -</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2017
Exhibit A-12

	MCPS	HOC	Nonmajor Component Units	Total
ASSETS				
Equity in pooled cash and investments	\$ 36,798,414	\$ 11,186	\$ 23,928,240	\$ 60,737,840
Cash with fiscal agents	-	68,861,885	6,985,746	75,847,631
Cash	10,602,413	15,796	7,159,138	17,777,347
Investments - cash equivalents	69,901,398	35,039,361	6,731,901	111,672,660
Investments	-	-	36,846,927	36,846,927
Receivables (net of allowance for uncollectibles):				
Capital leases	-	-	8,990,122	8,990,122
Accounts	38,053,952	732,863	6,532,897	45,319,712
Notes	-	-	62,594,160	62,594,160
Mortgage	-	308,362,636	-	308,362,636
Interest	-	4,614,215	-	4,614,215
Other	127,000	20,876,792	6,177,966	27,181,758
Due from primary government	76,243,443	561,071	16,155,679	92,960,193
Due from other governments	24,266,079	4,834,907	4,663,875	33,764,861
Inventory of supplies	9,966,149	341,279	356,028	10,663,456
Prepays	342,180	-	439,150	781,330
Other assets	-	35,446,981	4,800,072	40,247,053
Restricted Assets:				
Equity in pooled cash and investments	-	1,084,123	3,215,332	4,299,455
Cash with fiscal agents	-	22,677,543	-	22,677,543
Cash	-	-	682,275	682,275
Investments - cash equivalents	-	131,242,168	21,260,348	152,502,516
Investments	-	85,911,542	1,473,756	87,385,298
Capital Assets:				
Nondepreciable assets	176,540,752	102,692,315	105,920,901	385,153,968
Depreciable assets, net	2,615,627,541	483,462,500	531,308,526	3,630,398,567
Total Assets	<u>3,058,469,321</u>	<u>1,306,769,163</u>	<u>856,223,039</u>	<u>5,221,461,523</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	-	826,841	826,841
Pension deferrals	267,608,824	6,429,816	7,754,781	281,793,421
Accumulated decrease in fair value of hedging derivatives	-	11,376,760	180,064	11,556,824
Total Deferred Outflow of Resources	<u>267,608,824</u>	<u>17,806,576</u>	<u>8,761,686</u>	<u>294,177,086</u>
LIABILITIES				
Accounts payable	96,871,693	19,286,608	2,557,062	118,715,363
Interest payable	-	17,863,270	529,370	18,392,640
Retainage payable	8,026,165	-	1,533,390	9,559,555
Accrued liabilities	67,508,676	7,771,925	22,231,236	97,511,837
Deposits	-	18,285,610	371,356	18,656,966
Due to primary government	53,703	66,259,320	345,813	66,658,836
Due to other governments	-	-	149,387	149,387
Unearned revenue	8,499,806	27,540,443	7,431,100	43,471,349
Other liabilities	-	46,038,464	2,168,639	48,207,103
Noncurrent Liabilities:				
Due within one year	57,619,387	133,361,534	10,489,314	201,470,235
Due in more than one year	1,247,791,645	731,403,470	206,164,268	2,185,359,383
Total Liabilities	<u>1,486,371,075</u>	<u>1,067,810,644</u>	<u>253,970,935</u>	<u>2,808,152,654</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	3,094,000	3,094,000
Pension deferrals	104,378,920	2,712,808	1,000,457	108,092,185
Total Deferred Inflow of Resources	<u>104,378,920</u>	<u>2,712,808</u>	<u>4,094,457</u>	<u>111,186,185</u>
NET POSITION				
Net investment in capital assets	2,755,450,828	11,438,310	526,888,573	3,293,777,711
Restricted for:				
Capital projects	-	-	223,333	223,333
Debt service	-	94,306,539	1,473,756	95,780,295
Other purposes	1,854,255	5,474,073	32,673,766	40,002,094
Unrestricted (deficit)	<u>(1,021,976,933)</u>	<u>142,833,365</u>	<u>45,659,905</u>	<u>(833,483,663)</u>
Total Net Position	<u>\$ 1,735,328,150</u>	<u>\$ 254,052,287</u>	<u>\$ 606,919,333</u>	<u>\$ 2,596,299,770</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, 2017
Exhibit A-13

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	MCPS	HOC	Nonmajor Component Units	Total
Component Units:								
General government	\$ 5,600,713	\$ 5,399,502	\$ 219,920	\$ -	\$ -	\$ -	\$ 18,709	\$ 18,709
Culture and recreation	18,508,707	16,557,849	-	1,823,462	-	-	(127,396)	(127,396)
Community development and housing	244,228,543	114,643,198	118,488,346	8,406,478	-	(2,690,521)	-	(2,690,521)
Education:								
Secondary education	2,857,377,551	30,583,631	122,283,065	74,501,828	(2,630,009,027)	-	-	(2,630,009,027)
Higher education	348,267,060	69,296,995	17,699,154	45,690,553	-	-	(215,580,358)	(215,580,358)
Total component units	<u>\$ 3,473,982,574</u>	<u>\$ 236,481,175</u>	<u>\$ 258,690,485</u>	<u>\$ 130,422,321</u>	<u>(2,630,009,027)</u>	<u>(2,690,521)</u>	<u>(215,689,045)</u>	<u>(2,848,388,593)</u>
General revenues:								
Grants and contributions not restricted to specific programs					2,720,473,914	352,264	223,357,322	2,944,183,500
Investment income					8,768	2,068,663	5,679,284	7,756,715
Gain (loss) on sale of capital assets					192,062	30,574,480	5,811	30,772,353
Total general revenues					<u>2,720,674,744</u>	<u>32,995,407</u>	<u>229,042,417</u>	<u>2,982,712,568</u>
Change in net position					90,665,717	30,304,886	13,353,372	134,323,975
Net position - beginning, as restated					<u>1,644,662,433</u>	<u>223,747,401</u>	<u>593,565,961</u>	<u>2,461,975,795</u>
Net position - ending					<u>\$ 1,735,328,150</u>	<u>\$ 254,052,287</u>	<u>\$ 606,919,333</u>	<u>\$ 2,596,299,770</u>

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



MONTGOMERY COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

Background

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

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

Discretely Presented Component Units

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

Major Component Units

- Montgomery County Public Schools (MCPS)
MCPS provides public education in kindergarten through twelfth grade to children residing within Montgomery County. Members of the Board of Education, including one student member, are elected by the voters. However, MCPS is fiscally dependent upon the Primary Government because the Primary Government approves the budget, levies taxes to provide the majority of the fiscal support, and issues debt for construction of school facilities.
- Housing Opportunities Commission of Montgomery County (HOC)
HOC is governed by seven commissioners who are appointed by the County Executive with the approval of the County Council. In addition, the County Council provides for a subsidy to the operating budget of HOC and guarantees a relatively small portion of its debt (up to \$50,000,000). The HOC operating budget approval occurs on a project basis, with the County Council having authority to approve project budgets that include County funding. HOC presents its proposed budget to the Council for review and comment only, as required by Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law. 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.

NonMajor Component Units

- Bethesda Urban Partnership, Inc (BUP)
 BUP has its entire eleven-member Board of Directors appointed by the County Executive with the approval of the County Council. The primary purpose of BUP is to execute service contracts for the benefit of one of the Primary Government's special taxing districts (Bethesda Urban District). Substantially all of BUP's funding is granted through the Primary Government's operating budget. The County Council annually approves the BUP operating budget and is able to modify it in a manner similar to the way Primary Government agency budgets are modified.
- Montgomery County Revenue Authority (MCRA)
 MCRA is governed by a five-member Board of Directors. All members are appointed by the County Executive subject to the confirmation of the County Council. The County Council approves the capital budget of MCRA. MCRA approves its own operating budget. MCRA is an instrumentality of the Primary Government for the purpose of constructing, improving, and maintaining self-sustaining projects devoted to public use, good or welfare.
- Montgomery College (MC)
 MC provides educational services to County citizens by offering two-year associate degrees and a continuing education program. MC 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 MC. The Primary Government contributes substantial funding for both the operating and capital budgets, as well as issues debt for the construction of college facilities.

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

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

Joint Ventures and Jointly Governed Organizations

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

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

B) Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

Fund Financial Statements

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

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

Budget-to-Actual Comparison Schedules

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

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

Measurement Focus and Basis of Accounting

Full Accrual Basis Financial Statements

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

Modified Accrual Basis Financial Statements

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

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

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

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

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

Financial Statement Presentation

Major Governmental Funds

- General Fund
This fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. For financial reporting purposes, the General Fund also includes amounts maintained in a legally separate Revenue Stabilization Fund. (See Note II-A.) The Revenue Stabilization Fund was created to establish a "rainy day" or reserve account to accommodate future funding shortfalls. It was designed to accrue a balance during periods of economic growth and prosperity, when revenue collections exceed estimates. The Fund may be drawn upon during periods of economic slowdown, when collections fall short of revenue estimates. The Economic Development Fund and the Urban District Funds are reported in the General Fund.
- Housing Initiative Fund
This fund is used to account for the fiscal activity for financing, supplementing, and constructing affordable residential facilities for eligible participants. The Fund's revenue sources consist of a portion of each County-owned property sold, repayments on loans, and recordation taxes. All of these revenue sources are restricted, as all funds received must be used to finance, supplement, and construct affordable residential housing for eligible participants.
- Grants Fund
This fund accounts for the Federal and State grant-funded activities of the tax supported General Fund and special revenue funds. These grant funds must be spent according to the restrictions prescribed by the respective funding agencies.
- Debt Service Fund
This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Major Enterprise Funds

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

Other Fund Types

- Other Governmental Funds
The other governmental fund types used by the County are special revenue and permanent. Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes. The County periodically uses permanent funds to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.
- Nonmajor Enterprise Funds
The nonmajor enterprise funds types used by the County are Permitting Services, which accounts for most of the fiscal activity of permitting programs within the County, and Community Use of Public Facilities, which accounts for the fiscal activity related to renting public facilities to community organizations.
- Internal Service Funds
These funds are used to account for the financing of goods or services provided by one department or agency to other departments or to other governmental units, on a cost-reimbursement basis. There are four internal service funds reported by the County: Motor Pool, Liability and Property Coverage Self-Insurance, Employee Health Benefits Self-Insurance, and Central Duplicating.

Fiduciary Fund Types

- Pension and Other Employee Benefit Trust Fund
This fund is used to account for all activities of the Employees' Retirement System of Montgomery County (defined benefit plan), Employees' Retirement Savings Plan (defined contribution plan),

Deferred Compensation Plan, and Retiree Health Benefits Trust, including accumulation of resources for, and payment of, retirement annuities or other benefits and administrative costs.

- Investment Trust Fund
This fund accounts for the portion of the external investment pool, sponsored by the County that belongs to participating governments that are not part of the County reporting entity.
- Private-Purpose Trust Funds
These funds account for arrangements under which principal and interest are legally held in trust for parties outside of the County and must be expended in accordance with their designated purposes. The Tricentennial Trust fund is to be expended for the county's tricentennial celebration in 2076 and the Private Contributions fund is to be used for Hate and Violence awareness.
- Agency Funds
These funds are used to account for assets, such as property taxes, held in a purely custodial capacity, where the County receives, temporarily invests, and remits such resources to individuals, private organizations, or other governments.

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

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

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

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

1) Cash and Investments

Pooled Cash and Investment

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

Non-pooled Investments

Proprietary Fund Types

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

Pension and Other Employee Benefit Trust Fiduciary Fund Type

Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2017. Fair value for private investment funds, including private equity and private real assets, is determined using unit values supplied by the fund managers, which are based upon the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgment and may differ from amounts which would be realized if such holdings were actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Cash and Cash Equivalents

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

2) Receivables and Payables

Due From/To Other Funds and Internal Balances

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

Trade Accounts Receivable

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

3) Inventories and Prepaids

Inventories

Inventories are valued at the lower of cost (principally first-in, first-out) or market in the Liquor Enterprise Fund and consist of goods held for sale. Inventories valued at cost (principally moving-average) are carried in the Motor Pool Internal Service Fund and the governmental fund types. All inventories are maintained by perpetual records and adjusted by annual physical counts. Inventories in the governmental funds and Motor Pool Internal Service Fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual

items are withdrawn for use. In governmental funds, fund balance equivalent to the year-end inventory value is classified as nonspendable to indicate that portion of fund balance which is not available in a spendable form.

Prepays

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

4) Restricted Assets

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

5) Capital Assets

Capital assets, which include property, plant, equipment, computer software, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of \$10,000 or more, and an estimated useful life in excess of one year. Such assets are valued at actual market transactions for identical or similar items, the current cost to replace the service capacity of an asset, or discounting the current value of future cash flows. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

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

6) Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the County that is applicable to a future reporting period. The County’s deferred outflows of resources consist of deferred charges on refunding of debt and changes relating to pension expenses. Deferred charges on refunding are being amortized over the term of the respective bonds

using the bonds outstanding method which approximates the effective interest method. Deferred outflows of resources relating to pensions are described in Note IV-F1. For the County's Component Units deferred outflows consist of accumulated decreases in fair value of hedging derivatives.

7) Compensated Absences

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

8) Long-Term Obligations

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

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

9) Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the County that is applicable to a future reporting period. The County's deferred inflows of resources consist of unavailable income taxes, unavailable property taxes, unavailable revenues, and changes relating to pension expenses (see Note IV-F1).

10) Fund Equity/Net Position

In the government-wide financial statements, the County has reported negative unrestricted net position. This is due to the fact that the County issues general obligation bonded debt for purposes of capital construction on behalf of MCPS, MC, and M-NCPPC. The related capital assets are reported on the financial statements of these governments. For MCPS and MC, component units of the County, this amount is also classified as net investment in capital assets in the Component Units column of the government-wide Statement of Net Position (Exhibit A-1). For Primary Government purposes, since the issuance of such debt has not resulted in a capital asset, the effect of this debt is reflected in unrestricted net position (deficit) in the Governmental Activities column of the government-wide Statement of Net Position. At June 30, 2017, the County has reported outstanding general obligation bond, variable rate demand obligation, and bond anticipation note debt related to MCPS, MC, and M-

NCPPC amounting to \$1,706,292,298. Absent the effect of this relationship, the County would have reported a deficit in unrestricted net position of governmental activities in the amount of \$139,301,021.

Classification of Fund Balance

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

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

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

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

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

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

11) Property Taxes

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was levied above the constant yield rate for FY17. Following the Fairness in Taxation (FIT) legislation, the County Charter requires an affirmative vote of nine members of the Council to increase the real property tax rate to a level that will produce total revenues exceeding the total revenue produced by the tax on real property in the preceding year, plus 100 percent of any increase in the Consumer Price Index with exemptions for revenue from newly constructed, rezoned property and development district tax to fund capital improvement projects. The tax rate adopted for Levy Year 2016 (i.e., FY17), in conjunction with a one-time income tax offset credit, generated revenues below the Charter limit for that year.

Generally, property taxes are levied as of July 1 and become delinquent on October 1. Interest and penalty amounts are assessed annually at 20 percent on delinquent tax bills. Owner-occupied residential and "small

business” property owners pay their tax on a semi-annual schedule, with the first and second installments due on September 30 and December 31, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30. Property tax revenue is reported net of refunds paid.

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

12) Pensions

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

E) New Accounting Standards

The County has adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for decision making and assessing accountability. The portion of the standard amending GASB Statements 67 and 68 was implemented in FY16. The remaining guidance addressing reporting by employers for pensions that are not within the scope of Statement 68 is effective for FY17. The required changes are reflected in the County’s financial statements and notes to those statements. GASB Statement No. 73 required restatement of beginning net position as follows:

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Net Position, June 30, 2016	\$ 721,054,595
Net Pension Liability	(33,719,106)
Deferred Outflow of Resources	<u>1,309,686</u>
Net Position, as restated	<u>\$ 688,645,175</u>

The County has adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, issued to address reporting by Other Postemployment Benefit (OPEB) plans. Since this statement is required to be implemented in the FY17 OPEB plan’s financial report and the County does not issue a separate OPEB plan financial statements, all required disclosure has been included within this report. In addition, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. Since Statement No. 75 will not be required to be implemented in the County’s FY17 CAFR, the County will continue to disclose the required OPEB information according to GASB Statement No. 45. The County will implement GASB Statement No. 75 in its FY18 CAFR as of June 30, 2018.

The County has adopted GASB Statement No. 77, *Tax Abatement Disclosures*, issued to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. It is effective for FY17. This statement did not have a significant impact on the County's financial statements.

The County has adopted GASB Statement No. 78, *Pension Provided through Certain Multi-Employer Defined Benefit Pension Plans*, issued to address reporting by employers participating in the cost-sharing multiple-employer defined benefit pension plan. This statement is basically applicable to nongovernmental cost-sharing defined benefit plans. Since the County's Employee Retirement System and Maryland Statement Retirement Agency's retirement plan are governmental pension plans, this statement has no impact on the County's financial statements as of June 30, 2017.

The County has adopted GASB Statement No. 80, *Blending requirements for certain component units-an amendment of GASB Statement No. 14*, issued to amend the blending requirement for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement did not have any impact on the County's financial statements as the additional criterion does not apply to the County's five component units.

The County has adopted GASB Statement No. 82, *Pension issues-an amendment of GASB statements No. 67, No. 68 and No. 73*, issued to address issues regarding the presentation of payroll-related measures in Required Supplementary Information, the selection of assumptions and the classification of Employer-Paid member contributions. The required changes related to covered payroll are reflected in the County's financial statements. The requirements regarding the selection of assumption and Employer-Paid member contribution did not have an impact on the County's financial statements as no deviation has been noticed and the County has not paid the member contribution in FY17.

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NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Additional Fund Information

Revenue Stabilization Fund

This fund is used to account for the accumulation of resources at a targeted reserve level sufficient to address unexpected increases or decreases in revenues and expenditures. For financial reporting purposes this fund is included within the General Fund. Below is the change in the Revenue Stabilization Fund (RSF) balance for the fiscal year ended June 30, 2017.

Revenue Stabilization Fund (RSF)	
Balance – Beginning of Year	\$ 254,406,038
Investment Income	1,512,822
FY17 Statutory Contribution	24,741,399
	280,660,259
Balance – End of Year	\$ 280,660,259

White Flint Special Taxing District

The White Flint Special Taxing District (WFSTD) is used to account for property tax collections and investment income earnings related to the White Flint Sector. These revenues are used to fund transportation infrastructure improvements and other development costs in the WFSTD. This fund is included within the Capital Projects Fund. Below is the change in the WFSTD balance for the fiscal year ended June 30, 2017.

White Flint Special Taxing District (WFSTD)	
Balance – Beginning of Year	\$ 5,478,860
Property Taxes	1,359,855
Investment Income	38,690
	6,877,405
Balance – End of Year	\$ 6,877,405

Deficit Fund Equity

The deficit of \$60,793 in the Fire Tax District Special Revenue Fund was caused by the payment of unplanned overtime of \$8.6 million in FY17. To address this shortfall, management will recommend a property tax rate adjustment and other expenditure and revenue adjustments in FY19.

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NOTE III. DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

1) Overview

The following is a schedule of total cash and investments:

	Primary Government	Component Units *	Total Reporting Entity
<u>Statement of Net Position Amounts:</u>			
Equity in pooled cash and investments	\$ 1,181,375,007	\$ 60,737,840	\$ 1,242,112,847
Cash with fiscal agents	103,609,649	75,847,631	179,615,522
Cash	721,042	17,777,347	18,340,147
Investments - cash equivalents	-	111,672,660	111,672,660
Investments	5,760,532,908	36,846,927	5,797,379,835
Restricted equity in pooled cash and investments	59,004,010	4,299,455	63,303,465
Restricted cash with fiscal agents	-	22,677,543	22,677,543
Restricted cash	-	682,275	682,275
Restricted investments - cash equivalents	-	152,502,516	152,502,516
Restricted investments	3,114,809	87,385,298	90,500,107
Total	\$ 7,108,357,425	\$ 570,429,492	\$ 7,678,786,917
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 583,264,288	\$ 166,813,287	\$ 750,077,575
Investments	6,420,762,446	236,528,633	6,657,291,079
Cash on hand, fiscal agents, safe deposit escrow	104,330,691	167,087,572	271,418,263
Total	\$ 7,108,357,425	\$ 570,429,492	\$ 7,678,786,917

* Includes \$384,690 in County Investment Pool

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

Government-wide	\$ 1,303,771,589
Fiduciary funds	5,804,585,836
Total	\$ 7,108,357,425

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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. The fair value of U.S. Government securities, repurchase agreements, commercial paper and bankers' acceptances are provided by the County's custodian, which are based on various industry standard pricing sources. For interest-bearing investments, market value quotations do not include accrued interest. However, for reporting purposes, immaterial amounts of accrued interest are typically classified with the fair value of investments in the accompanying financial statements.

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

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
<u>Statement of Net Position Amounts:</u>			
Equity in pooled cash and investments	\$ 1,181,375,007	\$ 384,690	\$ 1,181,759,697
Restricted equity in pooled cash and investments	<u>59,004,010</u>	<u>-</u>	<u>59,004,010</u>
Total	<u>\$ 1,240,379,017</u>	<u>\$ 384,690</u>	<u>\$ 1,240,763,707</u>
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 583,264,288	\$ -	\$ 583,264,288
Investments, including accrued interest	<u>657,114,729</u>	<u>384,690</u>	<u>657,499,419</u>
Total	<u>\$ 1,240,379,017</u>	<u>\$ 384,690</u>	<u>\$ 1,240,763,707</u>

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statute requires that securities underlying certificates of deposit have a

market value that equals or exceeds the cost of the deposit while County investment policy requires a market value of at least 102 percent of the cost of the deposit. Appropriate sections of these cited statutes also require that funds on deposit in financial institutions be fully secured. The form of such security shall be in compliance with State statute and the County Code. Collateral pledged for protection of these banking deposits is held in the County's name at a third party depository, in the trust department of pledging banks, or insured by a surety bond by a State approved insurance company.

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

Investments

The County, through its external investment pool, maintains a cash and investment management program. The primary objectives of the program are the preservation of capital, providing liquidity to meet financial obligations, and maximization of the investment yield on short-term working capital. Working capital is managed pursuant to the Annotated Code of Maryland, the County Code, and the County's investment policies as approved by the County Council. At year-end, the investment portfolio was comprised of commercial paper, the Maryland Local Government Investment Pool (MLGIP, and U.S. Government securities (U.S. Treasury and U.S. Agency Securities). The County was in compliance with all applicable investment statutes throughout the fiscal year.

The Maryland Local Government Investment Pool (MLGIP) provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created the Maryland Local Government Investment Pool within the Annotated Code of Maryland and more recently defined by Title 17, subtitle 3 of the Local Government Article of the Maryland Annotated Code. The Pool's purpose is to assist the public finance officer by providing an investment medium in which the participants may invest their idle balances. A pooled fund strategy is utilized creating a money market fund for municipalities that is a very safe, highly efficient, programmed approach to investing. Participants are provided professional money management, a well-diversified portfolio and reduced cost. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A. A MLGIP Advisory Committee of current participants was formed to review, on a semi-annual basis, the activities of the Fund and to provide suggestions to enhance the Pool. Investments held by the MLGIP are measured at amortized cost, which approximates fair value. Unit value is computed using the amortized cost method and maintains a \$1 per share value.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The following is a summary of the fair value hierarchy of the fair value of investments of the County as of June 30, 2017:

	<u>Fair Value Measurements Using</u>		
	6/30/2017	<u>Quoted Prices in Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>
		Level 1	Level 2
<u>Investments by fair value level</u>			
U.S. Treasury Securities	\$ 29,970,100	\$ 29,970,100	\$ -
U.S. Agency Securities	347,810,624	347,810,624	
Commercial paper	69,313,208	-	69,313,208
Total investments by fair value level	<u>447,093,932</u>	<u>\$ 377,780,724</u>	<u>\$ 69,313,208</u>
<u>Investments measured at amortized cost:</u>			
Maryland Local Government Investment Pool	209,181,410		
Total investments	<u>\$ 656,275,342</u>		

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to maturities of one year or less. However, a portion of the portfolio may be invested in investments with longer maturities (up to two years); any investment with a maturity of over 12 months must be approved by the Director of Finance prior to execution. At June 30, 2017, the County had no investments with a maturity over 12 months.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County is authorized to invest in: a) obligations for which the United States has pledged its full faith and credit for the payment of principal and interest, b) obligations that a federal agency or instrumentality issues in accordance with an act of Congress, or c) repurchase agreements that any of the foregoing listed obligations secures. Cited statutes also authorize investments in bankers' acceptances, secured certificates of deposit issued by Maryland banks, commercial paper of the highest investment grade, the MLGIP, and money market mutual funds that are registered and operate in accordance with Maryland State Code. State statutes and County policies require that these money market mutual funds invest only in obligations of U.S. Treasuries, U.S. Agencies and repurchase agreements collateralized by an obligation of the United States, its agencies or instrumentalities.

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

<u>Investment Type:</u>	<u>Ratings</u>		
	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
U.S. Agency Securities ¹ :			
Short Term Debt / Discount Notes	A-1+	F1+	P-1
Farmer Mac (FAMCA) Long Term Debt	N/R	N/R	N/R
Federal Farm Credit (FFCB) Long Term Debt	AA+	AAA	Aaa
Federal Home Loan Bank (FHLB) Long Term Debt	AA+	N/R	Aaa
Federal Home Loan Mortgage Corporation "Freddie Mac" (FHLMC) Long Term Debt	AA+	AAA	Aaa
Fannie Mae (FNMA) Long Term Debt	AA+	AAA	Aaa
Commercial Paper ²	A-1	F1	P-1
Local Government Investment Pool (MLGIP)	AAAm	N/R	N/R

N/R - Not Rated

1 - Only includes securities implicitly guaranteed by the U.S. Government.

2 - Not all commercial paper issues are rated by all agencies (NRSROs). However, each commercial paper holding is rated by at least two rating agencies (NRSROs). Each such rating is of the highest 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, 2017, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

The County's policy provides the maximum limits as follows:

<u>Diversification by Investment Type:</u>	<u>Maximum percent of Portfolio*</u>
U.S. Treasury obligations	100 %
U.S. Government agencies	75
Repurchase agreements	50
Bankers' acceptances	25
Money market mutual fund	50
Local government investment pool	50
Collateralized certificates of deposit**	25
Commercial paper	10

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

* At time of purchase

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

The County's investments are all under 5% for any one issuer other than US Agency Debt (13.0% Federal Home Loan Banks (FHLB), 10.0% Farmer Mac (FAMCA), 14.0% Federal Home Loan Mortgage Corp (FHLMC), 9.0% Federal National Mortgage Association (FNMA)) and 28.6% MLGIP. However, US Obligations (US Treasury and Agency Debt), mutual funds, and external investment pools (MLGIP) are exempt from the 5% of any one issuer maximum.

External Investment Pool Condensed Financial Statements:

The condensed financial statements of the County's external investment pool at June 30, 2017, are as follows:

Statement of Net Position June 30, 2017

Assets:	
Investment in securities, at fair value	\$ 656,275,342
Cash	583,264,288
Accrued interest receivable	<u>1,224,077</u>
Total assets and net position	<u>\$ 1,240,763,707</u>
Net position consists of:	
Internal participants' units outstanding (\$1.00 par), unrestricted	\$ 1,230,003,016
External participants' units outstanding (\$1.00 par)	<u>10,760,691</u>
Net position	<u>\$ 1,240,763,707</u>
Participants net position value, offering price and redemption price per share (\$1,240,803,550/1,241,685,594 units)	<u>\$ 1.00</u>

Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Investment Income *		\$ 5,590,585
Distributions to participants:		
Distributions paid and payable		(5,590,585)
Share transactions at net position value of \$1.00 per share:		
Purchase of units	\$ 7,566,344,405 *	
Redemption of units	<u>(7,410,550,795)</u>	
Net increase (decrease) in net position and shares resulting from share transactions		<u>155,793,610*</u>
Total increase (decrease) in net position		155,793,610*
Net position, July 1, 2016		<u>1,084,970,097</u>
Net position, June 30, 2017		<u><u>\$ 1,240,763,707</u></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. Funds with significant cash balances other than what is invested in the external investment pool include the following:

General Fund

Cash with fiscal agents of \$6,992,620 relates to amounts held by Marriott Hotels, pursuant to a management agreement, for the operation of the Conference Center.

Debt Service Fund

Cash with fiscal agents of \$13,386,793 represents lease revenue bond and revenue bond debt service reserve funds and the Montgomery College Certificates of Participation trustee account which are held in money market mutual funds and U.S Government securities.

Capital Projects Fund

Cash with fiscal agents of \$80,771,571 is held in money market mutual funds for the purpose of reimbursing construction expenditures incurred for various capital projects in the County.

Liquor Fund

Cash with fiscal agents of \$2,458,660 is held in money market funds for the purpose of reimbursing design, planning and renovation costs for a warehouse and for debt service. At the end of FY17, the County had incurred and paid renovation expenses that were to be reimbursed from cash from fiscal agents which occurred subsequent to year-end.

4) Fiduciary Funds

Employees' Retirement System:

Investment Overview

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

Fair Value Measurement

The System categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the System's investments.

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Fair Value Measurements Using

Investments by fair value level	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Government and agency obligations	\$ 195,532,013	\$ -	\$ 192,199,493	\$ 3,332,520
Municipal/Provincial obligations	8,802,535	-	8,802,535	-
Asset-backed securities	575,265	-	575,265	-
Corporate bonds	591,342,374	-	590,984,522	357,852
Collateralized mortgage obligations	938,220	-	938,220	-
Commercial mortgage-backed securities	1,636,717	-	1,636,717	-
Total debt securities	<u>798,827,124</u>	<u>-</u>	<u>795,136,752</u>	<u>3,690,372</u>
Equity Securities				
Consumer goods	214,426,774	213,518,144	900,244	8,386
Energy	64,948,599	64,268,217	567,619	112,763
Financial services	147,727,214	147,727,214	-	-
Health care	146,247,971	146,190,178	-	57,793
Industrials	156,823,215	156,427,187	-	396,028
Information technology	167,489,430	167,489,430	-	-
Materials	55,191,727	55,181,323	-	10,404
Telecommunication services	9,191,276	9,191,154	122	-
Utilities	11,530,097	11,529,708	389	-
Real Estate	186,378,026	186,378,026	-	-
Other	28,000	-	-	28,000
Total equity securities	<u>1,159,982,329</u>	<u>1,157,900,581</u>	<u>1,468,374</u>	<u>613,374</u>
Total investments by fair value level	<u>1,958,809,453</u>	<u>\$ 1,157,900,581</u>	<u>\$ 796,605,126</u>	<u>\$ 4,303,746</u>
Investments measured at the net asset value (NAV)				
Commingled equity funds	526,536,888			
Commingled bond funds	361,562,206			
Commingled real asset funds	164,907,461			
Commingled funds (other)	3,787,702			
Hedge fund	271,593,748			
Private real assets	191,725,989			
Private equity/debt	337,417,190			
Total investments measured at the NAV	<u>1,857,531,184</u>			
Investments measured at amortized cost				
Securities lending collateral fund	205,422,910			
Short-term investments	101,410,350			
Total investment measured at amortized cost	<u>306,833,260</u>			
Synthetic guaranteed investments contracts measured at contract value	370,918			
Total investments	<u>\$ 4,123,544,815</u>			

	<u>Fair Value Measurements Using</u>		
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investment derivative instruments:			
Future contracts	\$ (4,310,422)	\$ (4,310,422)	\$ -
Foreign exchange contracts	526,683	-	526,683
Total investment derivative instruments	<u>\$ (3,783,739)</u>	<u>\$ (4,310,422)</u>	<u>\$ 526,683</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 and Level 3 are valued using either a bid evaluation, or matrix pricing techniques. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Level 3 debt securities use proprietary information or single source pricing. Equity securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume. Short-term investments are cash or cash equivalents and generally include investments in money market-type securities reported at cost plus accrued interest, which approximates market or fair value.

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	\$ 526,536,888	\$ -	Daily, Monthly	0-15 days
Commingled bond funds	361,562,206	-	Daily	1-2 days
Commingled real asset funds	164,907,461	-	Daily, Bi-Weekly, Monthly	0-5 days
Commingled funds (other)	3,787,702	-	Daily	None
Hedge funds	271,593,748	-	Monthly, Quarterly	5-125 days
Private real assets	191,725,989	89,481,294	Not eligible	N/A
Private equity/debt	337,417,190	202,204,344	Not eligible	N/A
Total investments measured at the NAV	<u>\$ 1,857,531,184</u>	<u>\$ 291,685,638</u>		

Commingled Bond Funds, Equity Funds and Real Asset Funds

Five bonds funds, six equity funds and four real asset funds are considered to be commingles in nature. The fair value of the investments in these types of funds has been determined using the NAV per share of the investments.

Hedge Funds

The fair values of the investments in this type have been determined using the NAV per share of the investments. Nine funds are categorized in this category. All funds in this category could be subject to varying degrees of redemption restrictions based on market conditions that may impact their underlying portfolios.

Securities Lending Collateral

The System's custodian is the agent in lending the System's securities for collateral and investments are in a commingled fund.

Private Real Assets

The portfolio consists of twenty-six private real asset limited partnerships. Private real asset funds include U.S. real estate, oil and gas, timber, agriculture and other real asset investments. The fair value of these funds have been determined using the net asset values as of June 30, 2017. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 5 to 10 years.

Private Equity/Debt

The portfolio consists of fifty-five private equity/debt limited partnerships. Private equity funds include buyout, turnaround, fund-of-funds, and growth of equity investments. Private debt funds include distressed and structured equity investments. The fair value of these funds have been determined using the net asset values as of June 30, 2017. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 3 to 10 years.

Credit Risk/Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board's investment policies and guidelines limit the percentage of the total fund and individual manager's account which can be invested in fixed income securities rated below investment grade. In addition, the Board's investment policies and guidelines, for the majority of public fund managers, limit the percentage of each investment manager's account that may be allocated to any one security, position, issuer or affiliated issuer, to less than 5 percent of the fair value of the investment manager's account. The System does not have investments (other than those issued or explicitly guaranteed by the U.S. Government or pooled investments) in any one company that represents 5 percent or more of net position held in trust for pension benefits.

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The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2017, are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	\$ 175,332,004	13.92%
	Unrated	8,414,451	0.66
Foreign Government Obligations	AAA	4,304,069	0.34
	A	2,492,859	0.20
	BBB	1,062,510	0.08
	Unrated	3,926,120	0.32
Commercial Mortgage-Backed Securities	BB-	1,069,228	0.08
	B-	567,489	0.05
Collateralized Mortgage-Backed Securities	Unrated	938,220	0.07
Municipal/Provincial Bonds	AAA	1,720,346	0.14
	AA	5,460,125	0.42
	BBB	577,133	0.05
	B	729,700	0.06
	Unrated	315,231	0.03
Corporate Bonds	AAA	6,745,376	0.54
	AA	18,889,672	1.50
	A	94,580,151	7.51
	BBB	134,636,614	10.67
	BB	131,904,261	10.47
	B	138,675,372	11.01
	CCC	40,953,619	3.25
	CC	380,000	0.03
	C	161,230	0.01
	D	85,634	0.01
	Unrated	24,330,444	1.93
Asset-Backed Securities	Unrated	575,265	0.05
Fixed Income Pooled Funds	Unrated	360,663,922	28.62
Short-term Investments and Other	Unrated	100,491,269	7.98
Total Fixed Income Securities		\$ 1,259,982,314	100.00%

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

Interest Rate Risk

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

As of June 30, 2017, the System's fixed income portfolio had the following sensitivity to changes in interest rates:

Type of Investment	Effective Duration in Years	Fair Value	Percentage of Portfolio
U.S. Government Obligations	16.47	\$ 183,746,455	14.58%
Foreign Government Obligations	3.83	11,785,558	0.94
Collateralized Mortgage Obligations	(1.11)	938,220	0.07
Commercial Mortgage-Backed Securities	4.41	1,636,717	0.13
Municipal/Provincial Obligations	12.96	8,802,535	0.70
Corporate Bonds	7.48	591,342,373	46.93
Asset-Backed Securities	N/A	575,265	0.05
Fixed Income Pooled Funds	N/A	360,663,922	28.62
Short-term Investments and Other *	N/A	100,491,269	7.98
Total Fixed Income Securities		<u>\$ 1,259,982,314</u>	<u>100.00%</u>

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

Foreign Currency Risk

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

International Securities	Equity	Fixed Income	Short-term and Other	Total Non- U.S. Dollar
Euro	\$ 163,203,778	\$ 1,244,605	\$ 103,837,115	\$ 268,285,498
Japanese Yen	126,069,586	-	9,549,238	135,618,824
British Pound Sterling	81,706,075	-	38,223,163	119,929,238
Hong Kong Dollar	33,161,594	-	-	33,161,594
Swiss Franc	26,949,631	-	-	26,949,631
Danish Krone	17,542,032	-	-	17,542,032
Singapore Dollar	13,332,897	-	2,339,360	15,672,257
Mexican Peso	-	5,109,327	346	5,109,673
South Korean Won	4,695,370	-	-	4,695,370
Swedish Krona	13,213,113	-	(9,995,154)	3,217,959
Other Currencies	24,301,289	3,441,007	(75,282,123)	(47,539,827)
Total International Securities	<u>\$ 504,175,365</u>	<u>\$ 9,794,939</u>	<u>\$ 68,671,945</u>	<u>\$ 582,642,249</u>

Derivatives

In accordance with the Board's Statement of Investment Policy and Objectives, the System regularly invests in derivative financial instruments in the normal course of its investing activities to manage exposure to certain risks within the fund. During FY17, the System invested directly in various derivatives including, exchange-traded future contracts, forward currency contracts, and swaps. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Statement of Investment Policy and Objectives seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain mutual and commingled funds which may hold derivative financial instruments. The system is not a dealer, but an end-user of these instruments.

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

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

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specified financial instrument at a predetermined date and price. Gains and losses on future contracts are settled daily. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay. As of June 30, 2017, the System held 131 long US Treasury futures contracts with a fair value of \$18,174,734 and 145 short US Treasury futures contracts with a fair value of (\$22,485,156).

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Foreign exchange contracts contain market risk resulting from fluctuations in currency rates. The credit risk is associated with the creditworthiness of the related parties to the contracts. As of June 30, 2017, the System held \$415,498,507 buy foreign exchange contracts and (\$363,344,948) sell foreign exchange contracts. The unrealized gain on the System's contracts was \$526,683.

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 fiduciary net position. The agent indemnifies the System by agreeing to purchase replacement securities, or return the cash collateral thereof, in the event a borrower fails to return loaned

securities or pay distributions thereon. There were no such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from a default of the borrower or lending agent.

As of June 30, 2017, the fair value of securities on loan was \$355,897,740. Cash received as collateral and the related liability of \$205,422,910 as of June 30, 2017, is shown on the Statement of Fiduciary Net Position. Securities received as collateral are not reported as assets since the System does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to \$2,895,806 and \$1,362,310, 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, 2017:

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for Cash Collateral:			
Government Obligations	\$ 30,535,193	\$ -	\$ 31,221,278
Corporate Bonds	76,295,710	-	78,069,264
Equities	93,971,296	-	96,132,368
Lent for Non-Cash Collateral:			
Government Obligations	40,484,256	41,374,381	-
Corporate Bonds	1,753,574	1,799,300	-
Equities	112,857,711	119,158,584	-
Total	<u>\$ 355,897,740</u>	<u>\$ 162,332,265</u>	<u>\$ 205,422,910</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, 2017, 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, 2017, the fair value of the mutual and commingled investment funds was \$391,669,152. The fair value of the investments in international mutual funds was \$97,730,274.

Fair Value Measurement

This Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net assets value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the Plan’s investments.

Investments by fair value level	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities - self directed	\$ 5,550,480	\$ 5,550,480	\$ -	\$ -
Total investments by fair value level	5,550,480	\$ 5,550,480	\$ -	\$ -

Investments measured at the net asset value (NAV)

Commingled equity funds	67,050,162
Commingled bond funds	9,348,989
Commingled funds (other)	302,323,909
Total investments measured at the NAV	378,723,060
Commingled fund - Synthetic guaranteed investments contracts measured at contract value	7,395,612
Total investments	\$ 391,669,152

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at the NAV per share, or equivalent, is presented in the table below.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	\$ 67,050,162	\$ -	Daily	None
Commingled bond funds	9,348,989	-	Daily	None
Commingled funds (other)	302,323,909	-	Daily	None
Total investments measured at the NAV	\$ 378,723,060	\$ -		

Commingled Bond Funds, Equity Funds and Other Funds

Five bond funds and eleven equity funds are considered to be commingled in nature. Other commingled funds include eleven life cycle funds and one other fund. The fair value of the investments in these types of funds have been determined using the NAV per share of the investments.

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, 2017, the fair value of the mutual and commingled investment funds was \$389,445,345. The fair value of the investments in international mutual funds included in the County Plan was \$58,610,254.

Fair Value Measurement

This Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net assets value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the Plan's investments.

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		Fair Value Measurements Using		
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities - self directed	\$ 10,431,235	\$ 10,431,235	\$ -	\$ -
Total investments by fair value level	<u>10,431,235</u>	<u>\$ 10,431,235</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Commingled equity funds	225,152,499			
Commingled bond funds	39,185,779			
Commingled funds (other)	<u>68,828,555</u>			
Total investments measured at the NAV	<u>333,166,833</u>			
Commingled fund - Synthetic guaranteed investments contracts measured at contract value	<u>45,847,277</u>			
Total investments	<u>\$ 389,445,345</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at the NAV per share, or equivalent, is presented in the table below.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	\$ 225,152,499	\$ -	Daily	None
Commingled bond funds	39,185,779	-	Daily	None
Commingled funds (other)	<u>68,828,555</u>	-	Daily	None
Total investments measured at the NAV	<u>\$ 333,166,833</u>	<u>\$ -</u>		

Commingled Bond Funds, Equity Funds and Other Funds

Five bond funds and eleven equity funds are considered to be commingled in nature. Other commingled funds include eleven life cycle funds and one other fund. The fair value of the investments in these types of funds have been determined using the NAV per share of the investments.

Consolidated Retiree Health Benefits Trust:

Section 33-163 of the Code authorizes the Board of Trustees of the Consolidated Retiree Health Benefits Trust (Trust) to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the Trust Fund is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolios and by monitoring the financial markets, the Trust Fund's asset allocation and the investment managers hired by the Board. Each investment manager has a specific benchmark and investment guidelines appropriate for the type of investments they are managing.

The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equities	19.00 %
International Equities	15.00
Emerging Market Equities	3.80
Global Equities	4.20
Private Equity	8.00
Credit Opportunities	2.00
Long Duration Fixed Income	13.50
High Yield Bonds	10.00
Global ILs	12.00
Private Real Assets	5.00
Public Real Assets	6.50
Cash	1.00
Total	<u>100.00 %</u>

Rate of Return

The annual money-weighted rate of return on the Trust Fund's investments, net of investment expenses for FY17 was 11.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurement

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Trust’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table shown below is the fair value leveling of the Trust’s investments.

	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
Asset backed Securities	\$ 126,155	\$ -	\$ 126,155	\$ -
Commercial Mortgage-Backed	126,892	-	126,892	-
Collateralized Mortgage Obligations	21,271	-	21,271	-
Government and agency obligations	55,741,302	-	55,149,160	592,142
Municipal/Provincial obligations	1,189,808	-	1,189,808	-
Corporate bonds	143,079,527	-	143,032,443	47,084
Total debt securities	<u>200,284,955</u>	<u>-</u>	<u>199,645,729</u>	<u>639,226</u>
Equity Securities				
Consumer goods	34,636,526	34,488,388	148,138	-
Energy	10,507,589	10,351,361	134,078	22,150
Financial services	21,787,055	21,787,055	-	-
Health care	28,802,680	28,802,680	-	-
Industrials	17,528,687	17,528,687	-	-
Information technology	31,886,210	31,886,210	-	-
Materials	9,331,604	9,331,604	-	-
Oil and Gas	12,838	7,095	5,743	-
Real estate	27,636,123	27,636,123	-	-
Telecommunication services	222,783	222,783	-	-
Utilities	1,393,983	1,393,983	-	-
Total equity securities	<u>183,746,078</u>	<u>183,435,969</u>	<u>287,959</u>	<u>22,150</u>
Total investments by fair value level	<u>384,031,033</u>	<u>\$ 183,435,969</u>	<u>\$ 199,933,688</u>	<u>\$ 661,376</u>
Investments measured at the net asset value (NAV)				
Commingled equity funds	237,693,453			
Commingled bond funds	4,225,000			
Commingled real asset funds	39,638,665			
Hedge fund	16,754,502			
Private real assets	20,606,566			
Private equity/debt	41,517,276			
Total investments measured at the NAV	<u>360,435,462</u>			
Short-term investments	101,182,640			
Securities lending collateral	10,224,461			
Total investments	<u>\$ 855,873,596</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation, or matrix pricing techniques. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. Short-term investments are cash or cash equivalents and generally include investments in money market-type securities reported at cost plus accrued interest, which approximates market or fair value. The Trust's custodian is the agent in lending the Trust's securities for collateral and investments which are in a commingled money market fund.

The valuation method for investments measured at the NAV per share, or equivalent, is presented in the table below.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled equity funds	\$ 237,693,453	\$ -	Daily, Monthly	0-15 days
Commingled bond funds	4,225,000	-	Daily	0 days
Commingled real asset funds	39,638,665	-	Daily, Bi-Weekly	0-5 days
Hedge fund	16,754,502	-	Monthly	5 days
Private real assets	20,606,566	18,283,537	Not eligible	N/A
Private equity/debt	<u>41,517,276</u>	<u>50,705,114</u>	Not eligible	N/A
Total investments measured at the NAV	<u>\$ 360,435,462</u>	<u>\$ 68,988,651</u>		

Commingled Bond Funds, Equity Funds and Real Asset Funds

One bond fund, eight equity funds, and three real asset funds are considered to be commingled in nature. The fair value of the investments in these types of funds have been determined using the NAV per share of the investments.

Hedge Fund

The fair values of the investments in this type have been determined using the NAV per share of the investments. One fund is categorized in this category. There is no redemption restrictions for this fund.

Private Real Assets

The portfolio consists of sixteen private real asset limited partnerships. Private real asset funds include U.S. real estate, oil and gas, timber, agriculture and other real asset investments. The fair value of these funds have been determined using the net asset values as of June 30, 2017. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 5 to 10 years.

Private Equity/Debt

The portfolio consists of twenty-three private equity/debt limited partnerships. Private equity funds include buyout, turnaround, and fund-of-funds investments. Private debt funds include distressed and structured equity investments. The fair value of these funds have been determined using the net asset values as of June 30, 2017.

Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 3 to 10 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Board's investment policies and guidelines manage interest rate risk by establishing duration constraints on each fixed income manager's portfolio based on the duration of each manager's respective benchmark. Duration is a measure of interest rate risk based on a bond price's sensitivity to a 100-basis point change in interest rates. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration of eight would mean that, given a 100-basis point change up/down in rates, a bond's price would move down/up by 8 percent. As of June 30, 2017, the Trust's fixed income portfolio had the following sensitivity to changes in interest rates.

<u>Type of Investment</u>	<u>Effective Duration in Years</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
U.S. Government Obligations	16.36	\$ 53,163,058	17.39%
Foreign Government Obligations	4.03	2,578,244	0.84
Municipal/Provincial Obligations	11.68	1,189,808	0.39
Corporate Bonds	7.76	147,304,527	48.19
Commercial Mortgage-Backed Securities	0.25	126,892	0.04
Collateralized Mortgage Obligations	0.17	21,271	0.01
Asset-Backed Securities	0.28	126,155	0.04
Short-term Investments and Other *	N/A	<u>101,182,640</u>	<u>33.10</u>
Total Fixed Income Securities		<u>\$ 305,692,595</u>	<u>100.00%</u>

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

Credit Risk/Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board's investment policies and guidelines limit the percentage of the total fund and individual manager's account which can be invested in fixed income securities rated below investment grade. In addition, the Board's investment policies and guidelines, for the majority of public fund managers, limit the percentage of each investment manager's account that may be allocated to any one security, position, issuer or affiliated issuer, to less than 5 percent of the fair value of the investment manager's account. The Trust does not have investments (other than those issued or explicitly guaranteed by the U.S. Government or pooled investments) in any one company that represents 5 percent or more of net assets.

The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2017 are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	\$ 50,744,045	16.60%
	Unrated	2,419,013	0.79
Foreign Government Obligations	AAA	905,956	0.30
	A	390,490	0.13
	BBB	406,928	0.13
	Unrated	874,870	0.29
Municipal/Provincial Bonds	AAA	125,114	0.04
	AA	776,559	0.25
	BBB	159,100	0.05
	B	60,387	0.02
	Unrated	68,648	0.02
Corporate Bonds	AAA	1,675,393	0.55
	AA	6,154,070	2.02
	A	25,372,651	8.30
	BBB	32,782,481	10.72
	BB	32,202,705	10.53
	B	32,726,343	10.71
	CCC	7,895,260	2.58
	CC	93,500	0.03
	C	35,830	0.01
	D	59,244	0.02
Unrated	8,307,050	2.72	
Commercial Mortgage-Backed Securities	B	126,892	0.04
Collateralized Mortgage Obligations	CCC	21,271	0.01
Asset-Backed Securities	Unrated	126,155	0.04
Short-term Investments and Others	Unrated	101,182,640	33.10
Total Fixed Income Securities		<u>\$ 305,692,595</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.

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 Trust has indirect exposure to foreign currency risk as follows:

<u>International Securities</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Short-term and Other</u>	<u>Total Non- U.S. Dollar</u>
Euro	\$ 27,987,107	\$ 92,751	\$ -	\$ 28,079,858
Japanese yen	16,295,377	-	4,432	16,299,809
Hong Kong dollar	6,361,184	-	-	6,361,184
British pound sterling	4,971,981	-	-	4,971,981
Swiss franc	3,946,994	-	-	3,946,994
Singapore dollar	2,616,198	-	-	2,616,198
Australian dollar	2,218,951	-	-	2,218,951
Danish krone	1,986,217	-	-	1,986,217
Swedish krona	1,474,450	-	-	1,474,450
Mexican peso	-	1,168,268	26,260	1,194,528
Other Currencies	<u>276,737</u>	<u>1,055,170</u>	-	<u>1,331,907</u>
Total International Securities	<u>\$ 68,135,196</u>	<u>\$ 2,316,189</u>	<u>\$ 30,692</u>	<u>\$ 70,482,077</u>

Derivatives

In accordance with the Board's Statement of Investment Policy and Objectives, the Trust Fund regularly invests in derivative financial instruments in the normal course of its investing activities to manage exposure to certain risks within the fund. During FY17, the Trust Fund invested directly in various derivatives including, exchange-traded future contracts, forward currency contracts, and swaps. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The Trust Fund could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Statement of Investment Policy and Objectives seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. In addition, the Trust Fund has indirect exposure to market and credit risk through its ownership interests in certain mutual and commingled funds which may hold derivative financial instruments. The Trust Fund is not a dealer, but an end-user of these instruments.

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

As permitted by the Board's policies, the Trust Fund holds off-financial statement derivatives in the form of exchange-traded financial futures.

Futures contracts are contracts in which the buyer agrees to purchase, and the seller agrees to make delivery of a specified financial instrument at a predetermined date and price. Gains and losses on future contracts are settled daily. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay. As of June 30, 2017, the Trust Fund held 25 long US Treasury futures contracts with a fair value of \$3,657,438 and 29 short US Treasury futures contracts with a fair value of (\$3,809,375).

Securities Lending

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

As of June 30, 2017, the fair value of securities on loan was \$50,206,799. Cash received as collateral and the related liability of \$10,224,461 as of June 30, 2017, is shown on the Statement of Plan Net Position. Securities received as collateral are not reported as assets since the Trust does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to \$165,769 and \$27,697, 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, 2017:

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for Cash Collateral:			
Corporate Bonds	\$ 6,678,724	\$ -	\$ 6,835,674
Equities	3,310,794	-	3,388,787
Lent for Non-Cash Collateral:			
Corporate Bonds	227,653	232,494	-
Equities	39,989,628	42,002,432	-
Total	<u>\$ 50,206,799</u>	<u>\$ 42,234,926</u>	<u>\$ 10,224,461</u>

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust 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, 2017, there were no funds held by a counterparty that was acting as the Trust's agent in securities lending transactions.

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, 2017, 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; certificates of deposit and time deposits; and commercial paper. Bankers Acceptances of domestic banks and commercial paper must maintain the highest rating from one of the Nationally Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC or State Treasurer. Repurchase agreements require collateralization at 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities provided the collateral is held by a custodian, other than the seller. Certificates of deposit or time deposits must be collateralized at 102% of the fair value and held by a custodian other than the seller. HOC invests in the Maryland State Local Government Investment Pool (MLGIP). The MLGIP is not subject to regulatory oversight by the SEC, however the MGLIP is operated pursuant to the annotated code of Maryland.

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

Custodial Risk

Amounts held in trust accounts and other demand accounts are covered by federal depository insurance, or collateralized at a level of at least 100% of fair value of principal and accrued interest. Repurchase agreement

collateral for the MLGIP is segregated and held in the name of PNC Bank Safe Deposit and Trust's account at the Federal Reserve Bank. The cash and cash equivalents held by PNC Bank for the General Fund, Housing Opportunity Fund and Public Fund are in bank money market accounts and interest bearing accounts. These amounts are unrated by an independent rating agency. The Moody's rating for PNC Bank short-term deposits as of June 30, 2017 was P-1.

At June 30, 2017, HOC had the following cash, cash equivalents, investments and maturities:

	<u>Fair Value</u>	<u>Rating</u>
<u>Cash Equivalents:</u>		
General Sub-Fund:		
Money Market Accounts	\$ 12,888,671	N/A
Opportunity Housing Sub-Fund:		
Investment in MLGIP	3,373,031	AAAm
Money Market Accounts	17,271,142	N/A
Public Sub-Fund:		
Investment in MLGIP	2,844,538	AAAm
Multi-Family Sub-Fund:		
Money Market Accounts	41,723,161	N/A
Single Family Fund:		
Money Market Accounts	68,300,660	N/A
Real Estate Limited Partnership:		
Investment in MLGIP	1,095,310	AAAm
Certificate of Deposit	143,741	N/A
Money Market Accounts	<u>10,109,423</u>	N/A
Total cash equivalents	<u>\$ 157,749,677</u>	
<u>Short-term Investments:</u>		
Single Family Sub-Fund:		
GNMA Pass through Certificates	\$ 1,022,791	Aaa
FNMA Pass through Certificates	329,205	Aaa
Tennessee Valley Authority	<u>2,197,395</u>	AA+
Total short-term investments	<u>\$ 3,549,391</u>	

Continued

	Fair Value	1-5 years	6-10 years	Greater than 10 years	Rating
<u>Long-term Investments:</u>					
Multi-Family Sub Fund:					
U.S. Treasuries	\$ 2,603,047	\$ -	\$ 2,603,047	\$ -	Aaa
Fannie Mae	3,166,414	-		3,166,414	Aa1
Federal Farm Credit Banks	2,555,617	-	657,749	1,897,868	Aaa
Federal Home Loan Banks	947,456	-		947,456	Aaa
Federal Home Loan Mortgage	929,687	-		929,687	Aaa
Bank One Investment Agreement	591,525	-	591,525	-	AA/Aa2
Single Family Sub-Fund:					
Federal Farm Credit Banks	6,774,950	-	-	6,774,950	Aaa
Federal Home Loan Banks	9,616,618	-	-	9,616,618	Aaa
Federal Home Loan Mtg Corp	1,695,661	-	-	1,695,661	Aaa
Fannie Mae	1,053,487	-	-	1,053,487	Aa1
GNMA Pass-through Certificates	31,975,707	-	-	31,975,707	Aaa
FNMA Pass-through Certificates	10,518,825	-	-	10,518,825	Aaa
U.S. Treasuries	5,597,357	4,273,537	-	1,323,820	Aaa
Tennessee Valley Authority	4,335,800	-	-	4,335,800	AA+
Total long-term investments	<u>\$ 82,362,151</u>	<u>\$ 4,273,537</u>	<u>\$ 3,852,321</u>	<u>\$ 74,236,293</u>	
Cash balances	<u>101,182,390</u>				
Total cash, cash equivalents and investments	<u>\$ 344,843,609</u>				

Fair Value Measurement

HOC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. HOC's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table below shows the fair value leveling of the HOC's investments.

Fair Value Measurements Using				
Investments by fair value level	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Fannie Mae	\$ 4,219,901	\$ -	\$ 4,219,901	\$ -
Federal Farm Credit Banks	9,330,567	-	9,330,567	-
Federal Home Loan Banks	10,564,074	-	10,564,074	-
U.S. Treasuries	8,200,403	8,200,403	-	-
FNMA Mortgage-Backed Securities	10,848,030	-	10,848,030	-
GNMA Mortgage-Backed Securities	32,998,499	-	32,998,499	-
Federal Home Loan Mortgage Corp	2,625,348	-	2,625,348	-
Federal National Mortgage Association	-	-	-	-
Investment Agreements	591,525	-	591,525	-
Tennessee Valley Authority	6,533,195	-	6,533,195	-
Total investments by fair value level	<u>\$ 85,911,542</u>	<u>\$ 8,200,403</u>	<u>\$ 77,711,139</u>	<u>\$ -</u>

Fair Value Measurements Using				
Investment Derivative Instruments	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Swaps	<u>\$ (11,376,760)</u>	<u>\$ (11,376,760)</u>	<u>\$ -</u>	<u>\$ -</u>
Total investment derivative instruments	<u>\$ (11,376,760)</u>	<u>\$ (11,376,760)</u>	<u>\$ -</u>	<u>\$ -</u>

B) Receivables

1) Accounts Receivable

Receivables at June 30, 2017 for the County's major funds and internal service funds in the aggregate, including the allowances for uncollectible accounts, were as follows:

	General Fund	Housing Initiative	Grants	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receivables							
Income taxes	\$ 351,164,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,164,993
Property taxes	10,832,703	-	-	-	1,094	2,803,820	13,637,617
Capital leases	-	-	-	22,785,000	-	-	22,785,000
Accounts	13,512,945	-	5,036,767	-	67,251	15,783,023	34,399,986
Notes	499,744	-	1,931,829	24,860,000	-	-	27,291,573
Parking violations	938,582	-	-	-	-	333,684	1,272,266
Mortgages	<u>579,356</u>	<u>190,399,073</u>	<u>40,550,780</u>	<u>-</u>	<u>300,000</u>	<u>2,556,655</u>	<u>234,385,864</u>
Total receivables	377,528,323	190,399,073	47,519,376	47,645,000	368,345	21,477,182	684,937,299
Allowance for uncollectible accounts	<u>(3,595,001)</u>	<u>(14,987,467)</u>	<u>(2,315,408)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,897,876)</u>
Total receivable (net)	<u>\$ 373,933,322</u>	<u>\$ 175,411,606</u>	<u>\$ 45,203,968</u>	<u>\$ 47,645,000</u>	<u>\$ 368,345</u>	<u>\$ 21,477,182</u>	<u>\$ 664,039,423</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 579,356</u>	<u>\$ 190,399,073</u>	<u>\$ 42,482,609</u>	<u>\$ 22,785,000</u>	<u>\$ 300,000</u>	<u>\$ 2,556,655</u>	<u>\$ 259,102,693</u>

	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Receivables						
Property taxes	\$ -	\$ -	\$ 369,119	\$ -	\$ 369,119	\$ -
Accounts	5,335,410	3,648,622	20,916	287,202	9,292,150	1,194,884
Parking violations	-	-	3,406,436	-	3,406,436	-
Total receivables	5,335,410	3,648,622	3,796,471	287,202	13,067,705	1,194,884
Allowance for uncollectible accounts	<u>(946,152)</u>	<u>(20,035)</u>	<u>(1,822,984)</u>	<u>(40,036)</u>	<u>(2,829,207)</u>	<u>(8,835)</u>
Total receivable (net)	<u>\$ 4,389,258</u>	<u>\$ 3,628,587</u>	<u>\$ 1,973,487</u>	<u>\$ 247,166</u>	<u>\$ 10,238,498</u>	<u>\$ 1,186,049</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2) Due from/to Component Units

The balances at June 30, 2017, were:

Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MC	MCRA	HOC	BUP	Total
Due to Primary Government:						
General	\$ -	\$ 3,159	\$ 45,630	\$ 41,104	\$ -	\$ 89,893
Housing Initiative	-	-	-	45,488,870	-	45,488,870
Grants	-	-	-	10,901,752	-	10,901,752
Capital Projects	-	-	-	8,951,415	-	8,951,415
Solid Waste Activities Enterprise	53,496	777	-	149	1,973	56,395
Major Enterprise	-	-	-	293,531	-	293,531
Internal Service	207	9,593	259,625	493,381	17,499	780,305
Fiduciary	-	-	7,557	89,118	-	96,675
Total Due to Primary Government	\$ 53,703	\$ 13,529	\$ 312,812	\$ 66,259,320	\$ 19,472	\$ 66,658,836

Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MC	MCRA	HOC	BUP	Total
Due from Primary Government:						
General	\$ 34,787,123	\$ 18,363	\$ -	\$ 39,911	\$ 14,041	\$ 34,859,438
Housing Initiative	-	-	-	521,160	-	521,160
Grants	688,036	-	-	-	-	688,036
Debt Service	-	2,411,775	-	-	-	2,411,775
Capital Projects	40,659,517	13,627,288	-	-	-	54,286,805
Nonmajor Governmental	11,361	-	-	-	83,388	94,749
Parking Lot Districts Enterprise	-	-	-	-	824	824
Nonmajor Enterprise	51,431	-	-	-	-	51,431
Internal Service	45,975	-	-	-	-	45,975
Total Due from Primary Government	\$ 76,243,443	\$ 16,057,426	\$ -	\$ 561,071	\$ 98,253	\$ 92,960,193

Primary due from/to component unit balances are due to the following:

- \$10.9 million due from HOC to the Grants Special Revenue Fund and \$9.0 million due from HOC to the Capital Projects Fund represent loan receivables in the Opportunity Housing Development Fund and Moderately Priced Dwelling Unit (MPDU)/Property Acquisition Fund, respectively, which are revolving loan funds that are set up between the County and HOC. The County issues loans to HOC to purchase MPDUs or other similar properties which HOC repays to the County based on future cash flows.
- \$45.5 million due from HOC to the Housing Initiative Special Revenue Fund represents mortgage loans, which are generally repayable based on project cash flows, specified future dates, or sales of the respective properties. Included in this amount is a loan of \$1.7 million, for which payments are based on cash flows. Term of the note stipulate that the balance of the note will be forgiven at the termination of the ground lease in December 2035. Also included in the amount above is a ground lease, upon which is located affordable housing owned by HOC. The ground lease provides for lease payments from HOC for \$1 per year for 83 years, amounting to \$55 at year-end. These two loans are offset by unearned revenue. Fund balance has been reserved for the remaining loans.

- \$34.8 million due to MCPS from the General Fund represents remaining appropriation that has not yet been distributed to MCPS by the County.
- \$40.6 million due to MCPS and \$13.62 million due to MC from the Capital Projects Fund represent the amount of capital cash requests that have not yet been paid by the County.

Remaining balances resulted from normal business activities between the County and its component units.

3) Due from Other Governments

The total amount due from other governments at June 30, 2017, was comprised of the following:

	General	Grants	Capital Projects	Solid Waste Activities	Nonmajor Governmental	Internal Service	Fiduciary	Total
Federal government \$	163,912	\$12,636,378	\$ 8,394,891	\$ 458	\$ 882,859	\$ -	\$ -	\$ 22,078,498
State of Maryland	31,342,950	7,217,103	1,030,777	18,106	1,082,343	89,396	2,758	40,783,433
Other	65,393	-	837,133	162,906	-	140,653	161,369	1,367,454
Total	<u>\$31,572,255</u>	<u>\$19,853,481</u>	<u>\$ 10,262,801</u>	<u>\$ 181,470</u>	<u>\$ 1,965,202</u>	<u>\$ 230,049</u>	<u>\$ 164,127</u>	<u>\$ 64,229,385</u>

4) Due to Other Governments

The total amount due to other governments at June 30, 2017 is \$149,664,706. This amount is comprised mainly of \$141,231,325 due to the State of Maryland for claims processed as a result of the final ruling by the United States Supreme Court in the case of Comptroller of the Treasury of Maryland v Wynne et ux. This government-wide amount will be replenished to the State's local reserve account through reduced quarterly income tax distributions starting with the third distribution (May) in FY19 with a total of twenty equal installments ending in FY24.

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C) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 930,232,831	\$ 10,971,378	\$ 4,884,976	\$ 936,319,233
Construction in progress	<u>1,537,717,247</u>	<u>298,300,567</u>	<u>58,304,176</u>	<u>1,777,713,638</u>
Total Nondepreciable Capital Assets	<u>2,467,950,078</u>	<u>309,271,945</u>	<u>63,189,152</u>	<u>2,714,032,871</u>
Depreciable Capital Assets:				
Buildings	861,825,338	26,961,359	11,040,837	877,745,860
Improvements other than buildings	46,647,272	31,701,109	18,082	78,330,299
Furniture, fixtures, equipment and machinery	222,476,293	2,047,157	3,266,857	221,256,593
Leasehold improvements	12,956,842	4,733,086	-	17,689,928
Automobiles and trucks	309,853,625	18,728,833	15,805,415	312,777,043
Infrastructure	1,894,285,193	13,809,660	-	1,908,094,853
Other assets	<u>40,359,973</u>	<u>27,366</u>	<u>-</u>	<u>40,387,339</u>
Total Capital Assets being Depreciated	<u>3,388,404,536</u>	<u>98,008,570</u>	<u>30,131,191</u>	<u>3,456,281,915</u>
Less Accumulated Depreciation for:				
Buildings	417,152,474	20,197,011	8,456,465	428,893,020
Improvements other than buildings	21,518,724	1,163,536	8,457	22,673,803
Furniture, fixtures, equipment and machinery	179,986,130	6,330,781	3,266,857	183,050,054
Leasehold improvements	8,468,564	1,306,321	-	9,774,885
Automobiles and trucks	165,618,267	23,788,879	15,270,695	174,136,451
Infrastructure	726,697,814	38,153,837	-	764,851,651
Other assets	<u>19,882,088</u>	<u>4,030,945</u>	<u>-</u>	<u>23,913,033</u>
Total Accumulated Depreciation	<u>1,539,324,061</u>	<u>94,971,310</u>	<u>27,002,474</u>	<u>1,607,292,897</u>
Total Depreciable Assets, net	<u>1,849,080,475</u>	<u>3,037,260</u>	<u>3,128,717</u>	<u>1,848,989,018</u>
Governmental Activities Capital Assets, net	<u>\$4,317,030,553</u>	<u>\$ 312,309,205</u>	<u>\$ 66,317,869</u>	<u>\$4,563,021,889</u>
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	\$ 58,816,803	\$ -	\$ 372,721	\$ 58,444,082
Construction in progress	<u>282,372</u>	<u>-</u>	<u>-</u>	<u>282,372</u>
Total Nondepreciable Capital Assets	<u>59,099,175</u>	<u>-</u>	<u>372,721</u>	<u>58,726,454</u>
Depreciable Capital Assets:				
Buildings	295,197,311	1,216,778	-	296,414,089
Improvements other than buildings	176,235,943	4,925,282	796,535	180,364,690
Furniture, fixtures, equipment and machinery	31,389,830	5,430,163	760,791	36,059,202
Infrastructure	14,351	-	-	14,351
Automobiles and trucks	<u>4,771,118</u>	<u>491,489</u>	<u>205,713</u>	<u>5,056,894</u>
Total Capital Assets being Depreciated	<u>507,608,553</u>	<u>12,063,712</u>	<u>1,763,039</u>	<u>517,909,226</u>
Less Accumulated Depreciation for:				
Buildings	144,526,327	9,006,951	-	153,533,278
Improvements other than buildings	128,980,089	4,294,100	789,556	132,484,633
Furniture, fixtures, equipment and machinery	17,132,527	2,472,470	716,771	18,888,226
Infrastructure	5,597	574	-	6,171
Automobiles and trucks	<u>3,653,355</u>	<u>218,378</u>	<u>89,046</u>	<u>3,782,687</u>
Total Accumulated Depreciation	<u>294,297,895</u>	<u>15,992,473</u>	<u>1,595,373</u>	<u>308,694,995</u>
Total Depreciable Assets, net	<u>213,310,658</u>	<u>(3,928,761)</u>	<u>167,666</u>	<u>209,214,231</u>
Business-Type Activities Capital Assets, net	<u>\$ 272,409,833</u>	<u>\$ (3,928,761)</u>	<u>\$ 540,387</u>	<u>\$ 267,940,685</u>

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

Governmental activities:	
General government	\$ 7,362,954
Public safety	11,474,332
Public works and transportation	64,470,837
Health and human services	2,172,696
Culture and recreation	8,066,931
Community development and housing	916,593
Environment	<u>506,967</u>
Total depreciation expense-governmental activities	<u>\$ 94,971,310</u>
Business-type activities:	
Liquor	\$ 2,522,575
Solid waste activities	1,722,399
Parking lot districts	11,586,478
Permitting services	<u>161,021</u>
Total depreciation expense-business-type activities	<u>\$ 15,992,473</u>

Construction commitments as of June 30, 2017 are as follows:

	<u>Construction Commitments</u>
General Government	\$ 160,831,684
Public Safety	3,300,310
Public Works and Transportation	273,939,080
Health and Human Services	2,352,954
Culture & Recreation	150,241
Community Development & Housing	267,803
Environment	<u>34,953,203</u>
Total	<u>\$ 475,795,275</u>

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Component Units

Capital assets of MCPS, amounting to \$2,792,168,293 at June 30, 2017, are significant in relation to the total component unit capital assets.

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities				
Nondepreciable capital assets:				
Land	\$ 87,693,060	\$ -	\$ -	\$ 87,693,060
Construction in progress	58,010,200	180,228,922	149,391,430	88,847,692
Total nondepreciable capital assets	<u>145,703,260</u>	<u>180,228,922</u>	<u>149,391,430</u>	<u>176,540,752</u>
Depreciable capital assets:				
Buildings and improvements	3,268,267,733	143,280,526	-	3,411,548,259
Site improvements	349,766,335	22,406,458	-	372,172,793
Vehicles and equipment	180,634,846	17,392,886	6,907,954	191,119,778
Total depreciable capital assets	<u>3,798,668,914</u>	<u>183,079,870</u>	<u>6,907,954</u>	<u>3,974,840,830</u>
Less accumulated depreciation for:				
Buildings and improvements	1,089,252,000	81,424,243	-	1,170,676,243
Site improvements	73,108,745	6,593,052	-	79,701,797
Vehicles and equipment	108,578,740	12,565,600	6,832,444	114,311,896
Total accumulated depreciation	<u>1,270,939,485</u>	<u>100,582,895</u>	<u>6,832,444</u>	<u>1,364,689,936</u>
Total depreciable capital assets, net	<u>2,527,729,429</u>	<u>82,496,975</u>	<u>75,510</u>	<u>2,610,150,894</u>
Government activities capital assets, net	<u>\$ 2,673,432,689</u>	<u>\$ 262,725,897</u>	<u>\$ 149,466,940</u>	<u>2,786,691,646</u>
Business-Type Activities				
Depreciable capital assets:				
Vehicles and equipment	\$ 20,299,136	\$ 2,005,954	\$ 261,574	\$ 22,043,516
Total depreciable capital assets	<u>20,299,136</u>	<u>2,005,954</u>	<u>261,574</u>	<u>22,043,516</u>
Less accumulated depreciation for:				
Vehicles and equipment	15,859,162	961,425	253,718	16,566,869
Total accumulated depreciation	<u>15,859,162</u>	<u>961,425</u>	<u>253,718</u>	<u>16,566,869</u>
Business-type activities capital assets, net	<u>\$ 4,439,974</u>	<u>\$ 1,044,529</u>	<u>\$ 7,856</u>	<u>\$ 5,476,647</u>
Educational Foundation capital assets net of accumulated depreciation	<u>\$ 13,271</u>	<u>\$ -</u>	<u>\$ 13,271</u>	<u>\$ -</u>
Total MCPS government-wide capital assets				<u>\$ 2,792,168,293</u>

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

Governmental activities:	
Regular instruction	\$ 80,657,691
Special education	143,662
School administration	52,535
Student transportation	10,309,057
Operation of plant	195,836
Maintenance of plant	8,664,925
Administration	<u>559,189</u>
Total depreciation expense-governmental activities	<u>\$ 100,582,895</u>
Business-type activities:	
Food services	\$ 929,901
Entrepreneurial	<u>31,524</u>
Total depreciation expense-business type activities	<u>\$ 961,425</u>

Commitments for ongoing construction in progress at June 30, 2017 were \$196,476,632.

D) Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of June 30, 2017, is as follows:

Due To Fund	Due From Fund				
	General	Nonmajor Governmental	Internal Service	Fiduciary	Total
General	\$ -	\$ -	\$ 4,915,012	\$ 5,410,039	\$ 10,325,051
Housing Initiative	-	-	12,322	20,736	33,058
Grants	15,850,429	-	208,847	207,141	16,266,417
Capital Projects	157,224,572	1,174,577	226,406	294,723	158,920,278
Liquor	-	-	352,424	210,996	563,420
Solid Waste Activities	-	-	82,027	101,915	183,942
Parking Lot Districts	-	-	35,753	45,269	81,022
Nonmajor Governmental	-	-	1,893,957	2,596,048	4,490,005
Nonmajor Enterprise	-	-	221,885	307,660	529,545
Internal Service	-	-	220,824	15,709,799	15,930,623
Fiduciary	-	-	<u>10,369</u>	<u>11,599</u>	<u>21,968</u>
Total	<u>\$ 173,075,001</u>	<u>\$ 1,174,577</u>	<u>\$ 8,179,826</u>	<u>\$ 24,915,925</u>	<u>\$ 207,345,329</u>

Included in the amounts presented above are the following short-term loans from the General Fund that were, or will be, repaid during FY18:

- \$15.9 million to the Grants Special Revenue Fund to cover vendor payments prior to revenues being received from other government agencies.

- \$157.2 million to the Capital Projects Fund to cover construction payments, due primarily to the timing of reimbursements from Federal, State and other agencies, and the lag time between programming and collection of certain impact taxes.

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

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers Out Fund	Transfers In Fund					Subtotal Major Governmental
	General	Housing Initiative	Grants	Debt Service	Capital Projects	
General	\$ -	\$ 22,167,940	\$ -	\$ 309,582,507	\$ 55,254,099	\$ 387,004,546
Housing Initiative	303,734	-	-	7,322,995	19,216,058	26,842,787
Capital Projects	-	6,329,312	-	51,940	-	6,381,252
Liquor	13,237,642	-	-	5,851,265	-	19,088,907
Solid Waste Activities	2,793,471	-	-	-	-	2,793,471
Parking Lot Districts	4,488,528	-	-	-	-	4,488,528
Nonmajor Governmental	26,812,918	-	351,599	53,924,474	16,584,173	97,673,164
Nonmajor Enterprise	5,571,156	-	-	-	-	5,571,156
Internal Service Funds	4,312	-	-	-	-	4,312
Total	\$ 53,211,761	\$ 28,497,252	\$ 351,599	\$ 376,733,181	\$ 91,054,330	\$ 549,848,123

Transfers Out Fund	Transfers In Fund					Total
	Liquor	Subtotal Major Enterprise	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ -	\$ 3,606,010	\$ 25,000	\$ 95,623	\$ 390,731,179
Housing Initiative	-	-	-	-	-	26,842,787
Capital Projects	41,865	41,865	-	-	-	6,423,117
Liquor	-	-	-	-	-	19,088,907
Solid Waste Activities	-	-	-	-	-	2,793,471
Parking Lot Districts	-	-	-	-	-	4,488,528
Nonmajor Governmental	-	-	-	-	-	97,673,164
Nonmajor Enterprise	-	-	-	-	-	5,571,156
Internal Service Funds	-	-	-	-	-	4,312
Total	\$ 41,865	\$ 41,865	\$ 3,606,010	\$ 25,000	\$ 95,623	\$ 553,616,621

Primary activities include:

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

E) Leases

1) Operating Leases

The County leases buildings and office facilities and other equipment under non-cancelable operating leases. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated. Total costs for operating leases were approximately \$22,538,050 for FY17. Future minimum lease payments under significant non-cancelable operating leases are as follows.

Fiscal Year Ending June 30	
2018	\$ 24,447,031
2019	23,189,922
2020	22,102,847
2021	21,613,306
2022	18,460,364
2023 - 2027	41,038,599
2028 - 2032	<u>15,077,498</u>
Total	<u>\$ 165,929,567</u>

2) Capital Lease Receivable

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

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

The composition of the capital lease receivable is as follows:

	Minimum Lease Receivable	Unearned Income	Net Investment
Shady Grove	\$ 11,305,510	\$ (2,191,510)	\$ 9,114,000
Grosvenor	11,022,872	(2,136,722)	8,886,150
Glenmont	<u>5,935,393</u>	<u>(1,150,543)</u>	<u>4,784,850</u>
Total	<u>\$ 28,263,775</u>	<u>\$ (5,478,775)</u>	<u>\$ 22,785,000</u>

At June 30, 2017, the minimum future lease payments due under the direct financing capital lease agreements are as follows:

Fiscal Year Ending June 30		
2018	\$	3,491,613
2019		3,496,862
2020		3,510,862
2021		3,507,862
2022		3,513,363
2023-2027		8,474,525
2028-2031		2,268,688
Total minimum lease payments	\$	<u>28,263,775</u>

3) Capital Lease Obligations

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

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

Land	\$	13,449,033
Land improvements		1,673,621
Buildings		53,783,181
Furniture, fixtures, equipment and machinery		159,291
Subtotal		<u>69,065,126</u>
Less accumulated depreciation		<u>(26,652,497)</u>
Total asset value under capital leases	\$	<u>42,412,629</u>

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

Fiscal Year Ending June 30		
2018	\$	2,512,988
2019		2,515,077
2020		991,834
2021		987,709
2022		990,977
2023		991,537
Total minimum lease payments		<u>8,990,122</u>
Less: amount representing interest		<u>(535,292)</u>
Present value of minimum lease payments	\$	<u>8,454,830</u>

Included in the preceding schedules are amounts relating to the Montgomery County Conference Center, which was opened during FY05. The Maryland Stadium Authority (MSA) also participated in financing the construction through the issuance of long-term debt. The County recognized the MSA contribution of \$19,719,328 as revenue when the Conference Center opened. The ownership of the Conference Center will transfer to the County at the end of the MCRA lease term.

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F) Long-Term Debt

Primary Government

1) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

Governmental Activities	Balance	Additions	Reductions	Balance	Due within
	July 1, 2016			June 30, 2017	one year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 2,657,290,000	\$ 340,000,000	\$ (208,025,000)	\$ 2,789,265,000	\$ 217,930,000
Variable rate demand obligations	100,000,000	-	(10,000,000)	90,000,000	10,000,000
Bond anticipation notes	500,000,000	340,000,000	(340,000,000)	500,000,000	500,000,000
Revenue bonds					
Liquor control	63,806,716	-	(2,953,021)	60,853,695	3,088,088
Water quality protection	79,375,000	-	(3,185,000)	76,190,000	3,245,000
Lease revenue bonds payable	25,065,000	-	(2,280,000)	22,785,000	2,395,000
Add remaining original issue premium	259,518,207	29,810,010	(38,672,728)	250,655,489	-
Total bonds payable	<u>3,685,054,923</u>	<u>709,810,010</u>	<u>(605,115,749)</u>	<u>3,789,749,184</u>	<u>736,658,088</u>
Leases and notes payable:					
Capital leases	11,158,430	-	(2,703,600)	8,454,830	2,348,320
Certificates of participation	10,800,000	24,860,000	(7,155,000)	28,505,000	4,000,000
Taxable limited obligation certificates	82,535,000	-	(3,875,000)	78,660,000	3,995,000
Other leases and notes payable	17,552,910	8,017,496	(172,074)	25,398,332	706,798
Equipment notes	36,432,917	33,936,898	(13,595,968)	56,773,847	12,097,317
Add remaining original issue premium	346,644	1,329,676	(145,476)	1,530,844	-
Total leases and notes payable	<u>158,825,901</u>	<u>68,144,070</u>	<u>(27,647,118)</u>	<u>199,322,853</u>	<u>23,147,435</u>
Other non-debt related liabilities:					
Compensated absences	76,130,255	61,520,097	(55,752,915)	81,897,437	53,233,335
Other postemployment benefits	445,089,913	118,874,200	(127,295,106)	436,669,007	-
Claims payable - self-insurance	150,256,294	161,614,455	(152,789,148)	159,081,601	40,764,793
Net pension liability - county	390,909,835	233,539,607	(127,092,563)	497,356,879	-
Net pension liability - county (LOSAP)	33,719,106	8,248,259	(1,309,686)	40,657,679	-
Net pension liability - state	24,421,562	5,686,053	-	30,107,615	-
Claims and judgments	1,003,200	70,400	-	1,073,600	-
Total other non-debt related	<u>1,121,530,165</u>	<u>589,553,071</u>	<u>(464,239,418)</u>	<u>1,246,843,818</u>	<u>93,998,128</u>
Total Governmental Activities Liabilities	<u>\$ 4,965,410,989</u>	<u>\$ 1,367,507,151</u>	<u>\$ (1,097,002,285)</u>	<u>\$ 5,235,915,855</u>	<u>\$ 853,803,651</u>
Business-Type Activities					
Revenue bonds:					
Liquor control	\$ 40,823,284	\$ -	\$ (2,106,979)	\$ 38,716,305	\$ 2,206,912
Parking revenue bonds	39,709,000	-	(3,158,000)	36,551,000	3,291,000
Add remaining original issue premium	3,397,535	-	(559,420)	2,838,115	-
Total revenue bonds	<u>83,929,819</u>	<u>-</u>	<u>(5,824,399)</u>	<u>78,105,420</u>	<u>5,497,912</u>
Leases and notes payable:					
Equipment notes	5,756,247	778,566	(1,167,168)	5,367,645	1,241,785
Other non-debt related liabilities:					
Compensated absences	6,308,309	520,940	(53,741)	6,775,508	4,404,080
Other postemployment benefits	3,965,222	1,516,800	(1,516,800)	3,965,222	-
Net pension liability - county	16,945,152	13,237,533	(6,143,182)	24,039,503	-
Landfill closure costs	15,539,478	1,311,502	(1,117,258)	15,733,722	1,145,189
Gude landfill remediation	28,500,000	200,000	-	28,700,000	-
Total other non-debt related	<u>71,258,161</u>	<u>16,786,775</u>	<u>(8,830,981)</u>	<u>79,213,955</u>	<u>5,549,269</u>
Total Business-Type Activities Liabilities	<u>\$ 160,944,227</u>	<u>\$ 17,565,341</u>	<u>\$ (15,822,548)</u>	<u>\$ 162,687,020</u>	<u>\$ 12,288,966</u>

Funding Source for Other Non-debt Related Liabilities

Long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$2,533,974 (\$1,647,084 due within one year and \$886,890 due in more than one year) of internal service fund compensated absences were included in the above amounts. Compensated absences liabilities of governmental activities are generally liquidated by the governmental funds that incurred the associated personnel cost.

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

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

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

Net pension liabilities are liquidated with General Fund resources.

2) General Obligation Bonds Payable

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

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

The County issued \$340,000,000 in new money general obligation bonds dated December 13, 2016; the County received a premium on the issue of \$29,810,010. These bonds were issued with a true interest cost of 3.28%.

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General obligation bond issues outstanding as of June 30, 2017, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2017	Unamortized Premium	Carrying Value June 30, 2017
06/01/05*	2011-21	3.781	\$ 120,355,000	\$ 12,585,000	\$ 318,508	\$ 12,903,508
05/01/07	2007-27	4.082	250,000,000	-	-	-
07/15/08	2009-29	3.0 - 5.0	250,000,000	36,100,000	647,801	36,747,801
11/03/09*	2011-20	2.0 - 5.0	161,755,000	82,445,000	2,931,924	85,376,924
11/03/09	2015-29	3.75 - 5.5	232,000,000	201,070,000	784,631	201,854,631
07/26/10	2011-22	2.0 - 5.0	195,000,000	97,500,000	5,252,076	102,752,076
07/26/10	2023-30	4.75 - 5.4	106,320,000	106,320,000	122,431	106,442,431
07/26/10	2023-30	4.75 - 5.4	23,680,000	23,680,000	27,269	23,707,269
08/11/11	2012-31	2.00 - 5.0	320,000,000	144,000,000	12,944,800	156,944,800
8/11/11*	2012-22	2.00 - 5.0	237,655,000	156,015,000	11,411,150	167,426,150
10/24/12*	2013-16	2.50-5.0	23,360,000	-	-	-
10/24/12	2013-32	2.50-5.0	295,000,000	236,000,000	19,217,657	255,217,657
11/26/13	2014-34	3.0 - 5.0	295,000,000	250,750,000	20,774,539	271,524,539
11/26/13*	2023-24	5.0	24,915,000	24,915,000	3,323,512	28,238,512
11/19/14	2015-35	4.00-5.0	500,000,000	450,000,000	61,976,552	511,976,552
11/19/14*	2016-28	5.0	297,990,000	284,365,000	46,291,905	330,656,905
03/26/15*	2018-21	5.0	58,520,000	58,520,000	4,333,825	62,853,825
12/01/15	2016-35	3.0-5.0	300,000,000	285,000,000	22,754,118	307,754,118
12/13/16	2017-36	3.00-5.00	340,000,000	340,000,000	28,154,561	368,154,561
Total			<u>\$ 4,031,550,000</u>	<u>\$ 2,789,265,000</u>	<u>\$ 241,267,259</u>	<u>\$ 3,030,532,259</u>

* Issue represents refunding bonds.

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

Fiscal Year Ending June 30	General Obligation Bond Requirements		
	Principal	Interest	Total
2018	\$ 217,930,000	\$ 122,188,919	\$ 340,118,919
2019	212,230,000	111,542,134	323,772,134
2020	206,295,000	101,206,563	307,501,563
2021	199,640,000	91,300,647	290,940,647
2022	192,590,000	81,100,816	273,690,816
2023-2027	847,485,000	282,578,763	1,130,063,763
2028-2032	648,845,000	112,171,531	761,016,531
2033-2037	264,250,000	18,638,750	282,888,750
Total	<u>\$ 2,789,265,000</u>	<u>\$ 920,728,122</u>	<u>\$ 3,709,993,122</u>

Article 25A, Section 5(P), of the Annotated Code of Maryland, authorizes borrowing of funds and issuance of bonds to a maximum of six percent of the assessable base of real property and 15 percent of the assessable base of personal property and operating real property. The legal debt margin as of June 30, 2017 is \$7,636,658,297.

Prior-Year Defeasance of Debt

In prior years, the County defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2017, \$229,447,625 of bonds outstanding are considered defeased.

General obligation bonds authorized and unissued as of June 30, 2017 are \$1,555,760,000 and \$1,409,496,000, respectively. These amounts include amounts related to variable rate demand obligations (see Note III-F3). In addition to this bond authority, the County has authority under the provisions of Section 56-13 of the 1994 Montgomery County Code, as amended, to issue County bonds within statutory debt limits to finance approved urban renewal projects.

3) Variable Rate Demand Obligations

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

The interest rate on the obligations, which re-sets daily, is established by the remarketing agents and is payable on the first business day of each month. Other potential modes for the obligations include a Weekly Mode, a Commercial Paper Mode, a Term Rate Mode or a Fixed Rate Mode. Subject to certain terms and conditions in the Note Order, the County may affect 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 VRDOs, on June 1, 2017, the County entered into a First Extension and Amendment of Standby Note Purchase Agreement with Wells Fargo Bank, National Association. The Agreement extended the existing Wells Fargo Standby Note Purchase Agreement from July 14, 2017 to July 13, 2018. The Wells Fargo Note Purchase Agreement requires Wells Fargo to provide funds for the purchase of VRDOs that have been tendered and not remarketed pursuant to such agreement. Because the County entered into a financing agreement that ensures the VRDOs can be refinanced on a long-term basis, these obligations are classified as noncurrent liabilities at year-end.

VRDOs outstanding as of June 30, 2017, are as follows:

<u>Dated</u> <u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally</u> <u>Issued</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Bonds</u> <u>Retired</u>	<u>Balance</u> <u>June 30, 2017</u>
06/07/06	2017-26	Variable	\$ 50,000,000	\$ 50,000,000	\$ (5,000,000)	\$ 45,000,000
06/07/06	2017-26	Variable	50,000,000	50,000,000	(5,000,000)	45,000,000
Total			<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>	<u>\$ (10,000,000)</u>	<u>\$ 90,000,000</u>

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

VRDO requirements to maturity are as follows:

Fiscal Year Ending June 30	Variable Rate Demand Obligation Requirements		
	Principal	Interest*	Total
2018	\$ 10,000,000	\$ 810,000	\$ 10,810,000
2019	10,000,000	720,000	10,720,000
2020	10,000,000	630,000	10,630,000
2021	10,000,000	540,000	10,540,000
2022	10,000,000	450,000	10,450,000
2023-2026	<u>40,000,000</u>	<u>900,000</u>	<u>40,900,000</u>
Total	<u>\$ 90,000,000</u>	<u>\$ 4,050,000</u>	<u>\$ 94,050,000</u>

* Interest is calculated based on interest rate as of the financial statement date. The interest rates for VRDO as of June 30, 2017 were .90% for Series A and Series B.

4) Revenue Bonds Payable

Revenue bonds are authorized, issued, and outstanding to finance specific projects such as parking garages for the Bethesda Parking Lot District, Department of Liquor Control facilities, and Water Quality stormwater management facilities. Net revenues of Bethesda Parking Lot District including parking fees, fines, dedicated property taxes, and Department of Liquor Control revenues are pledged against the timely repayment of principal and interest of the outstanding revenue bonds of the respective funds. Net revenues of the Water Quality Protection fund are pledged against the timely repayment of principal and interest of the outstanding revenue bonds of the respective funds. Revenue bonds authorized and unissued as of June 30, 2017 are \$432,998,000 and \$47,639,000, respectively.

In April 2016, the County issued \$46.5 million Water Quality Protection Charge Revenue Bonds Series 2016. The proceeds of the Series 2016 Bonds will be used to finance and refinance the planning, design, acquisition and construction of stormwater management facilities and other related projects as such facilities are included in and approved in the County's Capital Improvements Program.

In October 2015, the County issued \$9.2 million Parking System Refunding Revenue Bonds (Bethesda Parking Lot District) Series 2015A. These bonds were issued with a true interest cost of 2.55%. The proceeds of the 2015A Bonds together with funds held in reserve were used to refund \$10,230,000 Bethesda Parking Lot District Series 2005A bonds maturing on and after August 1, 2016.

	Dated Date	Original Maturity	Rate of Interest	Originally Issued	Years Refunded	Amount Refunded
Revenue Bonds	08/31/05	2007-2025	3.62 - 5.00%	<u>\$ 16,495,000</u>	2016 - 2025	<u>\$ 10,230,000</u>

Debt service savings from this refunding was \$2.1 million as shown below. At the time of refunding, the present value of the debt service savings (or economic gain) on the refunding was \$2.0 million.

In March 2017, the County converted the Bethesda Parking Lot District Series 2015 Bond from a tax-exempt to a taxable obligation in the amount of \$8.541 million, which will allow the County more flexibility in the future operation of Garage 11 which was funded with the proceeds of the Bond. The amortization schedule for the Series 2015 Bond which matures in 2026, remains the same, except for conversion of the existing tax-exempt interest rate of 2.55% to a taxable rate of 3.57%. The increased debt service is approximately \$390,000 on a net present value basis over the remaining life of the loan.

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

	Terms of Commitment (Years)	Approximate Amount of Pledge
Bethesda Parking Lot District	15	\$ 44,792,346
Water Quality Protection	19	104,757,329
Liquor Control	16	<u>137,330,991</u>
Total		<u>\$ 286,880,666</u>

The pledged net revenues recognized during FY17 for the payment of the outstanding principal and interest of the revenue bonds are as follows:

	Net Available Revenue for Debt Service	Debt Service		
		Principal	Interest	Total
Bethesda Parking Lot District	\$ 10,395,562	\$ 3,158,000	\$ 1,416,347	\$ 4,574,347
Liquor Control Fund	28,641,437	5,060,000	4,774,889	9,834,889
Water Quality Protection	16,146,696	3,185,000	2,963,160	6,148,160

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Revenue bond issues outstanding as of June 30, 2017, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2017	Unamortized Premium/ (Discount)	Carrying Value June 30, 2017
Parking Revenue Bonds:							
Bethesda Parking Lot District 2012	05/16/12	2015-32	3.000 - 3.250	\$ 24,190,000	\$ 21,225,000	\$ 911,865	\$ 22,136,865
Bethesda Parking Lot District 2012 Ref.	05/16/12	2013-21	1.250 - 1.930	13,750,000	6,785,000	535,947	7,320,947
Bethesda Parking Lot District 2015 Ref.	10/19/15	2017-26	2.55	9,174,000	8,541,000	-	8,541,000
Water Quality Protection 2012A	07/18/12	2013-32	0.250 - 5.000	37,835,000	31,440,000	3,382,213	34,822,213
Water Quality Protection 2016A	04/06/16	2017-36	2.25 - 5.00	46,500,000	44,750,000	1,736,672	46,486,672
Liquor Control Revenue Bonds:*							
Liquor Control & Transportation 2009	05/12/09	2010-29	3.000 - 5.000	46,765,000	32,715,000	1,176,590	33,891,590
Liquor Control & Transportation 2011	04/28/11	2012-31	2.000 - 5.000	34,360,000	26,970,000	889,966	27,859,966
Liquor Control & Transportation 2013	07/30/13	2014-33	3.125 - 5.000	46,645,000	39,885,000	1,465,588	41,350,588
Total				<u>\$ 259,219,000</u>	<u>\$ 212,311,000</u>	<u>\$ 10,098,841</u>	<u>\$ 222,409,841</u>

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

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Bethesda Parking Lot District		Liquor Control		
	Principal	Interest	Principal	Interest	
2018	\$ 3,291,000	\$ 1,358,910	\$ 5,295,000	\$ 4,539,639	
2019	3,441,000	1,212,195	5,520,000	4,317,839	
2020	3,591,000	1,049,401	5,750,000	4,082,439	
2021	3,755,000	879,250	6,020,000	3,817,839	
2022	2,410,000	694,191	6,315,000	3,516,839	
2023-2027	11,833,000	2,261,712	36,240,000	12,930,500	
2028-2032	8,230,000	785,687	31,100,000	4,406,048	
2033	-	-	3,330,000	149,850	
Total	<u>\$ 36,551,000</u>	<u>\$ 8,241,346</u>	<u>\$ 99,570,000</u>	<u>\$ 37,760,991</u>	

Fiscal Year Ending June 30	Water Quality Protection		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2018	\$ 3,245,000	\$ 2,900,838	\$ 11,831,000	\$ 8,799,387	\$ 20,630,387
2019	3,360,000	2,788,588	12,321,000	8,318,622	20,639,622
2020	3,495,000	2,654,188	12,836,000	7,786,028	20,622,028
2021	3,635,000	2,517,038	13,410,000	7,214,127	20,624,127
2022	3,775,000	2,374,088	12,500,000	6,585,118	19,085,118
2023-2027	21,240,000	9,508,839	69,313,000	24,701,051	94,014,051
2028-2032	25,805,000	4,938,150	65,135,000	10,129,885	75,264,885
2033-2036	11,635,000	885,600	14,965,000	1,035,450	16,000,450
Total	<u>\$ 76,190,000</u>	<u>\$ 28,567,329</u>	<u>\$ 212,311,000</u>	<u>\$ 74,569,666</u>	<u>\$ 286,880,666</u>

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

Purpose	Bethesda Parking Lot District	Solid Waste Disposal
Operation and Maintenance Account - Available to pay current expenses	\$ 1,703,977	\$ -
Debt Service Account - Used to pay debt service on bonds	309,956	-
Debt Service Reserve Account - (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available	3,114,809	-
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	1,500,000	4,037,428
Rate Covenant Cash Reserve - Available to fund operating activities for a minimum of three months	-	22,425,182
Rate Stabilization Account - In case of short-term extraordinary expenses	-	2,259,875
Total	\$ 6,628,742	\$ 28,722,485

5) Bond Anticipation Notes Payable

Commercial paper bond anticipation notes (BANs) are authorized, issued, and outstanding as financing sources for capital construction and improvements. Changes in BANs during FY17 are as follows:

	Balance July 1, 2016	BANs Issued	BANs Retired	Balance June 30, 2017
BAN Series 2009-A	\$ 100,000,000	\$ 20,000,000	\$ 20,000,000	\$ 100,000,000
BAN Series 2009-B	100,000,000	20,000,000	20,000,000	100,000,000
BAN Series 2010-A	150,000,000	150,000,000	150,000,000	150,000,000
BAN Series 2010-B	150,000,000	150,000,000	150,000,000	150,000,000
Total	\$ 500,000,000	\$ 340,000,000	\$ 340,000,000	\$ 500,000,000

BANs totaling \$340 million were issued during FY17, \$300 million Series 2010 and \$40 million Series 2009 respectively. BANs are issued at varying maturities to a maximum of 270 days, under a program whose authority was adopted on September 15, 2009, as amended, to consolidate additional authority to borrow money and incur indebtedness. The County reissued the notes upon maturity and continues to do so, until they are replaced with long-term bonds.

In connection with the BANs, the County entered into two-year credit agreements with State Street Bank and PNC Bank to provide liquidity with respect to the 2010 Series BANs for \$150,000,000 each. The agreements will expire on July 31, 2018. With respect to the 2009 Series BANs, the County has a credit agreement with JP Morgan Chase which expires on August 24, 2018. All credit agreements provide liquidity for the principal amount of the notes and approximately one month of interest. Any principal advances under the line of credit must be repaid in semi-annual installments over five years after the advance occurs. No amounts were advanced against this line of credit. Because the County entered into a financing agreement that ensures the BANs can be refinanced on a long-term basis, these BANs are classified as noncurrent liabilities at year-end.

During FY16, the County Council passed Resolution No. 18-305 dated October 27, 2015 to increase the County’s authority to issue BANs by \$563.1 million. Cumulative BANs authorized and unissued as of June 30, 2017, including amounts authorized and unissued from prior years, is \$825,113,000.

6) Certificates of Participation

In October 2007, the County issued certificates for its Equipment Acquisition in the fire and rescue program dated October 24, 2007, in the amount of \$33.6 million. The certificates represent proportionate interest in a Conditional Purchase Agreement (CPA) between the County, as purchaser and U.S. Bank National Association, as the seller. The CPA requires the County, as purchaser, to make periodic purchase installments in amounts sufficient to pay the scheduled debt service on the certificates until the County pays the entire price necessary to acquire the equipment, which shall be equal to the amount necessary to pay the principal and interest on all outstanding certificates. The ability of the County, as purchaser, to pay the purchase installments due under the CPA depends upon sufficient funds being appropriated each year by the County Council for such purpose. The County Council is under no obligation to make any appropriation with respect to the CPA. The CPA is not a general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or charge against the general credit or taxing powers of the County.

In FY17, Certificates of Participation for Equipment Acquisition in the public transportation program dated April 7, 2010, in the amount of \$23.0 million, was fully paid off.

In July 2016, the County was authorized and entered into a loan agreement with Montgomery College Foundation to issue its Certificates of Participation (Montgomery College Improvements), \$23,050,000 Series 2016A and \$1,810,000 Series 2016B to finance part of the costs of the acquisition, design, construction and equipping of certain facilities of Montgomery College, which such facilities is owned by Montgomery College Foundation and leased to the College, to be used by the College pursuant to a lease agreement between the Foundation and College. The proceeds of Certificates of Participation were also used to pay off costs incurred by the College in connection with the College’s termination of certain lease agreements and the costs of issuing COPS (Montgomery College Improvements). The debt service is to be paid from pledged lease payments and fees pursuant to a lease agreement between the Foundation and College dated as of July 1, 2016.

In FY17, the pledged lease payments from the Montgomery College Foundation equals the scheduled debt service on the Certificates of Participation schedule. The Certificates for Participation were issued at interest rates ranging from 2.4 to 5.0 percent and have maturity schedules as follows:

Fiscal Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2018	\$ 4,000,000	\$ 785,214	\$ 4,785,214
2019	360,000	708,739	1,068,739
2020	715,000	695,904	1,410,904
2021	745,000	672,631	1,417,631
2022	760,000	647,499	1,407,499
2023-2027	6,900,000	2,398,520	9,298,520
2028-2032	7,955,000	1,336,602	9,291,602
2033-2036	7,070,000	366,303	7,436,303
Total	<u>\$ 28,505,000</u>	<u>\$ 7,611,412</u>	<u>\$ 36,116,412</u>

Certificates of Participation (College) outstanding as of June 30, 2017, is as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2017	Unamortized Premium (Discount)	Carrying Value June 30, 2017
07/26/16	2017-36	2.00-5.00%	<u>\$ 24,860,000</u>	<u>\$ 24,860,000</u>	<u>\$ 1,226,560</u>	<u>\$ 26,086,560</u>

7) Master Lease/Equipment Notes

The County has entered into purchase agreements to provide financing for the acquisition of capital asset equipment. The agreements have terms of two to seven years with interest rates identified in the agreements. Some arrangements provide that proceeds are to be held by a trustee and disbursed to vendors. If assets are acquired prior to the note agreement, the trustee reimburses the County.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2017:

Fiscal Year Ending June 30	Equipment Notes Requirements		
	Principal	Interest	Total
2018	\$ 13,339,102	\$ 1,074,747	\$ 14,413,849
2019	12,548,372	816,227	13,364,599
2020	11,569,433	593,022	12,162,455
2021	10,241,462	387,936	10,629,398
2022	6,631,702	216,550	6,848,252
2023-2024	<u>7,811,421</u>	<u>134,203</u>	<u>7,945,624</u>
Total	<u>\$ 62,141,492</u>	<u>\$ 3,222,685</u>	<u>\$ 65,364,177</u>

8) Lease Revenue Bonds

In June 2002, the County issued Lease Revenue Bonds dated June 1, 2002, in the amount of \$37.9 million for its Metrorail garage projects. These bonds were issued to finance the costs of the planning, design, construction, and placing into commercial operation, of garages at the Shady Grove and Grosvenor Metrorail Stations. The County has leased these metrorail garage projects to the Washington Metropolitan Area Transit Authority (WMATA).

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

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

The bonds are payable from and secured by a pledge of revenues from WMATA's lease payments and certain reserve funds. The approximate amount of the pledge is \$35,233,000. WMATA's obligation to make payments

under the leases is payable solely from amounts held in a Surcharge Reserve Account which is funded by revenues from a surcharge on the parking facilities.

In the event that the County’s Reserve Subfund of \$2,653,473, included in Debt Service Fund cash with fiscal agents in the accompanying financial statements, is less than the required amount, the County Executive is obligated to include, in the next subsequent appropriation request to the County Council, a request for sufficient resources to reimburse the Reserve Subfund. The Lease Revenue Bonds are not a debt of the County within the meaning of any constitutional, compact, charter or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of the County is pledged to the payment of the bonds.

In FY17, pledged revenue of \$3,490,613 equals the principal and interest on the lease revenue bonds.

Lease revenue bonds outstanding as of June 30, 2017, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2017	Unamortized Premium (Discount)	Carrying Value June 30, 2017
Lease Revenue Bonds	10/13/11	2011-31	2.6687%	\$ 35,465,000	\$ 22,785,000	\$ 2,127,504	\$ 24,912,504

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

Fiscal Year Ending June 30	Lease Revenue Bond Requirements		
	Principal	Interest	Total
2018	\$ 2,395,000	\$ 1,096,613	\$ 3,491,613
2019	2,520,000	976,863	3,496,863
2020	2,660,000	850,863	3,510,863
2021	2,790,000	717,863	3,507,863
2022	2,935,000	578,363	3,513,363
2023-2027	7,425,000	1,049,525	8,474,525
2028-2031	2,060,000	208,688	2,268,688
Total	\$ 22,785,000	\$ 5,478,775	\$ 28,263,775

9) Taxable Limited Obligation Certificates

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

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

In November 2013, the County issued Taxable Limited Obligation Certificates in the amount of \$38.0 million; the County issued the certificates to finance the Montgomery Housing Initiative program established by the County to promote a broad range of housing opportunities in the County. The Certificates were issued at interest rates ranging from 0.3 to 4.8 percent and will mature on November 1, 2033.

Taxable Limited Obligation Certificates outstanding as of June 30, 2017, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2017	Unamortized Premium (Discount)	Carrying Value June 30, 2017
MHI Affordable Housing Series 2010	04/06/10	05/01/30	4.00-5.90 %	\$ 30,400,000	\$ 22,810,000	\$ 134,031	\$ 22,944,031
MHI Affordable Housing Series 2011	08/10/11	05/01/31	3.00-5.00	28,840,000	22,235,000	174,302	22,409,302
MHI Affordable Housing Series 2013	11/19/13	11/01/33	0.26-4.75	38,015,000	33,615,000	(4,049)	33,610,951
Total				<u>\$ 97,255,000</u>	<u>\$ 78,660,000</u>	<u>\$ 304,284</u>	<u>\$ 78,964,284</u>

The following is a schedule by fiscal year for the debt service requirement at June 30, 2017:

Fiscal Year Ending June 30	Taxable Limited Obligation Requirements		
	Principal	Interest	Total
2018	\$ 3,995,000	\$ 3,501,862	\$ 7,496,862
2019	4,110,000	3,382,454	7,492,454
2020	4,255,000	3,241,114	7,496,114
2021	4,415,000	3,079,405	7,494,405
2022	4,585,000	2,903,397	7,488,397
2023-2027	26,145,000	11,323,672	37,468,672
2028-2032	25,825,000	4,436,148	30,261,148
2033-2034	<u>5,330,000</u>	<u>256,263</u>	<u>5,586,263</u>
Total	<u>\$ 78,660,000</u>	<u>\$ 32,124,314</u>	<u>\$ 110,784,314</u>

10) Other Leases and Notes Payable

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

During 2017, the County entered into an agreement to transfer the property to a developer that would have required the original Promissory Note to be paid in full pursuant to the original Purchase and Sale Contract.

However, the County amended and restated the Promissory Note with WSSC, which revised the repayment terms commencing in FY19, and ending in FY28. The interest rate of 4.43% and other terms remain unchanged.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2017:

Fiscal Year Ending June 30	Promissory Note Requirements		
	Principal	Interest	Total
2018	\$ (34,242)	\$ 434,242	\$ 400,000
2019	803,096	435,759	1,238,855
2020	838,674	400,181	1,238,855
2021	875,827	363,028	1,238,855
2022	914,626	324,229	1,238,855
2023-2027	5,218,010	976,263	6,194,273
2028	1,186,302	52,553	1,238,855
Total	\$ 9,802,293	\$ 2,986,255	\$ 12,788,548

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, 2017, for this loan is \$311,000 and will mature on August 1, 2023.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2017:

Fiscal Year Ending June 30	HUD Loan Requirements		
	Principal	Interest	Total
2018	\$ 43,000	\$ 16,021	\$ 59,021
2019	43,000	13,727	56,727
2020	43,000	11,396	54,396
2021	43,000	9,034	52,034
2022	43,000	6,643	49,643
2022-2024	96,000	5,736	101,736
Total	\$ 311,000	\$ 62,557	\$ 373,557

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From October 2013 through June 2017 the County has entered into a series of lease agreements to finance energy efficiency projects. These leases were part of a six year program that improves energy efficiency of County facilities. Leases range from \$1.9 to \$4.2 million and interest rates range from 2.103% to 5.17%. Leases maturities range from 13 to 20 years.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2017:

Fiscal Year Ending June 30	Energy Performance Lease		
	Principal	Interest	Total
2018	\$ 229,556	\$ 528,352	\$ 757,908
2019	698,550	514,233	1,212,783
2020	544,676	493,014	1,037,690
2021	574,949	474,921	1,049,870
2022	606,375	455,863	1,062,238
2023-2027	3,806,194	1,939,821	5,746,015
2028-2032	4,845,488	1,225,068	6,070,556
2033-2036	<u>3,979,251</u>	<u>284,421</u>	<u>4,263,673</u>
Total	<u>\$ 15,285,039</u>	<u>\$ 5,915,694</u>	<u>\$ 21,200,733</u>

11) Conduit Debt Obligations

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

As of June 30, 2017, there were 30 issues of Industrial Revenue Bonds and Economic Development Revenue Bonds outstanding. Of these, six were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 2017, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$146,945,000. The principal amount payable at June 30, 2017, for bonds issued after July 1, 1996, totaled \$718,023,836.

12) Special Taxing and Development Districts

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

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

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

On August 13, 2014, the County issued \$12,025,000 of Special Obligation Refunding Bonds (Senior Series 2014) to refund West Germantown Development District Series 2002A, 2004A and 2004B bonds. On August 26, 2014, the County issued \$1,393,310 of Special Obligation Refunding Bonds (Series 2014A) via direct bank placement to refund the 1999 Series Kingsview Village Center Development District bonds.

Component Units

At June 30, 2017, HOC's noncurrent liabilities are comprised of the following:

	Due within one year	Long-Term	Total
Revenue bonds payable	\$ 42,820,266	\$ 469,833,075	\$ 512,653,341
Capital leases payable	4,199	19,941,708	19,945,907
Derivative instrument - hedging	-	11,376,760	11,376,760
Notes and other payable	90,537,069	218,570,266	309,107,335
Net pension liability	-	11,681,661	11,681,661
Total	<u>\$ 133,361,534</u>	<u>\$ 731,403,470</u>	<u>\$ 864,765,004</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	\$ 301,726,194
Single Family Mortgage Purchase Program Fund	<u>210,927,147</u>
Total	<u>\$ 512,653,341</u>

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 0.63 to 11.25 percent and 0.625 to 5.00 percent, respectively, as of June 30, 2017.

Pursuant to Section 16-202 of Title 16 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:

<u>Fiscal Year Ending June 30</u>	<u>Guaranteed Revenue Bond Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 465,000	\$ 363,090	\$ 828,090
2019	490,000	339,215	829,215
2020	515,000	314,090	829,090
2021	540,000	287,715	827,715
2022	570,000	259,823	829,823
2023-2027	3,295,000	827,569	4,122,569
2028-2032	<u>1,565,000</u>	<u>79,916</u>	<u>1,644,916</u>
Total	<u>\$ 7,440,000</u>	<u>\$ 2,471,418</u>	<u>\$ 9,911,418</u>

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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
2018	\$ 42,820,266	\$ 14,437,650	\$ 57,257,916
2019	17,963,192	13,887,910	31,851,102
2020	18,236,450	13,306,084	31,542,534
2021	18,735,088	12,806,079	31,541,167
2022	19,814,148	12,274,220	32,088,368
2023-2027	92,749,307	52,552,958	145,302,265
2028-2032	95,250,000	36,678,869	131,928,869
2033-2037	84,510,000	21,459,776	105,969,776
2038-2042	77,710,000	9,987,359	87,697,359
2043-2047	32,425,000	3,737,509	36,162,509
2048-2052	9,125,000	615,375	9,740,375
2053-2057	840,000	27,405	867,405
Unamortized Bond Discount	2,474,890	-	2,474,890
Total	<u>\$ 512,653,341</u>	<u>\$ 191,771,194</u>	<u>\$ 704,424,535</u>

Changes in the HOC revenue bonds during FY17 are as follows:

Purpose	Balance July 1, 2016	Bonds Issued*	Bonds Retired	Balance June 30, 2017
Multi-Family Mortgage Purchase Program Fund	\$ 311,110,322	\$ 22,646	\$ 9,406,774	\$ 301,726,194
Single Family Mortgage Purchase Program Fund	253,135,427	33,300,000	75,508,280	210,927,147
Total	<u>\$ 564,245,749</u>	<u>\$ 33,322,646</u>	<u>\$ 84,915,054</u>	<u>\$ 512,653,341</u>

* Includes accretions and bond discounts.

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

Bonds outstanding, July 1, 2016	\$ 204,287,059
Issuances during the year	-
Redemptions during the year	<u>(17,617,490)</u>
Bonds outstanding, June 30, 2017	<u>\$ 186,669,569</u>

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

G) Segment Information

The County has issued revenue bonds to finance activities relating to the Bethesda Parking Lot districts (PLDs). The Bethesda PLD is accounted for within the Parking Lot Districts Fund. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the activity as of and for the year ended June 30, 2017, is presented below:

Condensed Statement of Net Position

	Bethesda PLD
ASSETS	
Current assets	\$ 13,349,932
Other assets	6,628,743
Capital assets	<u>101,315,680</u>
Total Assets	<u>121,294,355</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>516,116</u>
Total Deferred Outflows	<u>516,116</u>
LIABILITIES	
Current liabilities	4,979,628
Due to other funds	37,202
Long-term liabilities	<u>35,788,357</u>
Total Liabilities	<u>40,805,187</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	<u>52,917</u>
Total Deferred Inflows	<u>52,917</u>
NET POSITION	
Net investment in capital assets	64,861,154
Restricted for debt service	6,628,743
Unrestricted	<u>9,462,470</u>
Total Net Position	<u>\$ 80,952,367</u>

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

	Bethesda PLD
	<u> </u>
OPERATING REVENUES (EXPENSES):	
Operating Revenues:	
Charges for services	\$ 16,044,912
Fines and penalties	<u>3,812,117</u>
Total Operating Revenues (pledged against bonds)	<u>19,857,029</u>
Depreciation	(6,146,610)
Other operating expenses	<u>(9,924,556)</u>
Operating Income (Loss)	<u>3,785,863</u>
 NONOPERATING REVENUES (EXPENSES):	
Property taxes	(44,085)
Investment income	88,792
Interest expense	(1,069,355)
Other revenue	418,382
Insurance recoveries	23,900
Transfers out	<u>(1,882,332)</u>
Non Operating Income (Loss)	<u>(2,464,698)</u>
 NET POSITION	
Change in Net Position	1,321,165
Beginning Net Position	<u>79,631,202</u>
Ending Net Position	<u>\$ 80,952,367</u>

Condensed Statement of Cash Flows

	Bethesda PLD
	<u> </u>
Net Cash Provided (Used) By:	
Operating activities	\$ 10,617,321
Noncapital financing activities	(1,902,517)
Capital and related financing activities	(7,314,793)
Investing activities	<u>74,653</u>
Net Increase (Decrease)	1,474,664
Beginning Cash and Cash Equivalents	<u>14,302,574</u>
Ending Cash and Cash Equivalents	<u>\$ 15,777,238</u>

H) Fund Equity

1) Governmental Fund Balances

The governmental fund balances at June 30, 2017 are comprised of the following:

Fund Balances:	General	Housing Initiative	Grants	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
Inventory	\$ 8,334,700	\$ -	\$ -	\$ -	\$ -	\$ -
Prepays	462,829	-	-	-	-	-
Total nonspendable	<u>8,797,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety						
Police	-	-	-	-	-	2,824,512
Restricted donation	-	-	-	-	-	2,269,740
Mass transit	-	-	-	-	-	37,464,195
Cable TV	-	-	-	-	-	14,299,198
Community development and housing						
Rehabilitation loan	-	-	-	-	-	4,719,040
Urban districts	1,369,496	-	-	-	-	-
Economic development	3,387,755	-	-	-	-	-
Housing initiative	-	249,775,176	-	-	-	-
Culture and recreation	-	-	-	-	-	3,479,325
Environment						
Agricultural transfer tax	-	-	-	-	-	896,153
Water quality protection	-	-	-	-	-	25,122,395
Other	7,027,740	-	216,033	-	-	-
Revenue stabilization	280,660,259	-	-	-	-	-
Debt service	-	-	-	42,282,403	-	-
Capital projects	-	-	-	-	58,300,451	-
Total restricted	<u>292,445,250</u>	<u>249,775,176</u>	<u>216,033</u>	<u>42,282,403</u>	<u>58,300,451</u>	<u>91,074,558</u>
Community development and housing	8,892,659	-	-	-	-	-
Education						
Montgomery County Public Schools	11,063	-	-	-	-	-
Montgomery College	12,405,525	-	-	-	-	-
Capital projects	39,136,326	-	-	-	-	-
Total committed	<u>60,445,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General government	13,593,568	-	-	-	-	-
Public safety	4,319,843	-	-	-	-	-
Public works and transportation	1,237,833	-	-	-	-	-
Health and human services	5,043,623	-	-	-	-	-
Culture and recreation	1,926,580	-	-	-	-	-
Community development and housing	70,092	-	-	-	-	-
Environment	725,423	-	-	-	-	-
Total assigned	<u>26,916,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety						
Fire and rescue	-	-	-	-	-	(60,793)
General government	118,366,481	-	-	-	-	-
Total unassigned	<u>118,366,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,793)</u>
Total fund balances	<u>\$ 506,971,795</u>	<u>\$ 249,775,176</u>	<u>\$ 216,033</u>	<u>\$ 42,282,403</u>	<u>\$ 58,300,451</u>	<u>\$ 91,013,765</u>

2) Encumbrances

Encumbrance accounting is employed as part of the budgetary integration for all governmental funds. As of June 30, 2017, certain amounts which were available for specific purposes have been encumbered in the governmental funds. Encumbrances are included in the County's governmental fund balances as follows:

Governmental Fund	Amount	Fund Balance Classification
General Fund	\$ 27,178,174	Restricted/Assigned
Housing Initiative	402,688	Restricted
Debt Service	226,959	Restricted
Nonmajor Governmental Funds	<u>11,505,985</u>	Restricted
Total Governmental Funds	<u>\$ 39,313,806</u>	

3) Net Position Restricted by Enabling Legislation

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

Governmental activities	\$ 396,407,382
Business-type activities	<u>59,200,175</u>
Total	<u>\$ 455,607,557</u>

D) Significant Transactions with Discretely Presented Component Units

1) Operating and Capital Funding

Expenditures incurred for operating and capital funding of discretely presented component units amounted to the following for the year ended June 30, 2017:

	General Fund			Capital Projects	Debt Service	Total
	Operating	Capital *	Total			
MCPS	\$ 1,620,452,067	\$ 22,000,000	\$ 1,642,452,067	\$ 186,586,749	\$ -	\$ 1,829,038,816
MC	136,404,459	14,132,462	150,536,921	31,557,991	25,915,255	208,010,167
HOC	<u>7,718,998</u>	<u>-</u>	<u>7,718,998</u>	<u>3,722,687</u>	<u>-</u>	<u>11,441,685</u>
Total	<u>\$ 1,764,575,524</u>	<u>\$ 36,132,462</u>	<u>\$ 1,800,707,986</u>	<u>\$ 221,867,427</u>	<u>\$ 25,915,255</u>	<u>\$ 2,048,490,668</u>

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

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

2) Other Transactions

BUP charges for services revenue include \$5,168,949 earned under contracts with the County. For capital leases with MCRA, see Note III-E3. For mortgages receivable due from HOC, see Note III-B2.

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NOTE IV. OTHER INFORMATION

A) Risk Management

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

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

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

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

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Changes in the balances of Claims Payable for the self-insurance funds for FY17 and FY16 are as follows:

	Liability and Property Coverage	Employee Health Benefits	Total
Balance July 1, 2015	\$ 128,142,500	\$ 13,302,112	\$ 141,444,612
Claims and changes in estimates	49,671,736	107,170,888	156,842,624
Claim payments ¹	<u>(40,946,736)</u>	<u>(107,084,206)</u>	<u>(148,030,942)</u>
Balance June 30, 2016	136,867,500	13,388,794	150,256,294
Claims and changes in estimates	55,159,603	106,454,852	161,614,455
Claim payments ¹	<u>(45,216,915)</u>	<u>(107,572,233)</u>	<u>(152,789,148)</u>
Balance June 30, 2017 ²	<u>\$ 146,810,188</u>	<u>\$ 12,271,413</u>	<u>\$ 159,081,601</u>

¹ Includes non-monetary settlements.

² Includes incurred but not reported (IBNR) claims of \$69,045,968 and \$12,271,413 for the Liability and Property Coverage and the Employee Health Benefits Self-Insurance Funds, respectively.

B) Significant Commitments and Contingencies

1) Landfill

The County, in its effort to provide for estimated landfill capping and postclosure maintenance costs, accrues such costs and recognizes those costs as expenses as the landfill is utilized. The October 9, 1991 U.S. Environmental Protection Agency (EPA) rule, “Solid Waste Disposal Criteria,” established closure requirements for all municipal solid waste landfills (MSWLFs) that receive waste after October 9, 1991. The County has been accruing closure expenses since FY91 in an attempt to match the costs of closure against the revenues associated with the use of the landfill. The Oaks Landfill closed on October 22, 1997, and the County began using out-of-County waste hauling during FY98. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons. The total closure and postclosure costs are estimated at \$66,948,031, which have been fully accrued through June 30, 2017. Of the total amount accrued, \$50,097,050 in actual costs have been paid out in prior years, and \$1,117,258 was paid in FY17, resulting in a net liability of \$15,733,722 at June 30, 2017. The current and non-current portions of the adjusted liability at year-end are estimated at \$1,145,189 and \$14,588,533 respectively. These costs are subject to change based on cost differences, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and postclosure costs as they are incurred in the future.

2) Pollution Remediation

In FY09, the County identified the closed Gude Landfill as requiring pollution remediation or post-closure due to ground water and surface contamination. The landfill was used for the disposal of County municipal solid waste and received approximately 4.8 million tons of municipal waste from 1965 until the site was closed in 1982. A Consent Order was issued in May 2013 by the Maryland Department of the Environment (MDE) to address groundwater contamination, landfill gas migration, and non-stormwater discharges from the closed Gude Landfill. The estimated remediation cost as of FY17 is \$28.7 million. The Department of Environmental Protection (DEP) completed an Assessment of Corrective Measures (ACM) report, which evaluates the effectiveness of a range of remediation alternatives and includes a recommended approach for remediation of environmental contamination at the Gude Landfill. MDE approved a resubmittal of the ACM report in July 2016 which specifically outlines the approved remediation method to include: toupee capping (regrading and capping the top of the landfill and selected slope areas with a synthetic liner and two feet of soil); and additional gas collection through the installation of additional gas extraction wells. These measures will reduce infiltration of rainwater into the landfill

resulting in the generation of less leachate and fewer leachate seeps. They will also result in better control of landfill gas migration.

3) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, the County may be a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed \$7,183,009. In accordance with generally accepted accounting principles, \$1,073,600 of this amount has been reflected as a liability in the accompanying financial statements, as the County's liability on these claims is determined to be probable. The remaining \$6,109,409 has not been reflected as a liability in the accompanying financial statements, as the County's liability on these claims is determined to be not probable.

4) Grants, Entitlements, and Shared Revenues

The County participates in a number of Federal and State assisted grant, entitlement, and/or reimbursement programs, principal of which are the Community Development Block Grant, the Head Start Grant, Community Mental Health Grant, and the Medical Assistance Grant. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of most of these programs for, or including, the year-ended June 30, 2017, have not yet been completed. In accordance with the provisions of the New Uniform Guidance or Super Circular, 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.

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5) Other Commitments

County proprietary funds have entered into contract commitments that remain uncompleted as of year-end. The amounts of outstanding commitments at June 30, 2017, are as follows:

Enterprise Funds:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Major Funds:			
Liquor	\$ 2,254,448	\$ -	\$ 2,254,448
Solid Waste Activities:			
Disposal operations	6,538,953	-	6,538,953
Collection operations	206,704	-	206,704
Parking Lot Districts:			
Silver Spring	222,584	2,187,362	2,409,946
Bethesda	267,013	729,994	997,007
Wheaton	113,889	149,241	263,130
Subtotal	<u>9,603,591</u>	<u>3,066,597</u>	<u>12,670,188</u>
Nonmajor Funds:			
Permitting Services	1,135,191	-	1,135,191
Community Use of Public Facilities	224,900	-	224,900
Subtotal	<u>1,360,091</u>	<u>-</u>	<u>1,360,091</u>
Total Enterprise Funds	<u>10,963,682</u>	<u>3,066,597</u>	<u>14,030,279</u>
<u>Internal Service Funds:</u>			
Motor Pool	5,530,584	-	5,530,584
Central Duplicating	223,143	-	223,143
Liability & Property Coverage Self-Insurance	1,345,909	-	1,345,909
Employee Health Benefits Self-Insurance	421,628	-	421,628
Total Internal Service Funds	<u>7,521,264</u>	<u>-</u>	<u>7,521,264</u>
Total Proprietary Funds	<u>\$ 18,484,946</u>	<u>\$ 3,066,597</u>	<u>\$ 21,551,543</u>

As of June 30, 2017, the County has \$32,107,276 in outstanding offers of loans and/or grants that have been extended to various companies under its Economic Development programs. To help fund such offers, the fund balance of the Economic Development programs at the end of the year is typically re-appropriated in the following year.

C) Subsequent Events

On October 31, 2017, the County issued General Obligation Bonds (Tax Exempt) Series A in the amount of \$170,000,000, and issued three series of General Obligation Refunding Bonds comprised of Tax-Exempt Series B, C and D in the amounts of \$78,270,000, \$294,625,000 and \$143,830,000, respectively. The proceeds of the Series B Refunding Bonds were used to refinance all of the County's outstanding VRDOs.

As part of the \$100 million energy efficiency improvement program, the County issued a fourth draw under the Banc of America Master Equipment Lease/Purchase Agreement of approximately \$4.3 million on December 13, 2017. The proceeds will fund energy performance savings projects at various County buildings for which the repayment of debt is guaranteed through energy savings.

The County intends to issue \$170,000,000 aggregate principal amount of Variable Rate, Tax-Exempt, General Obligation Bonds on or about December 18, 2017. The proceeds will pay off an equivalent amount of the County's BANs which funded capital expenditures for education, transportation and other County facilities.

D) Joint Ventures and Jointly Governed Organizations

Joint Ventures

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

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

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

At June 30, 2017, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$122,506,377, of which zero dollars were self-supporting. Of the total amount payable, \$10,026,180 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, 2017 is \$57,972,753, 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, 2017, WSSC had outstanding notes payable and bonds payable in the amount of \$2,834,911,000 which were fully self-supporting. Of the total amount payable, \$347,899,000 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, 2017, all WSSC debt relating to the County is self-supporting.

Washington Suburban Transit Commission (WSTC)

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

counties and the State under outstanding grant agreements and State legislation. Montgomery County made an operating contribution totaling \$140,260 to WSTC during FY17.

Washington Metropolitan Area Transit Authority (WMATA)

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

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

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

A summary reflecting WMATA’s expenditures incurred for the County’s share of WMATA’s activities for FY17, which are fully funded by the State and not reflected in the accompanying financial statements, is as follows:

Bus operating subsidy	\$	67,938,252
Rail operating subsidy		50,316,199
Americans with Disabilities Act service		21,767,046
MetroMatters program		4,944,933
Capital Improvement Program		32,302,643
Project Development Program		506,000
Local bus program		37,125,558
Total	\$	<u>214,900,631</u>

At June 30, 2017, WMATA had outstanding bonds payable of \$467.910,000, of which \$58,690,000 represented bonds payable due within one year. This debt is payable from the resources of WMATA.

Northeast Maryland Waste Disposal Authority (NEMWDA)

NEMWDA is a body politic and corporate, and a public instrumentality of the State of Maryland. NEMWDA was established to assist the political subdivisions in the Northeast Maryland Region, the private sector in waste management, and the development of waste disposal facilities adequate to accommodate the region’s

requirements for disposal of solid waste. NEMWDA has the following eight member jurisdictions from the State of Maryland: Montgomery County, Anne Arundel County, Baltimore City, Baltimore County, Carroll County, Frederick County, Harford County, and Howard County. The Maryland Environmental Service is an ex-officio member.

NEMWDA operates the County's Resource Recovery Project (Project).

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. Waste disposal fee expense incurred by the Solid Waste Activities Enterprise Fund during FY17 amounted to \$18,451,373.

Jointly Governed Organization

Metropolitan Washington Council of Governments (COG)

COG is a multi-governmental regional planning organization, in partnership with State and Federal government agencies, to create and implement solutions to regional issues. The County is a COG member along with other Washington metropolitan area governments. The governing body of COG is a Board of Directors. Each participating governmental unit is allotted a member or members on the Board in accordance with a specified population formula. Budgetary authority rests with the Board. Member dues finance approximately 9 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 FY17 membership dues and fees for services amounting to \$855,179.

E) Employee Benefits

1) Deferred Compensation

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

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

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

Under both Plans, contributions are sent to contracted third party administrator investment vendors for different types of investments as selected by participants. A separate account, which reflects the monies deferred, 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 FY17, the County and its employees contributed \$92,569,355 and \$41,348,758, respectively. Employees of MCRA, HOC, and BUP participate in the comprehensive insurance program of the County. Employer contributions totaled \$744,552, \$4,240,975, and \$153,418 for these component units, respectively, for FY17.

F) Pension Plan Obligations

1) Defined Benefit Pension Plan

Plan Description

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

This Plan is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and Guaranteed Retirement Income Plan (GRIP) participants. Substantially all employees hired prior to October

1, 1994, of the County, MCRA, HOC, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., WSTC, Montgomery County Employees Federal Credit Union, certain employees of the State Department of Assessments and Taxation, and the District Court of Maryland are provided retirement benefits under the System. The System, established under Section 33 of Montgomery County Code, 2001, as amended, is a contributory plan with employees contributing a percentage of their base annual salary, depending on their group classification which determines retirement eligibility.

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

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

Deferred Retirement Option Plans (DROP), established in 2000, allow any employee who is a member of a specified membership class or bargaining unit, and who meets certain eligibility requirements, to elect to “retire” but continue to work for a specified time period, during which pension payments are deferred. When the member’s participation in the DROP Plan ends, the member must stop working for the County, draw a pension benefit based on the member’s credited service and earnings as of the date that the member began to participate in the DROP Plan, and receive the value of the DROP Plan payoff.

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

Funding Policy

Required employee contribution rates varying from 6 to 11.25 percent of regular earnings are fixed and specified under Section 33-39 (a) of the Montgomery County Code of 2001, as amended. Employee contributions for the Elected Officials’ Plan are 4 percent of regular earnings. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System, using the actuarial basis as specified in Section 33-40 of the Montgomery County Code of 2001, as amended. Under the current procedures, an actuarial valuation

is performed to determine the employer contribution rate for the System. The contribution rate developed is a percentage of active member payroll. The dollar amount of each year's employer contribution is determined by applying the contribution rate to the actual payroll for each year. Funding of the System during the period is the sum of the normal costs and amortization of the unfunded accrued liability over a twenty-year period.

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

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

At June 30, 2017, the County reported a liability of \$521,396,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's proportion of Unfunded Accrued Actuarial Liability (UAAL) relative to the UAAL of all agencies, actuarially determined. At June 30, 2016, the County's proportion was 96.36%.

For the fiscal year ended June 30, 2017, the County recognized pension expense of \$85,792,796. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 322,438	\$ 25,433,995
Assumption changes	-	6,801,078
Net difference between projected and actual earnings on pension plan investments	168,547,624	-
Changes in proportion and differences between County contributions and proportionate share of contributions	4,495,939	4,589,113
County contributions subsequent to the measurement date	93,260,835	-
Total	<u>\$ 266,626,836</u>	<u>\$ 36,824,186</u>

The \$93,260,835 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2018	\$ 13,308,231
2019	13,308,231
2020	72,036,858
2021	37,888,495

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization method for funding	Level percentage of payroll, separate closed period bases for public safety and GRIP, single closed period amortization base for non-public safety
Amortization period for funding	For public safety and GRIP: initial amortization period of 20 years for the base established July 1, 2015. Initial amortization period of 20 years for subsequent bases. For non-public safety: single closed amortization period of 9 years established July 1, 2015. Average amortization period of 10.0 years for total ERS.
Asset valuation method	Market value
Projected salary increases depending on service	3.25% - 9.50% per year
Cost-of-living (inflation rate) adjustments	2.75% on the benefit attributable to credited service earned prior to June 30, 2011. 2.3% on the benefit attributable to credited service earned on or after July 1, 2011, reflecting the 2.5% cap.
Post-retirement increases	Consumer Price Index – by Group
Investment rate of return	7.5% per year
Mortality rates after retirement	RP-2014 Healthy Annuitant Mortality Table, gender-distinct for healthy mortality. Rates are set forward six years for male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.

An experience study was conducted for the period from July 1, 2009 to July 1, 2014 in September 2015. An actuarial experience study is conducted every five years.

The long term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected rate of inflation. Best estimates of arithmetic real rates of return for each

major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see Note III.A4 for discussion of the System's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.80 %
International Equity	4.80
Emerging Market Equity	4.80
Global Equity	5.00
Private Equity	6.56
Credit Opportunities	5.45
Long Duration Fixed Income	1.75
High Yield Bonds	4.20
Global IIs	1.17
Private Real Assets	6.66
Public Real Assets	4.55
Hedge Funds	4.53
Cash	-

Discount Rate

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	\$ 977,431,099	\$ 521,396,382	\$ 137,448,127

Pension Plan Fiduciary Net Position

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

Allocated Insurance Contract

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

2) Defined Contribution Plan

Plan Description

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

Under Section 33-116 of the Code, the Plan requires non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Public safety employees are required to contribute 3 percent of regular earnings up to the Social Security wage base and 6 percent above the Social Security wage base. Section 33-117 of the Code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. Employee contributions and earnings thereon are always vested under this Plan and employer contributions and earnings thereon are vested after 3 years of service or upon death, disability, or retirement age of the employee. Members are fully vested upon reaching normal retirement age (62) regardless of years of service. At separation, a participant's benefit is determined based upon the account balance which includes contributions and investment gains or losses. The Board of Investment Trustees monitors the Plan and offers investment options to the participating employees. Required employer and employee contributions to this Plan for FY17 were \$19,782,538 and \$10,303,239, respectively. In accordance with IRS regulations and the County Code, \$300,000 in accumulated revenue was used to reduce employer contributions in FY17.

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

3) State Retirement Plan

Plan Description

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

Benefits Provided

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

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

Contributions

The County and its covered employees are required by the State statute to contribute to the MSRP System. The required FY17 employee contributions vary from 5-7% of salary. The required employer contribution rate for FY17 vary from 8.53 – 9.64% of annual payroll, actuarially determined. The contribution requirements of the County and its covered employees are established and may be amended by the Board of Trustees of the MSRP System.

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

At June 30, 2017, the County reported a liability of \$30,107,615 for its proportionate share of the net pension liability of the MSRP System. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

As of June 30, 2017, the County's total proportionate share was as follows:

Montgomery County	0.0672580%
Montgomery County Public Libraries	0.0001927
Montgomery County (Supplemental)	0.0598148
Bethesda Fire Department	0.0001121
Chevy Chase Fire Department	<u>0.0002295</u>
Total	<u><u>0.1276071%</u></u>

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

For the year ended June 30, 2017, the County recognized pension expense of \$4,605,914. At June 30, 2017, the County reported the total amount of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,218,696	\$ -
Investment return difference	4,738,291	1,239,381
Difference between actual and expected experience	-	761,445
Changes in proportion and differences between County contributions and proportionate share of contributions	4,305,205	-
County contributions subsequent to the measurement date	<u>2,593,137</u>	<u>-</u>
Total	<u><u>\$ 12,855,329</u></u>	<u><u>\$ 2,000,826</u></u>

The \$2,593,137 reported as deferred outflows of resources related to pensions resulting from the County subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 1,965,546
2019	1,965,545
2020	2,383,111
2021	1,699,562
2022	247,603

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method. Inflation is assumed to be 2.70% for general and 3.20% for wage.

Discount Rate

A single discount rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's total proportionate share of the net pension liability calculated using 7.55%, as well as what the County's total proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point (6.55%) lower or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
County's proportionate share of the net pension liability	\$ 41,355,474	\$ 30,107,615	\$ 20,747,782

4) Length of Service Award Program (LOSAP)

Plan Description

Under Section 21-21 of the Montgomery County Code, the County has established a Length of Service Award Program (LOSAP) for the County's Department of Fire and Rescue Service volunteers who meet certain age and service criteria. This program is a defined pension plan because the benefits are based on the age and years of

service. Any local fire and rescue volunteer is eligible for this program if the volunteer is at least 16 years old and satisfies the following conditions: (a) was an active volunteer on or after August 15, 1965 or (b) on August 15, 1965, had completed 25 years as an active volunteer and (c) if less than 18 years old, meets any additional requirements established by Executive regulation.

Benefit provisions for this program are established under Section 21-21(c - g) of the County Code. The types of benefits included in this program are monthly award payments, disability benefits, survivor’s benefits, death benefits, and other benefits. Effective January 1, 1985, normal benefits are payable earlier of (a) at any age with 25 years of credited service, or (b) at least age 55 with 25 years of credited service as an active volunteer before 1996, or (c) age 60 with 15 years of credited service, or (d) age 65 with 10 years of credited service. The lifetime benefit equal to (a) \$9.20 per month for each year of service up to 25 years plus (b) \$11.50 per month for each year of service as an active volunteer over 25 years. The maximum total benefit is \$345 per month. Benefits continue to accrue for service earned after payments commence. There is no provision with respect to benefit change for automatic cost of living adjustment. The benefit terms are established by and may be amended by the County Council.

The credited service is based on the point system as described under Section 21-21 (k) of the County Code. An active volunteer is one who accumulates at least 50 points in a calendar year under the point system. The points are not transferable to another year. An individual must not receive points for any activity performed as a County employee.

The number of members covered under this program as of January 1, 2015 are as follows:

Inactive members currently receiving benefit payment	562
Inactive members entitled to but not yet receiving benefits	284
Active members	<u>1,691</u>
Total	<u>2,537</u>

There is neither accumulated assets to pay benefits under this program nor there is any trust established for this program.

The County must pay benefits under this program from the fire tax funds as required under Section 21-21 (h) of the County Code. Benefit expenditures amounting to \$1,339,903 in FY17 are reported in the Fire Tax District Special Revenue Fund on a “pay-as-you-go” basis.

Total Pension Liability

The County’s total pension liability of \$40,657,679 was measured as of June 30, 2016, and was determined by an actuarial valuation date as of January 1, 2015.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation date	January 1, 2015
Actuarial method	Entry Age Normal
Retirement Age	100 percent of members are assumed to commence benefits at earliest eligibility of:

1. Age 65 with 10 years of LOSAP service
2. Age 60 with 15 years of LOSAP service
3. Any age with 25 years of LOSAP service

Mortality

RP-2014 Healthy Annuitant Mortality Table, sex- distinct for healthy mortality. Rates are set forward six years for male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.

Discount Rate

The discount rate used is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. For this valuation, a discount rate of 3.80% was used to measure the total pension liability as of June 30, 2015. A discount rate of 2.85% was used to measure the total pension liability as of June 30, 2016.

The source of the municipal bond rate is published by the Bond Buyer and represents a portfolio of 20 general obligation bonds of mixed quality that mature in 20 years. In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The rate shown is as of the most recent date available on or before the measurement date.

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability calculated using the discount rate of 2.85%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current discount rate:

	1% Decrease <u>(1.85%)</u>	Discount Rate <u>(2.85%)</u>	1% Increase <u>(3.85%)</u>
Total pension liability	\$49,192,182	\$40,657,679	\$34,291,285

Changes in the Total Pension Liability

	Total Pension Liability (a)
Balance at 6/30/2016	\$ 33,719,106
Changes for the year:	
Service cost	886,540
Interest on the Total Pension Liability	1,273,361
Assumptions changes	6,088,358
Benefit Payments	<u>(1,309,686)</u>
Net Changes	<u>6,938,573</u>
Balance at 6/30/2017	\$ 40,657,679

The change in the Total Pension Liability, due to the change in the Single Discount Rate from 3.80% as of the beginning of the year to 2.85% as of the end of the year, is included as an assumption change.

There are no assets accumulated under this program to pay related benefits.

LOSAP Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to LOSAP

For the year ended June 30, 2017, the County recognized LOSAP Pension expense of \$4,452,809. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to LOSAP as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 3,795,450	\$ -
County benefit payment subsequent to the measurement date	1,339,903	-
Total	\$ 5,135,353	\$ -

The \$1,339,903 reported as deferred outflows of resources related to pensions resulting from the County subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources will be recognized in future pension expense as follows:

Fiscal Year	Amount
2018	\$ 2,292,908
2019	1,502,542

G) Other Postemployment Benefits (OPEB)

Plan Description

Plan administration. During FY08, the Montgomery County Council enacted legislation (Bill No. 28-07) to establish a new trust effective July 1, 2007 to fund certain County retiree benefit plans. Effective July 1, 2011, the Montgomery County Council enacted legislation (Bill No. 17-11) to change the name to Consolidated Retiree Health Benefits Trust (CRHBT) due to the addition of County-funded agency retiree benefits plans. The County-funded agencies are MCPS and MC, both component units of the reporting entity. During FY17, the County contributed \$63,055,000 and \$1,524,000 to the CRHBT on behalf of MCPS and MC for the health benefits of their retirees, respectively. The Claims paid reflected on the accompanying financial statements include claims amounting to \$27,200,000 reimbursed to MCPS during FY17, as required per the County Council Resolution No. 18-150. The allocated portions of investments relating to MCPS and MC as of June 30, 2017 were \$371,279,280 and \$49,033,159, respectively, and these investments are included in the investments of the CRHBT as reflected on the accompanying financial statements.

The CRHBT is a cost-sharing multiple-employer defined benefit healthcare plan sponsored by the County. Other agencies and political subdivisions have the right to elect participation. The Board of Trustees (Board) has the exclusive authority to manage the assets of the CRHBT. The Board consists of nineteen trustees and functions as part of the County. Separate financial statements are not issued for the CRHBT.

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

Plan membership. At June 30, 2017, the most recent actuarial valuation as of July 1, 2017, consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	8,049
Active plan members	<u>10,099</u>
Total	<u><u>18,148</u></u>

Condensed FY17 financial statements for the Consolidated Retiree Health Benefits Trust are as follows:

<u>Condensed Statement of Fiduciary Net Position</u>		<u>Condensed Statement of Changes in Fiduciary Net Position</u>	
ASSETS		ADDITIONS	
Cash and investments	\$ 860,223,134	Contributions	\$ 218,048,949
Other assets	<u>15,504,074</u>	Net investment income (loss)	<u>83,040,995</u>
Total Assets	<u>875,727,208</u>	Total Additions, net	<u>301,089,944</u>
LIABILITIES		DEDUCTIONS	
Claims payable	4,174,423	Benefits	115,142,393
Other liabilities	<u>12,357,332</u>	Administrative	<u>4,516,717</u>
Total Liabilities	<u>16,531,755</u>	Total Deductions	<u>119,659,110</u>
NET POSITION:		Change in Net Position	181,430,834
Held in trust for other		Beginning Net Position	<u>677,764,619</u>
postemployment benefits	<u>\$ 859,195,453</u>	Ending Net Position	<u>\$ 859,195,453</u>

Contributions

The County Council has the authority to establish and amend contribution requirements of the plan members and the County. The Plan is a contributory plan in which the County and the retired members and beneficiaries contribute, based on an actuarial valuation, certain amounts toward the current cost of healthcare benefits. During FY17, plan members and beneficiaries receiving benefits contributed \$24,658,041 (approximately 25 percent of current contributions) at the County. The County also contributed \$63,055,000 and \$1,524,000 to the CRHBT on behalf of MCPS and MC for the health benefits of their retirees, respectively. The County and other contributing entities contributed \$122,466,187 including \$72,195,187 (approximately 75 percent of current contributions) for current premiums, claims and administrative expenses, and \$50,271,000 toward prefunding future benefits. Contributions also include Medicare Part D contributions in the amount of \$6,345,721.

Net OPEB Liability

The components of the Plan's net OPEB liability as of June 30, 2017, were as follows:

Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)	Plan Fiduciary Net Position as a % of Total OPEB Liability (b/a)
\$ 1,961,102,448	\$ 438,883,014	\$ 1,522,219,434	22.28%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Actuarial cost method	Entry Age Normal
Discount Rate	5.88%
20 Yr. Municipal Bond Rate	3.58%
Municipal Bond Rate Basis	Bond Buyers General Obligation 20 year Municipal Bond Index
Expected Return on Assets	7.50%
Salary Increases	3.25%-9.50%, depending on service
General Inflation	3.00%
Mortality:	
Preretirement	Healthy Retirees and Beneficiaries The aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with Scale MP-2016.
Disabled Retirees	The aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with Scale MP-2016, (disabled post retirement) Set forward 6 years for Males and 8 years for Females, with separate tables for males and females.
Health care cost trend rates:	(initial, ultimate)
	Medical (excluding Indemnity plan) pre-65 8.22%, 4.50%
	Medical (excluding Indemnity plan) post-65 8.10%, 4.50%
	Medical (Indemnity plan) pre-65 8.80%, 4.50%
	Medical (Indemnity plan) post-65 7.81%, 4.50%
	Dental 4.50%, 4.50%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to July 1, 2014 in September 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 (see Note III.A.4 discussion of the OPEB plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	4.75 %
International Equity	4.75
Emerging Equity	4.75
Global Equity	4.95
Private Equity	6.60
Credit Opportunities	5.05
Long Duration Fixed Income	2.05
High Yield Fixed Income	3.15
Global ILs	0.62
Private Real Assets	6.36
Public Real Assets	4.25
Hedge Funds	4.38

A single discount rate of 5.88% was used to measure the total OPEB liability as of June 30, 2017. This single discount rate was blended based on the expected long term rate of return on OPEB plan investments of 7.5% and the municipal long term high quality bond index yield (at the measurement date) of 3.58% as described under the terms of the GASB standard. The projection of cash flows used to determine the single discount rate assumes that employer contributions will be made based on the current funding policy (contributions equal to the employer normal cost plus a 30-year open level percent of pay amortization of the unfunded employer liability). Based on these assumptions, the OPEB plan's fiduciary net position was projected to not be sufficient to make all projected future benefit payments on behalf of current plan members. Therefore, the long-term expected rate of return on plan investments was applied only to those payments prior to the depletion of the fiduciary net position and the bond yield index rate was applied to those benefit payments subsequent to the projected depletion of the fiduciary net position. For this valuation, the bond rates used as of June 30, 2017 and 2016 were 3.58% and 2.85%, respectively. Therefore, the blended discount rates used as of June 30, 2017 and 2016 were 5.88% and 5.39%, respectively.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 5.88%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.88%) or 1-percentage-point higher (6.88%) than the current rate:

	<u>1% Decrease</u> (4.88%)	<u>Discount Rate</u> (5.88%)	<u>1% Increase</u> (6.88%)
Net OPEB Liability	\$ 1,872,637,726	\$ 1,522,219,434	\$ 1,246,824,156

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percent-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,234,081,103	\$ 1,522,219,434	\$ 1,892,817,558

The above disclosure is presented according to a new accounting standard for OPEB plan since the County does not issue separate OPEB plan financial statements. As presented in the preceding note, the new standard for the OPEB plan required the new measurement of the OPEB liability as Net OPEB liability, which is total OPEB liability less the amount of the OPEB plan's fiduciary net position. However, a new accounting standard for the employer of OPEB plan will not be effective until FY18 CAFR. The County needs to continue to disclose the required following information per existing standard as an employer of the OPEB plan, such as Net OPEB obligation. An employer's net OPEB obligation is the cumulative difference between annual OPEB cost and the employer's contributions to a plan.

Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation, the actuarial accrued liability (AAL) was \$1,380,894,000 and there was \$334,889,000 of actuarial plan assets; therefore, the unfunded AAL (UAAL) was \$1,046,005,000. The annual covered payroll of active employees covered by the Plan was \$716,878,000 and the ratio of the UAAL to covered payroll was 145.9 percent.

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

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

Annual OPEB Cost and Net OPEB Obligation

The ARC, or annual OPEB cost (AOC), for FY17 was based on an actuarial valuation as of June 30, 2016, the latest valuation available on the date the County Council was required to approve the FY17 budget.

The AOC and the net OPEB obligation of the County as of June 30, 2017 were as follows:

Annual required contribution (ARC)	\$ 112,702,000
Interest on net OPEB obligation	33,760,000
Adjustment to annual required contribution	<u>(26,071,000)</u>
Annual OPEB cost	120,391,000
Contributions made	<u>(128,811,906)</u>
Increase (Decrease) in net OPEB obligation	(8,420,906)
Net OPEB obligation - beginning of year	<u>449,055,135</u>
Net OPEB obligation - end of year	<u><u>\$ 440,634,229</u></u>

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

Fiscal Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 114,370,000	87.2%	\$ 440,459,637
2016	118,906,000	92.8	449,055,135
2017	120,391,000	107.0	440,634,229

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Actuarial Methods and Assumptions

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

Actuarial assumptions used in the actuarial valuation were:

Valuation date	June 30, 2016
Actuarial method	Projected unit credit
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open period)
Investment rate of return	7.50%
Salary scale	3.00%
Inflation rate	3.00%
Mortality – preretirement	Healthy Retirees and Beneficiaries RP 2014 Fully Generational Scale MP 2015 with separate tables for males and females
Mortality – disabled retirees	RP-2014 Healthy Annuitant Scale MP-2015, (disabled post retirement) Set forward 6 years for males and 8 for females, with separate tables for males and females
Health care cost trend rates:	(initial, ultimate)
Medical (excluding Indemnity plan) pre-65	7.40%, 4.50%
Medical (excluding Indemnity plan) post-65	7.53%, 4.50%
Medical (Indemnity plan)	8.11%, 4.50%
Medical (Indemnity plan) post-65	7.64%, 4.50%
Dental	4.50%, 4.50%

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REQUIRED SUPPLEMENTARY INFORMATION



MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-1

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes:				
Property	\$ 1,271,864,533	\$ 1,271,864,533	\$ 1,265,545,249	\$ (6,319,284)
Property - penalty and interest	-	-	1,366,278	1,366,278
Total Property Tax	1,271,864,533	1,271,864,533	1,266,911,527	(4,953,006)
County Income Tax	1,487,577,240	1,487,577,240	1,466,625,994	(20,951,246)
Other Local Taxes:				
Real property transfer	108,430,000	108,430,000	118,000,203	9,570,203
Recordation	57,370,678	57,370,678	60,375,616	3,004,938
Fuel energy	203,990,141	203,990,141	192,459,066	(11,531,075)
Hotel-motel	20,637,350	20,637,350	21,462,751	825,401
Telephone	50,309,015	50,309,015	50,812,917	503,902
Other	3,404,187	3,404,187	4,189,326	785,139
Total Other Local Taxes	444,141,371	444,141,371	447,299,879	3,158,508
Total Taxes	3,203,583,144	3,203,583,144	3,180,837,400	(22,745,744)
Licenses and Permits:				
Business	4,687,560	4,687,560	4,899,074	211,514
Non business	7,243,780	7,243,780	6,337,256	(906,524)
Total Licenses and Permits	11,931,340	11,931,340	11,236,330	(695,010)
Intergovernmental Revenue:				
State Aid and Reimbursements:				
DHR State reimbursement	41,500	41,500	42,383	883
Highway user revenue	3,742,245	3,742,245	3,747,903	5,658
Police protection	14,743,832	14,743,832	14,081,265	(662,567)
Health and human services programs	5,192,840	5,192,840	6,248,374	1,055,534
Public libraries	5,842,000	5,842,000	6,178,408	336,408
911 Emergency	6,745,000	6,745,000	7,415,543	670,543
Other	1,844,709	1,844,709	1,938,181	93,472
Total State Aid and Reimbursements	38,152,126	38,152,126	39,652,057	1,499,931
Federal Reimbursements:				
Federal financial participation	15,015,535	15,015,535	18,001,856	2,986,321
Other	20,138,835	20,138,835	13,642,489	(6,496,346)
Total Federal Reimbursements	35,154,370	35,154,370	31,644,345	(3,510,025)
Other Intergovernmental	1,216,920	1,216,920	1,450,951	234,031
Total Intergovernmental Revenue	74,523,416	74,523,416	72,747,353	(1,776,063)
Charges for Services:				
General government	1,391,155	1,391,155	1,829,064	437,909
Public safety	5,559,140	5,559,140	5,087,094	(472,046)
Health and human services	1,420,200	1,420,200	1,494,488	74,288
Culture and recreation	20,000	20,000	25,962	5,962
Environment	425,000	425,000	1,442,030	1,017,030
Public works and transportation	793,548	793,548	633,089	(160,459)
Total Charges for Services	9,609,043	9,609,043	10,511,727	902,684
Fines and forfeitures	24,222,150	25,722,150	26,826,771	1,104,621
Investment Income:				
Pooled investment income	119,480	119,480	(423,172)	(542,652)
Other interest income	25,060	25,060	1,114	(23,946)
Total Investment Income	144,540	144,540	(422,058)	(566,598)

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Miscellaneous Revenue:				
Property rentals	4,342,400	4,342,400	3,802,238	(540,162)
Sundry	5,427,593	6,440,012	18,497,998	12,057,986
Total Miscellaneous Revenue	9,769,993	10,782,412	22,300,236	11,517,824
Total Revenues	3,333,783,626	3,336,296,045	3,324,037,759	(12,258,286)
Expenditures:				
Departments or Offices:				
County Council:				
Personnel	10,527,563	10,668,310	10,668,303	7
Operating	563,055	662,838	662,838	-
Totals	11,090,618	11,331,148	11,331,141	7
Board of Appeals:				
Personnel	545,900	551,001	527,465	23,536
Operating	48,077	48,077	26,643	21,434
Totals	593,977	599,078	554,108	44,970
Legislative Oversight:				
Personnel	1,546,120	1,573,526	1,565,877	7,649
Operating	53,287	53,287	15,289	37,998
Totals	1,599,407	1,626,813	1,581,166	45,647
Merit System Protection Board:				
Personnel	213,705	218,589	218,589	-
Operating	268,008	267,668	257,385	10,283
Totals	481,713	486,257	475,974	10,283
Zoning and Administrative Hearings:				
Personnel	591,678	591,678	580,022	11,656
Operating	103,964	110,265	68,816	41,449
Totals	695,642	701,943	648,838	53,105
Inspector General:				
Personnel	975,282	985,115	985,109	6
Operating	65,399	61,469	8,762	52,707
Totals	1,040,681	1,046,584	993,871	52,713
Circuit Court:				
Personnel	9,218,181	9,218,181	9,125,034	93,147
Operating	2,520,654	2,918,073	2,752,260	165,813
Totals	11,738,835	12,136,254	11,877,294	258,960
State's Attorney:				
Personnel	15,488,901	15,560,581	15,560,578	3
Operating	811,061	965,088	965,087	1
Totals	16,299,962	16,525,669	16,525,665	4
County Executive:				
Personnel	4,907,046	4,684,962	4,630,919	54,043
Operating	563,822	934,847	826,271	108,576
Totals	5,470,868	5,619,809	5,457,190	162,619
Community Engagement Cluster:				
Personnel	2,821,859	2,871,713	2,871,708	5
Operating	803,480	783,784	764,190	19,594
Totals	3,625,339	3,655,497	3,635,898	19,599

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Ethics Commission:				
Personnel	368,987	374,996	374,276	720
Operating	205,307	205,307	204,427	880
Totals	574,294	580,303	578,703	1,600
Intergovernmental Relations:				
Personnel	856,355	875,369	875,364	5
Operating	258,956	241,356	162,840	78,516
Totals	1,115,311	1,116,725	1,038,204	78,521
Public Information:				
Personnel	3,970,482	4,145,874	4,145,873	1
Operating	893,570	1,156,649	1,156,642	7
Totals	4,864,052	5,302,523	5,302,515	8
Board of Elections:				
Personnel	3,886,070	4,050,575	4,050,575	-
Operating	3,965,532	4,855,709	4,855,705	4
Totals	7,851,602	8,906,284	8,906,280	4
County Attorney:				
Personnel	5,403,639	5,498,301	5,498,301	-
Operating	548,251	835,981	835,975	6
Totals	5,951,890	6,334,282	6,334,276	6
Management and Budget:				
Personnel	4,203,969	4,050,827	3,892,896	157,931
Operating	96,320	293,533	264,355	29,178
Totals	4,300,289	4,344,360	4,157,251	187,109
Finance:				
Personnel	11,489,125	10,809,874	10,511,716	298,158
Operating	2,576,694	4,369,596	4,328,233	41,363
Totals	14,065,819	15,179,470	14,839,949	339,521
Office of Procurement				
Personnel	4,047,884	3,974,066	3,922,350	51,716
Operating	436,473	605,951	572,895	33,056
Totals	4,484,357	4,580,017	4,495,245	84,772
Human Resources:				
Personnel	5,576,566	5,630,944	5,630,938	6
Operating	2,624,070	2,909,658	2,891,898	17,760
Totals	8,200,636	8,540,602	8,522,836	17,766
Technology Services:				
Personnel	22,914,259	20,723,730	19,315,512	1,408,218
Operating	18,618,521	24,980,672	24,769,893	210,779
Totals	41,532,780	45,704,402	44,085,405	1,618,997
General Services:				
Personnel	12,766,180	14,384,827	14,384,824	3
Operating	22,443,681	20,453,510	20,453,501	9
Totals	35,209,861	34,838,337	34,838,325	12
Consumer Protection:				
Personnel	1,966,372	1,994,156	1,994,149	7
Operating	142,698	176,404	88,542	87,862
Totals	2,109,070	2,170,560	2,082,691	87,869

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Corrections and Rehabilitation:				
Personnel	60,044,201	59,565,801	59,565,800	1
Operating	6,732,862	8,338,195	8,338,191	4
Totals	66,777,063	67,903,996	67,903,991	5
Human Rights:				
Personnel	1,035,765	1,030,791	1,030,788	3
Operating	118,621	148,846	148,842	4
Totals	1,154,386	1,179,637	1,179,630	7
Police:				
Personnel	222,239,582	217,219,088	217,219,081	7
Operating	42,667,405	43,859,359	43,859,343	16
Totals	264,906,987	261,078,447	261,078,424	23
Sheriff:				
Personnel	19,777,001	19,464,281	19,464,276	5
Operating	2,477,639	2,962,514	2,962,505	9
Totals	22,254,640	22,426,795	22,426,781	14
Homeland Security:				
Personnel	1,041,702	952,955	900,707	52,248
Operating	219,307	369,562	367,362	2,200
Totals	1,261,009	1,322,517	1,268,069	54,448
Transportation:				
Personnel	21,662,245	22,669,237	22,669,229	8
Operating	27,037,766	36,523,265	36,523,259	6
Totals	48,700,011	59,192,502	59,192,488	14
Health and Human Services:				
Personnel	120,326,823	117,541,519	114,153,927	3,387,592
Operating	100,114,219	107,617,692	106,588,115	1,029,577
Totals	220,441,042	225,159,211	220,742,042	4,417,169
Libraries:				
Personnel	33,283,135	33,371,458	31,442,560	1,928,898
Operating	8,323,479	9,531,228	9,507,132	24,096
Totals	41,606,614	42,902,686	40,949,692	1,952,994
Housing and Community Affairs:				
Personnel	4,981,803	4,990,040	4,966,887	23,153
Operating	996,774	1,046,631	1,046,627	4
Totals	5,978,577	6,036,671	6,013,514	23,157
Economic Development:				
Personnel	636,097	604,152	601,045	3,107
Operating	373,397	437,373	387,615	49,758
Totals	1,009,494	1,041,525	988,660	52,865
Environmental Protection:				
Personnel	1,891,309	1,852,807	1,704,136	148,671
Operating	845,965	1,352,463	1,335,694	16,769
Totals	2,737,274	3,205,270	3,039,830	165,440
Total Departments	859,724,100	882,776,174	873,045,946	9,730,228

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Nondepartmental:				
Arts Council - operating	5,306,943	5,306,943	5,306,943	-
Boards, Committees and Commissions	22,950	22,950	20,137	2,813
Charter Review Commission	150	150	-	150
Children's Opportunity Fund	375,000	876,926	876,926	-
Community grants	10,110,160	11,378,995	11,247,769	131,226
Compensation adjustment - personnel	1,196,870	217,198	120,618	96,580
Compensation adjustment - operating	723,120	602,614	572,366	30,248
Conference Center - personnel	129,079	129,079	127,354	1,725
Conference Center - operating	453,690	453,690	20,784	432,906
Conferences & Visitors Bureau	1,444,615	1,469,848	1,469,848	-
Consolidated Retiree Health Benefits Trust (MC)	1,524,000	1,524,000	1,524,000	-
Consolidated Retiree Health Benefits Trust (MCPS)	63,055,000	63,055,000	63,055,000	-
Contrib. To Self Ins Fund - Risk Mg	15,276,943	15,276,943	14,724,804	552,139
County Associations	74,728	74,728	74,728	-
County Leases - personnel	100,000	169,780	169,777	3
County Leases - operating	20,459,481	18,514,299	17,878,759	635,540
Desktop computer modernization - operating	6,550,200	7,154,710	7,147,248	7,462
Grants To Muni Lieu Of Shared Tax	28,020	28,020	28,012	8
Group Insurance Retirees	52,300,000	52,300,000	52,300,000	-
Historical Activities	77,250	77,250	77,250	-
Homeowners' Association Roads	61,370	61,370	61,370	-
Independent Audit	420,820	446,994	358,958	88,036
Interagency tech, policy and coord comm - operating	5,850	5,850	1,753	4,097
Legislative Branch Communications Outreach	540,000	704,204	649,966	54,238
MEDCO Grant Incubator Network	3,416,621	3,416,621	3,416,621	-
Metro Washington Council Of Govts	855,179	855,179	855,179	-
Mont Coalition Adult English Literacy	1,457,058	1,457,058	1,457,058	-
Mont. County Economic Development Corp.	4,180,750	4,180,750	4,180,750	-
Municipal Tax Duplication	8,437,365	8,437,365	8,405,241	32,124
Prisoner Medical Services	20,000	20,000	-	20,000
Public Election Fund	5,160,000	5,167,660	5,167,658	2
Public Technologies Inc	20,000	20,000	20,000	-
Rebate Takoma Park For Police	986,340	986,340	945,118	41,222
Retiree Health Benefits Trust	43,513,550	43,513,550	43,513,550	-
Rockville Parking District	425,500	425,500	405,382	20,118
State Positions Supplement	60,756	60,756	21,182	39,574
State Property Tax Services	3,778,679	3,778,679	3,383,979	394,700
State Retirement Contribution	1,379,507	1,379,507	1,379,507	-
Takoma Park - Lib Transition	158,225	166,175	166,169	6
Telecommunications	5,786,382	5,743,079	5,524,830	218,249
Utilities	25,780,493	25,812,458	25,635,008	177,450
Working Families Income Supplement	24,274,500	22,022,410	22,018,715	3,695
WorkSource Montgomery	982,344	1,657,344	1,657,344	-
Total - Nondepartmental	310,909,488	308,951,972	305,967,661	2,984,311
Total Expenditures	1,170,633,588	1,191,728,146	1,179,013,607	12,714,539
Excess of Revenues over (under) Expenditures	2,163,150,038	2,144,567,899	2,145,024,152	456,253

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Other Financing Sources (Uses):				
Transfers In:				
Special Revenue Funds:				
Fire Tax District	551,232	551,232	551,232	-
Recreation	5,678,988	5,678,988	6,045,818	366,830
Mass Transit	11,733,529	11,733,529	11,733,529	-
Water Quality Protection	1,431,071	1,431,071	1,431,071	-
Urban Districts	661,593	661,593	661,593	-
Housing Activities	303,734	303,734	303,734	-
Cable TV	9,181,309	9,181,309	9,181,309	-
Total Special Revenue Funds	29,541,456	29,541,456	29,908,286	366,830
Enterprise Funds:				
Liquor	20,712,444	20,712,444	13,237,642	(7,474,802)
Parking Lot Districts	947,617	947,617	947,617	-
Solid Waste Activities	2,793,471	2,793,471	2,793,471	-
Community Use of Public Facilities	755,354	755,354	755,354	-
Permitting Services	4,815,802	4,815,802	4,815,802	-
Total Enterprise Funds	30,024,688	30,024,688	22,549,886	(7,474,802)
Internal Service Funds:				
Self insurance liability and property	4,312	4,312	4,312	-
Total Internal Service Funds	4,312	4,312	4,312	-
Total Transfers In	59,570,456	59,570,456	52,462,484	(7,107,972)
Total Transfers In - MCG	59,570,456	59,570,456	52,462,484	(7,107,972)
Transfers (Out):				
Special Revenue Funds:				
Recreation	(1,009,700)	(1,009,700)	(1,009,700)	-
Fire Tax District	(787,582)	(250,000)	(250,000)	-
Urban Districts	(3,092,718)	(3,092,718)	(3,092,718)	-
Mass Transit	(531,310)	(2,346,310)	(2,346,310)	-
Revenue Stabilization	(24,723,359)	(24,817,790)	(24,741,399)	76,391
Housing Activities	(22,167,940)	(22,167,940)	(22,167,940)	-
Economic Development	(2,449,557)	(2,949,557)	(2,949,557)	-
Total Special Revenue Funds	(54,762,166)	(56,634,015)	(56,557,624)	76,391
Internal Service Funds:				
Motor Pool	-	(95,623)	(95,623)	-
Total Internal Service Funds	-	(95,623)	(95,623)	-
Enterprise Funds:				
Community Use of Public Facilities	(160,000)	(160,000)	(160,000)	-
Solid Waste Activities	(1,651,280)	(1,651,280)	(1,651,280)	-
Total Enterprise Funds	(1,811,280)	(1,811,280)	(1,811,280)	-
Debt Service Fund	(319,884,710)	(320,295,826)	(309,582,507)	10,713,319
Capital Projects Fund	-	(94,390,425)	(55,254,099)	39,136,326
Total Transfers (Out)	(376,458,156)	(473,227,169)	(423,301,133)	49,926,036

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-1 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Transfers (Out) - Component Units:				
Montgomery County Public Schools - operating	(1,619,374,388)	(1,620,874,388)	(1,620,452,067)	422,321
Montgomery County Public Schools - capital	-	(22,011,063)	(22,000,000)	11,063
Total Montgomery County Public Schools	(1,619,374,388)	(1,642,885,451)	(1,642,452,067)	433,384
Montgomery College - operating	(136,404,459)	(136,404,459)	(136,404,459)	-
Montgomery College - capital	-	(26,537,987)	(14,132,462)	12,405,525
Total Montgomery College	(136,404,459)	(162,942,446)	(150,536,921)	12,405,525
Housing Opportunity Commission - operating	(6,513,040)	(6,513,040)	(7,718,998)	(1,205,958)
Housing Opportunity Commission - capital	-	(8,892,659)	-	8,892,659
Total Housing Opportunity Commission	(6,513,040)	(15,405,699)	(7,718,998)	7,686,701
M-NCPPC - operating	(843,200)	(843,200)	(843,200)	-
Total Transfers (Out) - Component Units and Joint Ventures	(1,763,135,087)	(1,822,076,796)	(1,801,551,186)	20,525,610
Total Transfers (Out) - MCG	(2,139,593,243)	(2,295,303,965)	(2,224,852,319)	70,451,646
Total Other Financing Sources (Uses)	(2,080,022,787)	(2,235,733,509)	(2,172,389,835)	63,343,674
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 83,127,251	\$ (91,165,610)	(27,365,683)	\$ 63,799,927

Adjustments required under generally accepted accounting principles:

Non budgeted Item - Bad debt expense	(397,246)
Elimination of encumbrances outstanding	26,916,962
Other non budgeted items	(6,102,844)
Revenue Stabilization investment income	1,512,822
Conference center activity	7,602,509
Transfer to Revenue Stabilization	24,741,399
Public Election Fund Transfers	(167,658)
Economic Development	534,687
Urban Districts	(639,516)
GAAP - Net Change in Fund Balance	26,635,432
Fund Balance - Beginning of Year	480,336,363
Fund Balance - End of Year	\$ 506,971,795

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HOUSING INITIATIVE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-2

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - recordation premium	\$ 14,296,500	\$ 14,296,500	\$ 15,418,027	\$ 1,121,527
Charges for services	50,000	50,000	390	(49,610)
Investment Income:				
Pooled investment income	10,000	10,000	249,200	239,200
Other interest income	2,115,040	2,115,040	4,903,966	2,788,926
Total Investment Income	2,125,040	2,125,040	5,153,166	3,028,126
Miscellaneous:				
Property rentals, MPDU and other contributions	586,286	586,286	2,616,785	2,030,499
Total Miscellaneous	586,286	586,286	2,616,785	2,030,499
Total Revenues	17,057,826	17,057,826	23,188,368	6,130,542
Expenditures: Community development and housing				
Personnel	1,844,832	1,863,422	1,863,413	9
Operating	33,724,974	48,861,390	22,455,257	26,406,133
Total Expenditures	35,569,806	50,724,812	24,318,670	26,406,142
Excess of Revenues over (under) Expenditures	(18,511,980)	(33,666,986)	(1,130,302)	32,536,684
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	22,167,940	22,167,940	22,167,940	-
From Capital Projects Fund	6,329,312	6,329,312	6,329,312	-
To General Fund	(303,734)	(303,734)	(303,734)	-
To Debt Service Fund	(7,950,310)	(7,950,310)	(7,322,995)	627,315
To Capital Projects Fund	-	-	(19,216,058)	(19,216,058)
Mortgage repayment	1,975,000	1,975,000	19,803,262	17,828,262
Sale of property	1,000,000	1,000,000	1,014,483	14,483
Total Other Financing Sources (Uses)	23,218,208	23,218,208	22,472,210	(745,998)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 4,706,228	\$ (10,448,778)	21,341,908	\$ 31,790,686
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			402,688	
Repayment of loan principal not considered revenue under GAAP			(19,803,262)	
Non budgeted Item - Bad debt expense			(6,029,148)	
GAAP - Net Change in Fund Balance			(4,087,814)	
Fund Balance - Beginning of Year			253,862,990	
Fund Balance - End of Year			\$ 249,775,176	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-3

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental:				
Federal grants	\$ 25,542,729	\$ 34,618,655	\$ 42,190,918	\$ 7,572,263
State grants	88,951,693	79,036,491	65,377,850	(13,658,641)
Other non-state and non-federal reimbursements	295,208	480,890	650,291	169,401
Total Intergovernmental	114,789,630	114,136,036	108,219,059	(5,916,977)
Investment income:				
Other principal and interest income	1,000,000	1,000,000	2,436,252	1,436,252
Total Investment Income	1,000,000	1,000,000	2,436,252	1,436,252
Miscellaneous	-	66,176	353,861	287,685
Total Revenues	115,789,630	115,202,212	111,009,172	(4,193,040)
Expenditures:				
General Government:				
Circuit Court:				
Personnel costs	2,377,616	4,565,929	2,174,128	2,391,801
Operating	245,396	447,867	240,635	207,232
Totals	2,623,012	5,013,796	2,414,763	2,599,033
Office of State's Attorney:				
Personnel costs	119,226	398,479	176,924	221,555
Operating	-	8,260	8,702	(442)
Totals	119,226	406,739	185,626	221,113
Office of the County Executive:				
Personnel costs	130,677	130,677	106,404	24,273
Operating	4,484	103,987	84,381	19,606
Totals	135,161	234,664	190,785	43,879
Legislative Oversight:				
Operating	-	21,878	27,550	(5,672)
Totals	-	21,878	27,550	(5,672)
Intergovernmental Relations:				
Operating	30,670	30,666	30,666	-
Totals	30,670	30,666	30,666	-
Community Engagement Cluster:				
Personnel costs	67,298	67,298	71,097	(3,799)
Operating	-	23,954	24,550	(596)
Totals	67,298	91,252	95,647	(4,395)
Department of Human Resources:				
Operating	-	-	855	(855)
Totals	-	-	855	(855)
General Services:				
Personnel costs	-	-	12,529	(12,529)
Operating	-	18,000	218,000	(200,000)
Totals	-	18,000	230,529	(212,529)
Total General Government	2,975,367	5,816,995	3,176,421	2,640,574

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-3 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Department of Fire and Rescue Services:				
Personnel costs	-	1,255,769	1,173,774	81,995
Operating	-	901,179	968,768	(67,589)
Totals	-	2,156,948	2,142,542	14,406
Department of Police:				
Personnel costs	148,000	672,487	509,801	162,686
Operating	17,000	522,111	513,909	8,202
Totals	165,000	1,194,598	1,023,710	170,888
Office of the County Sheriff:				
Personnel costs	548,048	1,089,707	866,601	223,106
Operating	181,509	448,155	(18,354)	466,509
Totals	729,557	1,537,862	848,247	689,615
Office of Emergency Management & Homeland Security:				
Personnel costs	736,925	1,909,720	777,831	1,131,889
Operating	-	5,163,065	4,991,322	171,743
Totals	736,925	7,072,785	5,769,153	1,303,632
Total Public Safety	1,631,482	11,962,193	9,783,652	2,178,541
Transportation:				
Department of Transportation:				
Personnel costs	1,859,934	1,686,490	1,463,744	222,746
Operating	3,205,705	3,680,105	2,969,111	710,994
Total Transportation	5,065,639	5,366,595	4,432,855	933,740
Economic Development:				
Department of Economic Development:				
Operating	-	(485,386)	40,920	(526,306)
Total Economic Development	-	(485,386)	40,920	(526,306)
Health and Human Services:				
Department of Health and Human Services:				
Personnel costs	45,662,889	50,495,266	46,480,381	4,014,885
Operating	32,943,426	35,206,598	37,606,521	(2,399,923)
Total Health and Human Services	78,606,315	85,701,864	84,086,902	1,614,962
Culture and Recreation:				
Department of Libraries:				
Personnel costs	40,290	169,905	54,905	115,000
Operating	12,000	125,642	44,067	81,575
Totals	52,290	295,547	98,972	196,575
Department of Recreation:				
Personnel costs	80,201	166,280	102,805	63,475
Operating	-	-	2,494	(2,494)
Totals	80,201	166,280	105,299	60,981
Total Culture and Recreation	132,491	461,827	204,271	257,556

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
RSI-3 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Housing:				
Department of Permitting Service:				
Personnel costs	-	-	4,549	(4,549)
Operating	-	30,000	3,600	26,400
Totals	-	30,000	8,149	21,851
Department of Housing and Community Affairs:				
Personnel costs	2,095,008	2,095,008	1,908,971	186,037
Operating	5,283,328	7,226,773	7,686,604	(459,831)
Totals	7,378,336	9,321,781	9,595,575	(273,794)
Total Housing	7,378,336	9,351,781	9,603,724	(251,943)
Environment:				
Department of Environmental Protection:				
Operating	-	300	-	300
Total Environmental Protection	-	300	-	300
Department of Liquor Control:				
Personnel costs	-	(3,668)	11,225	(14,893)
Operating	-	60,000	20,801	39,199
Total Liquor Control	-	56,332	32,026	24,306
Nondepartmental:				
NDA Future Grants - Operating	20,000,000	1,695,458	-	1,695,458
Total Nondepartmental	20,000,000	1,695,458	-	1,695,458
Total Expenditures	115,789,630	119,927,959	111,360,771	8,567,188
Excess of Revenues over (under) Expenditures	-	(4,725,747)	(351,599)	4,374,148
Other Financing Sources (Uses):				
Transfers In:				
Mass Transit Special Revenue Fund	-	340,000	340,000	-
Fire Tax District Special Revenue Fund	-	11,599	11,599	-
Total Transfers In	-	351,599	351,599	-
Total Other Financing Sources (Uses)	-	351,599	351,599	-
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	(4,374,148)	-	4,374,148
GAAP - Net Change in Fund Balance			-	
Fund Balance - Beginning of Year			216,033	
Fund Balance - End of Year			\$ 216,033	

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	\$ 111,009,172	111,360,771	\$ 351,599	\$ -
Reconciling items:				
Encumbrances	(3,730,545)	(3,730,545)	-	-
As reported - GAAP basis	\$ 107,278,627	\$ 107,630,226	\$ 351,599	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

CONSOLIDATED RETIREE HEALTH BENEFITS TRUST

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/2013	\$ 153,327,000	\$ 1,093,214,000	\$ 939,887,000	14.0	\$ 636,774,000	147.6 %
6/30/2014	303,631,000	1,320,879,000	1,017,248,000	23.0	669,149,000	152.0
6/30/2016	334,889,000	1,380,894,000	1,046,005,000	24.3	716,878,000	145.9

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

SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITIES CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation
		Employers	Other Contributing Entities	
2012	\$ 147,327,000	44.4 %	1.6 %	\$ 380,693,810
2013	123,152,000	71.8	1.7	429,058,044
2014	103,418,000	103.1	1.5	425,820,958
2015	107,096,000	85.4	1.8	440,459,637
2016	111,398,000	91.3	7.8	449,055,135
2017	112,702,000	101.7	5.3	440,634,229

Continued

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

Actuarial Valuation Date	June 30, 2017
Total OPEB Liability	
Service Cost	\$ 97,784,916
Interest Cost	116,360,134
Differences between Expected and Actual Experiences	(22,203,411)
Changes of Assumptions	(261,363,550)
Benefit Payments	(81,596,672)
Net Change in Total OPEB Liability	<u>(151,018,583)</u>
Total OPEB Liability – Beginning	<u>2,112,121,031</u>
Total OPEB Liability – Ending (a)	<u><u>\$ 1,961,102,448</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 122,466,187
Contributions - Member	24,658,041
Net Investment Income	42,759,085
Benefit Payments	(81,596,672)
Administrative Expense	(4,292,538)
Net Change in Plan Fiduciary Net Position	<u>103,994,103</u>
Plan Fiduciary Net Position – Beginning	<u>334,888,911</u>
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 438,883,014</u></u>
Net OPEB Liability – Ending (a-b)	\$ 1,522,219,434
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	22.38%
Covered Payroll	\$ 750,986,381
Net OPEB Liability as a Percentage of Covered Payroll	202.70%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Continued

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2017	\$ 112,702,000	\$ 122,466,187	\$ (9,764,187)	\$ 750,986,381	16.31%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Significant methods and actuarial assumptions used in the latest actuarial valuation are as follows:

Valuation date	June 30, 2017
Actuarial method	Entry Age Normal
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open period)
Investment rate of return	7.50%
Salary scale	3.25% - 9.50% depending on service
Inflation	3.00%
Mortality:	
Preretirement	Healthy Retirees and Beneficiaries aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with Scale MP-2016
Disabled Retirees	The aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with Scale MP-2016, (disabled post retirement) Set forward 6 years for Males and 8 years for Females, with separate tables for males and females

SCHEDULE OF INVESTMENT RETURNS**Fiscal Year Ending June 30, 2017**

Annual money weighted rate of return, net of investment expense	11.99%
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Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM

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

Measurement Date Fiscal Year	County's Proportion			County's Covered- Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
	% of Net Pension Liability	Share of the Net Pension Liability	Share of the Net Pension Liability as a % of its Covered-Employee Payroll		
Ending June 30					
2014	97.79 %	\$ 298,751,284	75.83 %	\$ 393,995,026	92.28 %
2015	96.94	407,854,987	100.48	405,915,489	89.69
2016	96.36	521,396,382	126.54	412,057,017	87.06

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

Measurement Date Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (excess)	County's Covered- Employee Payroll	Contribution as a % of Covered-Employee Payroll
Ending June 30					
2014	\$ 141,511,591	\$ 141,511,591	\$ -	\$ 393,995,026	35.92 %
2015	146,672,030	146,672,030	-	405,915,489	36.13
2016	129,899,308	129,899,308	-	412,057,017	31.52

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

REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

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

Measurement Date Fiscal Year Ending June 30	% of Net Pension Liability	County's Proportion		County's Covered- Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
		Share of the Net Pension Liability	Share of the Net Pension Liability as a % of its Covered- Employee Payroll		
2014	0.1007417 %	\$ 17,878,357	276.62 %	\$ 6,463,239	71.87 %
2015	0.1175148	24,421,562	305.33	7,998,461	68.78
2016	0.1276071	30,107,615	408.16	7,376,386	65.79

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

Measurement Date Fiscal Year Ending June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (excess)	County's Covered- Employee Payroll	Contribution as a % of Covered-Employee Payroll
2014	\$ 2,347,645	\$ 2,347,645	\$ -	\$ 6,463,239	36.32 %
2015	2,476,892	2,476,892	-	7,998,461	30.97
2016	2,485,889	2,485,889	-	7,376,386	33.70

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

REQUIRED SUPPLEMENTARY INFORMATION

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY

Actuarial Valuation Date	January 1, 2015
Measurement Date	June 30, 2016
County's Fiscal Year Ending Date for GASB 73	June 30, 2017
Total Pension Liability	
Service cost	\$ 886,540
Interest on the Total Pension Liability	1,273,361
Assumptions changes	6,088,358
Benefit Payments	<u>(1,309,686)</u>
Net Change in Total Pension Liability	6,938,573
Total Pension Liability – Beginning	<u>33,719,106</u>
Total Pension Liability – Ending (a)	<u><u>\$ 40,657,679</u></u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 1,309,686
Benefit Payments	<u>(1,309,686)</u>
Net Change in Plan Fiduciary Net position	-
Plan Fiduciary Net Position – Beginning	<u>-</u>
Plan Fiduciary Net Position – Ending (b)	<u>-</u>
Net Pension Liability – Ending (a-b)	<u><u>\$ 40,657,679</u></u>
Plan Fiduciary Net Position as a Percentage	
of Total Pension Liability	0.00%
Covered Employee Payroll	-
Net Pension Liability as a Percentage	
of Covered Employee Payroll	N/A

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The change in the Total Pension Liability due to the change in the Single Discount Rate from 3.80% as of the beginning of the year to 2.85% as of the end of the year is included as an assumption change.

There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of Statement 73 to pay related benefits.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

Overview

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

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

Approval

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

The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. During the operating year the County Council may adopt a supplemental appropriation if recommended by the County Executive and after holding a public hearing. Supplemental appropriations enacted during the first half of the fiscal year require: five Councilmember votes if they are to avail the County of, or put into effect the provision of Federal, State, or local legislation or regulation or six Councilmember votes for any other purpose. During the operating year the County Council may also adopt, with six Councilmember votes, special appropriations to meet an unforeseen disaster or other emergency or to act without delay in the public interest. Special appropriations require only public notice by news release. During FY17, the County Council

increased the operating budget for all funds through supplemental and special appropriations by \$14.6 million. In addition, supplemental appropriations increased the CIP budget by \$134.1 million.

Presentation

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

- Encumbrances outstanding are charged to budgetary appropriations and considered expenditures of the current period; any cancellations of such encumbrances in a subsequent year are classified with miscellaneous revenue for budgetary purposes.
- Certain interfund revenues/expenditures are classified as transfers for budget purposes.
- Fund budgets do not include depreciation and bad debts, however they do include debt service payments and capital outlay.
- Mortgages and loans made and related repayments are generally accounted for as expenditures/other financial uses and revenues/other financing sources, respectively.
- Proceeds under certain capital lease financing are not budgeted.
- Certain activity is not budgeted by the County, since it is included in the budget of a component unit that is legally adopted by the County Council, such as certain pass-through expenditures, and bond proceeds and related transfers to MCPS and MC.

Pension Trend Information

The Schedule of County Contributions provides historical context for the amount of contributions in the current period. The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported. Significant methods and assumptions used to determine the contributions for the Employees' Retirement System include:

Valuation date	July 1, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization method for funding	Level percentage of payroll, separate closed period bases
Amortization period for funding	Initial amortization period of 20 years for the base established July 1, 2015. Initial amortization period of 20 years for subsequent bases. Average amortization period of 8.4 years.
Asset valuation method	5-year smoothed market
Salary Increases	3.25% - 9.50% per year
Inflation	2.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and years of service. Last updated for the 2015 valuation pursuant to an experience study of the period 2009-2014.
Investment rate of return	7.50% per year
Mortality rates after retirement	RP-2014 Healthy Annuitant Mortality Table, gender-distinct for healthy mortality. Rates are set forward six years for male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.



SUPPLEMENTARY DATA



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Special Taxing Districts:

Recreation

Accounts for the fiscal activity related 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.

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.

Cable TV

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

Other:

Agricultural Transfer Tax

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

Drug Enforcement Forfeitures

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

Water Quality Protection

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

Restricted Donations

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

MAJOR GOVERNMENTAL FUNDS

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

DEBT SERVICE

CAPITAL PROJECTS



MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017
Exhibit B-1

	Special Taxing Districts	Rehabilitation Loan	Cable TV	Other	Total Nonmajor Governmental Total
ASSETS					
Equity in pooled cash and investments	\$ 51,709,846	\$ 2,162,385	\$ 8,980,718	\$ 34,034,200	\$ 96,887,149
Cash	12,750	-	-	25,000	37,750
Receivables (net of allowances for uncollectibles):					
Property taxes	2,803,819	-	-	-	2,803,819
Accounts	7,840,708	-	7,331,385	610,931	15,783,024
Mortgages	-	2,556,655	-	-	2,556,655
Parking violations	333,684	-	-	-	333,684
Due from other funds	1,174,577	-	-	-	1,174,577
Due from other governments	1,965,202	-	-	-	1,965,202
Total Assets	\$ 65,840,586	\$ 4,719,040	\$ 16,312,103	\$ 34,670,131	\$ 121,541,860
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	625,181	-	440,748	1,217,075	2,283,004
Retainage payable	-	-	-	81,621	81,621
Accrued liabilities	11,713,412	-	1,345,687	1,553,106	14,612,205
Deposits	-	-	165,527	-	165,527
Due to other funds	4,340,726	-	60,943	88,336	4,490,005
Due to component units	94,749	-	-	-	94,749
Due to other governments	431,735	-	-	6,262	437,997
Unearned revenue	11,642	-	-	-	11,642
Total Liabilities	17,217,445	-	2,012,905	2,946,400	22,176,750
Deferred Inflows of Resources:					
Unavailable property taxes	2,641,272	-	-	610,931	3,252,203
Unavailable revenue	5,099,142	-	-	-	5,099,142
Total Deferred Inflows of Resources	7,740,414	-	-	610,931	8,351,345
Fund Balances:					
Restricted	40,943,520	4,719,040	14,299,198	31,112,800	91,074,558
Unassigned	(60,793)	-	-	-	(60,793)
Total Fund Balances	40,882,727	4,719,040	14,299,198	31,112,800	91,013,765
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 65,840,586	\$ 4,719,040	\$ 16,312,103	\$ 34,670,131	\$ 121,541,860

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-2

	Special Taxing Districts	Rehabilitation Loan	Cable TV	Other	Total Nonmajor Governmental Total
REVENUES					
Taxes	\$ 346,373,522	\$ -	\$ -	\$ 37,267,440	\$ 383,640,962
Licenses and permits	522,354	-	-	-	522,354
Intergovernmental	43,310,748	-	-	10,283	43,321,031
Charges for services	64,113,345	-	31,673,247	1,146,600	96,933,192
Fines and forfeitures	608,903	-	-	1,198,166	1,807,069
Investment income	586,939	45,511	73,147	228,100	933,697
Miscellaneous	621,743	-	-	4,308,201	4,929,944
Total Revenues	<u>456,137,554</u>	<u>45,511</u>	<u>31,746,394</u>	<u>44,158,790</u>	<u>532,088,249</u>
EXPENDITURES					
General government	-	-	1,839,718	47,355	1,887,073
Public safety	231,786,614	-	-	1,026,032	232,812,646
Public works and transportation	123,301,568	-	-	-	123,301,568
Health and human services	-	-	-	306,184	306,184
Culture and recreation	35,603,504	-	13,282,814	213,120	49,099,438
Community development and housing	-	73	-	1,230	1,303
Environment	-	-	-	25,432,087	25,432,087
Total Expenditures	<u>390,691,686</u>	<u>73</u>	<u>15,122,532</u>	<u>27,026,008</u>	<u>432,840,299</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>65,445,868</u>	<u>45,438</u>	<u>16,623,862</u>	<u>17,132,782</u>	<u>99,247,950</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,606,010	-	-	-	3,606,010
Transfers (out)	(72,765,724)	-	(12,375,420)	(12,532,020)	(97,673,164)
Total Other Financing Sources (Uses)	<u>(69,159,714)</u>	<u>-</u>	<u>(12,375,420)</u>	<u>(12,532,020)</u>	<u>(94,067,154)</u>
Net Change in Fund Balances	(3,713,846)	45,438	4,248,442	4,600,762	5,180,796
Fund Balances - Beginning of Year	<u>44,596,573</u>	<u>4,673,602</u>	<u>10,050,756</u>	<u>26,512,038</u>	<u>85,832,969</u>
Fund Balances - End of Year	<u>\$ 40,882,727</u>	<u>\$ 4,719,040</u>	<u>\$ 14,299,198</u>	<u>\$ 31,112,800</u>	<u>\$ 91,013,765</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS
 JUNE 30, 2017
Exhibit B-3

	Recreation	Fire Tax District	Mass Transit Facilities	Total
ASSETS				
Equity in pooled cash and investments	\$ 5,010,379	\$ 8,771,763	\$ 37,927,704	\$ 51,709,846
Cash	5,750	5,000	2,000	12,750
Receivables (net of allowances for uncollectibles):				
Property taxes	258,622	1,758,406	786,791	2,803,819
Accounts	51,644	6,959,118	829,946	7,840,708
Parking violations	-	-	333,684	333,684
Due from other funds	-	-	1,174,577	1,174,577
Due from other governments	-	-	1,965,202	1,965,202
	<u>5,326,395</u>	<u>17,494,287</u>	<u>43,019,904</u>	<u>65,840,586</u>
Total Assets	<u>\$ 5,326,395</u>	<u>\$ 17,494,287</u>	<u>\$ 43,019,904</u>	<u>\$ 65,840,586</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	97,200	385,331	142,650	625,181
Accrued liabilities	1,272,934	7,341,399	3,099,079	11,713,412
Due to other funds	222,651	3,067,611	1,050,464	4,340,726
Due to component units	11,361	-	83,388	94,749
Due to other governments	137	1,493	430,105	431,735
Unearned revenue	-	-	11,642	11,642
Total Liabilities	<u>1,604,283</u>	<u>10,795,834</u>	<u>4,817,328</u>	<u>17,217,445</u>
Deferred Inflows of Resources:				
Unavailable property taxes	242,787	1,660,104	738,381	2,641,272
Unavailable service revenues	-	5,099,142	-	5,099,142
Total Deferred Inflows of Resources	<u>242,787</u>	<u>6,759,246</u>	<u>738,381</u>	<u>7,740,414</u>
Fund Balances:				
Restricted	3,479,325	-	37,464,195	40,943,520
Unassigned	-	(60,793)	-	(60,793)
Total Fund Balances	<u>3,479,325</u>	<u>(60,793)</u>	<u>37,464,195</u>	<u>40,882,727</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,326,395</u>	<u>\$ 17,494,287</u>	<u>\$ 43,019,904</u>	<u>\$ 65,840,586</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-4

	Recreation	Fire Tax District	Mass Transit Facilities	Total
REVENUES				
Taxes	\$ 37,270,977	\$ 212,289,122	\$ 96,813,423	\$ 346,373,522
Licenses and permits	-	-	522,354	522,354
Intergovernmental	-	1,965,335	41,345,413	43,310,748
Charges for services	10,552,833	25,177,358	28,383,154	64,113,345
Fines and forfeitures	-	-	608,903	608,903
Investment income	44,006	305,635	237,298	586,939
Miscellaneous	212,776	369,918	39,049	621,743
Total Revenues	<u>48,080,592</u>	<u>240,107,368</u>	<u>167,949,594</u>	<u>456,137,554</u>
EXPENDITURES				
Public safety	-	231,786,614	-	231,786,614
Public works and transportation	-	-	123,301,568	123,301,568
Culture and recreation	35,603,504	-	-	35,603,504
Total Expenditures	<u>35,603,504</u>	<u>231,786,614</u>	<u>123,301,568</u>	<u>390,691,686</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>12,477,088</u>	<u>8,320,754</u>	<u>44,648,026</u>	<u>65,445,868</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,009,700	250,000	2,346,310	3,606,010
Transfers (out)	<u>(13,311,010)</u>	<u>(18,162,686)</u>	<u>(41,292,028)</u>	<u>(72,765,724)</u>
Total Other Financing Sources (Uses)	<u>(12,301,310)</u>	<u>(17,912,686)</u>	<u>(38,945,718)</u>	<u>(69,159,714)</u>
Net Change in Fund Balances	175,778	(9,591,932)	5,702,308	(3,713,846)
Fund Balances - Beginning of Year	<u>3,303,547</u>	<u>9,531,139</u>	<u>31,761,887</u>	<u>44,596,573</u>
Fund Balances - End of Year	<u>\$ 3,479,325</u>	<u>\$ (60,793)</u>	<u>\$ 37,464,195</u>	<u>\$ 40,882,727</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - OTHER
 JUNE 30, 2017
Exhibit B-5

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
ASSETS					
Equity in pooled cash and investments	\$ 900,653	\$ 2,822,335	\$ 27,948,516	\$ 2,362,696	\$ 34,034,200
Cash	-	25,000	-	-	25,000
Receivables (net of allowances for uncollectibles):					
Accounts	-	-	610,931	-	610,931
Total Assets	<u>\$ 900,653</u>	<u>\$ 2,847,335</u>	<u>\$ 28,559,447</u>	<u>\$ 2,362,696</u>	<u>\$ 34,670,131</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	-	12,946	1,156,747	47,382	1,217,075
Retainage payable	-	-	81,621	-	81,621
Accrued liabilities	-	9,877	1,499,089	44,140	1,553,106
Due to other funds	-	-	88,336	-	88,336
Due to other governments	4,500	-	328	1,434	6,262
Total Liabilities	<u>4,500</u>	<u>22,823</u>	<u>2,826,121</u>	<u>92,956</u>	<u>2,946,400</u>
Deferred Inflows of Resources:					
Unavailable property taxes	-	-	610,931	-	610,931
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>610,931</u>	<u>-</u>	<u>610,931</u>
Fund Balances:					
Restricted	896,153	2,824,512	25,122,395	2,269,740	31,112,800
Total Fund Balances	<u>896,153</u>	<u>2,824,512</u>	<u>25,122,395</u>	<u>2,269,740</u>	<u>31,112,800</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 900,653</u>	<u>\$ 2,847,335</u>	<u>\$ 28,559,447</u>	<u>\$ 2,362,696</u>	<u>\$ 34,670,131</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - OTHER
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-6

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
REVENUES					
Taxes	\$ 145,870	\$ -	\$ 37,121,570	\$ -	\$ 37,267,440
Intergovernmental	-	-	-	10,283	10,283
Charges for services	-	-	1,146,600	-	1,146,600
Fines and forfeitures	-	1,198,166	-	-	1,198,166
Investment income	9,521	15,511	203,068	-	228,100
Miscellaneous	-	21,800	-	4,286,401	4,308,201
Total Revenues	<u>155,391</u>	<u>1,235,477</u>	<u>38,471,238</u>	<u>4,296,684</u>	<u>44,158,790</u>
EXPENDITURES					
General government	-	-	-	47,355	47,355
Public safety	-	816,858	-	209,174	1,026,032
Health and human services	-	-	-	306,184	306,184
Community Development and Housing	-	-	-	1,230	1,230
Culture and recreation	-	-	-	213,120	213,120
Environment	57,546	-	22,324,542	3,049,999	25,432,087
Total Expenditures	<u>57,546</u>	<u>816,858</u>	<u>22,324,542</u>	<u>3,827,062</u>	<u>27,026,008</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>97,845</u>	<u>418,619</u>	<u>16,146,696</u>	<u>469,622</u>	<u>17,132,782</u>
OTHER FINANCING SOURCES (USES)					
Transfers (out)	(735,758)	-	(11,796,262)	-	(12,532,020)
Total Other Financing Sources (Uses)	<u>(735,758)</u>	<u>-</u>	<u>(11,796,262)</u>	<u>-</u>	<u>(12,532,020)</u>
Net Change in Fund Balances	(637,913)	418,619	4,350,434	469,622	4,600,762
Fund Balances - Beginning of Year	<u>1,534,066</u>	<u>2,405,893</u>	<u>20,771,961</u>	<u>1,800,118</u>	<u>26,512,038</u>
Fund Balances - End of Year	<u>\$ 896,153</u>	<u>\$ 2,824,512</u>	<u>\$ 25,122,395</u>	<u>\$ 2,269,740</u>	<u>\$ 31,112,800</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-7

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final		
Revenues:				
Intergovernmental	\$ 12,533,760	\$ 12,533,760	\$ 5,689,944	\$ (6,843,816)
Investment income	-	-	76,713	76,713
Total Investment Income	-	-	76,713	76,713
Miscellaneous	-	-	-	-
Total Revenues	12,533,760	12,533,760	5,766,657	(6,767,103)
Expenditures:				
Operating:				
Principal and interest for general obligation bonds:				
General county	59,184,220	59,184,220	58,302,269	881,951
Roads and storm drainage	70,224,060	70,224,060	70,310,726	(86,666)
Parks and recreation	8,237,270	8,237,270	8,227,409	9,861
Public schools	150,187,650	150,187,650	148,735,322	1,452,328
Montgomery College	23,688,760	23,688,760	23,487,154	201,606
Public housing	62,470	62,470	62,475	(5)
Recreation	8,327,890	8,327,890	8,192,300	135,590
Fire and rescue	7,491,440	7,491,440	7,283,040	208,400
Mass transit	18,863,850	18,863,850	18,924,844	(60,994)
Issuing costs	3,703,000	4,407,515	3,042,032	1,365,483
Bond anticipation note interest	2,400,000	2,400,000	2,148,047	251,953
Principal and interest on long-term equipment notes	-	481,156	481,156	-
Principal and interest on revenue bonds	6,367,900	12,219,165	11,999,424	219,741
Long-term leases:				
General Fund	14,731,040	14,731,040	11,386,782	3,344,258
Recreation	1,524,500	1,524,500	1,524,496	4
Montgomery Housing Initiative	7,950,310	7,950,310	7,260,520	689,790
Mass Transit	9,138,890	9,138,890	8,364,053	774,837
Fire and Rescue	5,517,600	5,517,600	4,347,322	1,170,278
Total Expenditures	397,600,850	404,637,786	394,079,371	10,558,415
Excess of Revenues over (under) Expenditures	(385,067,090)	(392,104,026)	(388,312,714)	3,791,312
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	319,884,710	320,295,826	309,582,507	(10,713,319)
From Capital Projects Fund	-	-	51,940	51,940
From Special Revenue Funds:				
Recreation	9,852,390	9,852,390	9,353,112	(499,278)
Mass Transit	28,002,740	28,002,740	26,881,199	(1,121,541)
Fire Tax District	13,009,040	13,079,080	11,542,003	(1,537,077)
Montgomery Housing Initiative	7,950,310	7,950,310	7,322,995	(627,315)
Water Quality Protection	6,367,900	6,367,900	6,148,160	(219,740)
From Liquor Control Fund	-	5,851,265	5,851,265	-
Total Other Financing Sources (Uses)	385,067,090	391,399,511	376,733,181	(14,666,330)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses				
	\$ -	\$ (704,515)	\$ (11,579,533)	\$ (10,875,018)

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-7 (Concluded)

Adjustments required under generally accepted accounting principles:

Elimination of encumbrances outstanding	\$ 226,959
Montgomery College certificates of participation debt payments	(25,915,255)
Bond anticipation note activity	(340,000,000)
Premium on general obligation bond	29,810,010
Premium on certificates of participation	1,329,676
Issuing costs for general obligation bonds/certificate of participation	(2,824,420)
Proceeds of:	
General obligation bonds	340,000,000
Certificates of participation	<u>24,860,000</u>
GAAP - Net Change in Fund Balance	15,907,437
Fund Balance - Beginning of Year	<u>26,374,966</u>
Fund Balance - End of Year	<u><u>\$ 42,282,403</u></u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-8

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 21,531,000	\$ 44,956,000	\$ 129,869,700	\$ 84,913,700
Intergovernmental	8,515,000	11,177,000	13,736,764	2,559,764
Charges for services	200,000	1,571,000	563,507	(1,007,493)
Investment income:				
Pooled	(283,000)	(283,000)	1,143,812	1,426,812
Miscellaneous	7,170,000	7,170,000	25,234,646	18,064,646
Total Revenues	37,133,000	64,591,000	170,548,429	105,957,429
Expenditures - Capital Projects				
	<u>654,059,072</u>	<u>805,345,072</u>	<u>1,103,622,598</u>	<u>(298,277,526)</u>
Excess of Revenues over (under) Expenditures	<u>(616,926,072)</u>	<u>(740,754,072)</u>	<u>(933,074,169)</u>	<u>(192,320,097)</u>
Other Financing Sources (Uses):				
Transfers In	36,912,000	71,043,000	91,054,330	20,011,330
Transfers Out	-	-	(6,423,117)	(6,423,117)
Sale of property	27,000,000	27,000,000	37,808	(26,962,192)
Financing under notes and leases payable	32,697,000	43,071,000	41,921,607	(1,149,393)
Proceeds from taxable limited obligation certificates	13,409,000	13,409,000	-	(13,409,000)
Proceeds from general obligation bonds	103,356,000	185,911,000	-	(185,911,000)
Proceeds from bond anticipation notes	(27,000,000)	(27,000,000)	340,000,000	367,000,000
Proceeds from issuance of revenue bonds	7,231,000	4,099,000	-	(4,099,000)
Total Other Financing Sources (Uses)	193,605,000	317,533,000	466,590,628	149,057,628
Excess of Revenues and				
Other Financing Sources over (under)				
Expenditures and Other Financing Uses	<u>\$ (423,321,072)</u>	<u>\$ (423,221,072)</u>	<u>(466,483,541)</u>	<u>\$ (43,262,469)</u>
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			<u>475,795,695</u>	
GAAP - Net Change in Fund Balance			<u>9,312,154</u>	
Fund Balance - Beginning of Year			<u>48,988,297</u>	
Fund Balance - End of Year			<u>\$ 58,300,451</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RECREATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-9

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 37,432,378	\$ 37,432,378	\$ 37,270,977	\$ (161,401)
Charges for services - activity fees	10,760,542	10,760,542	10,552,833	(207,709)
Investment income	26,150	26,150	44,006	17,856
Miscellaneous	129,597	129,597	212,776	83,179
Total Revenues	<u>48,348,667</u>	<u>48,348,667</u>	<u>48,080,592</u>	<u>(268,075)</u>
Expenditures:				
Personnel costs	21,677,668	21,640,958	21,209,942	431,016
Operating	12,530,030	13,082,770	13,082,763	7
Total Expenditures	<u>34,207,698</u>	<u>34,723,728</u>	<u>34,292,705</u>	<u>431,023</u>
Excess of Revenues over (under) Expenditures	<u>14,140,969</u>	<u>13,624,939</u>	<u>13,787,887</u>	<u>162,948</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	1,009,700	1,009,700	1,009,700	-
To General Fund	(5,678,988)	(5,678,988)	(3,915,778)	1,763,210
To Debt Service Fund	(9,852,390)	(9,852,390)	(9,353,112)	499,278
To Capital Projects Fund	-	-	(42,120)	(42,120)
Total Other Financing Sources (Uses)	<u>(14,521,678)</u>	<u>(14,521,678)</u>	<u>(12,301,310)</u>	<u>2,220,368</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ (380,709)</u>	<u>\$ (896,739)</u>	1,486,577	<u>\$ 2,383,316</u>
Adjustments required under generally accepted accounting principles:				
Interfund activity- Maintenance cost reimbursement budgeted as a transfer to General Fund			(1,763,210)	
Elimination of encumbrances outstanding			<u>452,411</u>	
GAAP - Net Change in Fund Balance			175,778	
Fund Balance - Beginning of Year			<u>3,303,547</u>	
Fund Balance - End of Year			<u>\$ 3,479,325</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE TAX DISTRICT SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-10

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 212,675,398	\$ 212,675,398	\$ 212,289,122	\$ (386,276)
Intergovernmental	-	1,975,500	1,965,335	(10,165)
Charges for services	18,200,000	18,200,000	25,177,358	6,977,358
Investment income	170,020	170,020	305,635	135,615
Miscellaneous	20,000	20,000	369,918	349,918
Total Revenues	<u>231,065,418</u>	<u>233,040,918</u>	<u>240,107,368</u>	<u>7,066,450</u>
Expenditures:				
Personnel costs	176,193,561	182,160,030	182,160,027	3
Operating	39,751,489	45,521,591	45,516,084	5,507
Total Expenditures	<u>215,945,050</u>	<u>227,681,621</u>	<u>227,676,111</u>	<u>5,510</u>
Excess of Revenues over (under) Expenditures	<u>15,120,368</u>	<u>5,359,297</u>	<u>12,431,257</u>	<u>7,071,960</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	787,582	250,000	250,000	-
To General Fund	(551,232)	(551,232)	(551,232)	-
To Debt Service Fund	(13,009,040)	(13,079,080)	(11,542,003)	1,537,077
To Grants Fund	-	(11,599)	(11,599)	-
To Capital Projects Fund	-	(3,721,000)	(6,057,852)	(2,336,852)
Total Other Financing Sources (Uses)	<u>(12,772,690)</u>	<u>(17,112,911)</u>	<u>(17,912,686)</u>	<u>(799,775)</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 2,347,678</u>	<u>\$ (11,753,614)</u>	<u>(5,481,429)</u>	<u>\$ 6,272,185</u>
Adjustments required under generally accepted accounting principles:				
Non-budgeted item - Bad debt expense			(5,029,657)	
Elimination of encumbrances outstanding			919,154	
GAAP - Net Change in Fund Balance			<u>(9,591,932)</u>	
Fund Balance - Beginning of Year			<u>9,531,139</u>	
Fund Balance - End of Year			<u>\$ (60,793)</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MASS TRANSIT FACILITIES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-11

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 97,009,830	\$ 97,009,830	\$ 96,813,423	\$ (196,407)
Licenses and permits	531,000	531,000	522,354	(8,646)
Intergovernmental	38,953,060	38,953,060	41,345,413	2,392,353
Charges for services:				
Fare receipts	24,686,852	24,686,852	27,498,420	2,811,568
Parking fees	1,066,385	1,066,385	1,493,637	427,252
Total Charges for Services	25,753,237	25,753,237	28,992,057	3,238,820
Investment income	-	-	237,298	237,298
Miscellaneous	-	-	39,049	39,049
Total Revenues	162,247,127	162,247,127	167,949,594	5,702,467
Expenditures:				
Division of Transit Services				
Personnel costs	70,414,424	70,324,121	70,324,115	6
Operating	52,706,826	55,088,539	55,088,534	5
Total Division of Transit Services	123,121,250	125,412,660	125,412,649	11
Washington Suburban Transit Commission				
Operating	140,260	140,260	140,260	-
Total Expenditures	123,261,510	125,552,920	125,552,909	11
Excess of Revenues over (under) Expenditures	38,985,617	36,694,207	42,396,685	5,702,478
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	531,310	2,346,310	2,346,310	-
To General Fund	(11,733,529)	(11,733,529)	(11,733,529)	-
To Debt Service Fund	(28,002,740)	(28,002,740)	(26,881,199)	1,121,541
To Grants Fund	-	(340,000)	(340,000)	-
To Capital Projects Fund	-	(8,878,000)	(2,337,300)	6,540,700
Total Other Financing Sources (Uses)	(39,204,959)	(46,607,959)	(38,945,718)	7,662,241
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (219,342)	\$ (9,913,752)	3,450,967	\$ 13,364,719
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			2,251,341	
GAAP - Net Change in Fund Balance			5,702,308	
Fund Balance - Beginning of Year			31,761,887	
Fund Balance - End of Year			\$ 37,464,195	

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 REHABILITATION LOAN SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-12

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Investment income				
Pooled investment income	\$ -	\$ -	\$ 12,255	\$ 12,255
Other investment income	-	-	33,256	33,256
Total Revenues	-	-	45,511	45,511
Total Expenditures	-	-	73	(73)
Excess of Revenues over (under) Expenditures	-	-	45,438	45,438
Other Financing Sources (Uses):				
Mortgage loans	(4,673,602)	(4,673,602)	-	4,673,602
Total Other Financing Sources (Uses)	(4,673,602)	(4,673,602)	-	4,673,602
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (4,673,602)	\$ (4,673,602)	45,438	\$ 4,719,040
Fund Balance - Beginning of Year			4,673,602	
Fund Balance - End of Year			\$ 4,719,040	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CABLE TV SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-13

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Fines and forfeitures	\$ 28,617,360	\$ 28,617,360	\$ 31,673,247	\$ 3,055,887
Investment income	26,990	26,990	73,147	46,157
Total Revenues	<u>28,644,350</u>	<u>28,644,350</u>	<u>31,746,394</u>	<u>3,102,044</u>
Expenditures:				
Personnel costs	4,034,082	3,744,589	3,723,387	21,202
Operating	11,768,834	13,509,320	13,312,390	196,930
Total Expenditures	<u>15,802,916</u>	<u>17,253,909</u>	<u>17,035,777</u>	<u>218,132</u>
Excess of Revenues over (under) Expenditures	<u>12,841,434</u>	<u>11,390,441</u>	<u>14,710,617</u>	<u>3,320,176</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
To General Fund	(9,181,309)	(9,181,309)	(9,181,309)	-
To Capital Projects Fund	-	(4,817,000)	(3,194,111)	1,622,889
Total Other Financing Sources (Uses)	<u>(9,181,309)</u>	<u>(13,998,309)</u>	<u>(12,375,420)</u>	<u>1,622,889</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 3,660,125</u>	<u>\$ (2,607,868)</u>	<u>2,335,197</u>	<u>\$ 4,943,065</u>
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			<u>1,913,245</u>	
GAAP - Net Change in Fund Balance			<u>4,248,442</u>	
Fund Balance - Beginning of Year			<u>10,050,756</u>	
Fund Balance - End of Year			<u>\$ 14,299,198</u>	

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 DRUG ENFORCEMENT FORFEITURES SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-14

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 1,198,166	\$ 1,198,166
Investment income	-	-	15,511	15,511
Miscellaneous	-	-	21,800	21,800
Total Revenues	-	-	1,235,477	1,235,477
Expenditures:				
Operating	-	2,405,893	1,054,931	1,350,962
Total Expenditures	-	2,405,893	1,054,931	1,350,962
Excess of Revenues over (under) Expenditures	\$ -	\$ (2,405,893)	180,546	\$ 2,586,439
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			238,073	
GAAP - Net Change in Fund Balance			418,619	
Fund Balance - Beginning of Year			2,405,893	
Fund Balance - End of Year			\$ 2,824,512	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER QUALITY PROTECTION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-15

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 36,810,616	\$ 36,810,616	\$ 37,121,570	\$ 310,954
Charges for services	200,000	200,000	1,146,600	946,600
Investment income	91,130	91,130	203,068	111,938
Total Revenues	<u>37,101,746</u>	<u>37,101,746</u>	<u>38,471,238</u>	<u>1,369,492</u>
Expenditures:				
Personnel costs	8,613,342	8,445,466	8,347,831	97,635
Operating	<u>16,661,534</u>	<u>20,541,198</u>	<u>19,669,103</u>	<u>872,095</u>
Total Expenditures	<u>25,274,876</u>	<u>28,986,664</u>	<u>28,016,934</u>	<u>969,730</u>
Excess of Revenues over (under) Expenditures	11,826,870	8,115,082	10,454,304	2,339,222
Other Financing Sources (Uses):				
Transfers In (Out):				
To General Fund	(1,431,071)	(1,431,071)	(1,431,071)	-
To Capital Projects Fund	-	(5,144,000)	(4,217,032)	926,968
To Debt Service Fund	<u>(6,367,900)</u>	<u>(6,367,900)</u>	<u>(6,148,159)</u>	<u>219,741</u>
Total Other Financing Sources (Uses)	<u>(7,798,971)</u>	<u>(12,942,971)</u>	<u>(11,796,262)</u>	<u>1,146,709</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 4,027,899</u>	<u>\$ (4,827,889)</u>	<u>(1,341,959)</u>	<u>\$ 3,485,930</u>
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			<u>5,692,393</u>	
GAAP - Net Change in Fund Balance			<u>4,350,434</u>	
Fund Balance - Beginning of Year			<u>20,771,961</u>	
Fund Balance - End of Year			<u>\$ 25,122,395</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RESTRICTED DONATIONS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit B-16

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 10,283	\$ 10,283
Miscellaneous - contributions	-	3,450,000	4,286,401	836,401
Total Revenues	-	3,450,000	4,296,684	846,684
Expenditures:				
Operating	-	5,196,456	3,866,430	1,330,026
Total Expenditures	-	5,196,456	3,866,430	1,330,026
Excess of Revenues over (under) Expenditures	-	(1,746,456)	430,254	2,176,710
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ (1,746,456)	430,254	\$ 2,176,710
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			39,368	
GAAP - Net Change in Fund Balance			469,622	
Fund Balance - Beginning of Year			1,800,118	
Fund Balance - End of Year			\$ 2,269,740	



NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations where:

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

Permitting Services

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

Community Use of Public Facilities

Accounts for the fiscal activity related to renting public facilities to community organizations.

MAJOR ENTERPRISE FUNDS

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

Liquor

Solid Waste Activities

Parking Lot Districts



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2017
Exhibit C-1

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ 56,121,202	\$ 10,338,490	\$ 66,459,692
Receivables (net of allowance for uncollectibles):			
Accounts	244,315	2,851	247,166
Total Current Assets	<u>56,365,517</u>	<u>10,341,341</u>	<u>66,706,858</u>
Noncurrent Assets:			
Capital Assets:			
Furniture, fixtures, equipment, and machinery	1,753,579	49,423	1,803,002
Automobiles and trucks	397,939	-	397,939
Subtotal	2,151,518	49,423	2,200,941
Less: Accumulated depreciation	1,716,533	49,423	1,765,956
Total Capital Assets (net of accumulated depreciation)	434,985	-	434,985
Total Noncurrent Assets	434,985	-	434,985
Total Assets	<u>56,800,502</u>	<u>10,341,341</u>	<u>67,141,843</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	6,074,116	403,738	6,477,854
Total Deferred Outflows of Resources	<u>6,074,116</u>	<u>403,738</u>	<u>6,477,854</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	109,763	11,388	121,151
Deposits	8,887,245	-	8,887,245
Accrued liabilities	2,702,500	284,950	2,987,450
Due to other funds	484,128	45,417	529,545
Due to component units	-	51,431	51,431
Equipment notes payable	18,987	-	18,987
Unearned revenue	353,500	2,443,835	2,797,335
Total Current Liabilities	<u>12,556,123</u>	<u>2,837,021</u>	<u>15,393,144</u>
Noncurrent Liabilities:			
Compensated absences	867,205	92,809	960,014
Net pension liability	10,460,776	688,243	11,149,019
Other postemployment benefits	1,260,848	159,078	1,419,926
Total Noncurrent Liabilities	<u>12,588,829</u>	<u>940,130</u>	<u>13,528,959</u>
Total Liabilities	<u>25,144,952</u>	<u>3,777,151</u>	<u>28,922,103</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	738,803	48,608	787,411
Total Deferred Inflows of Resources	<u>738,803</u>	<u>48,608</u>	<u>787,411</u>
NET POSITION			
Net investment in capital assets	415,998	-	415,998
Unrestricted	36,574,865	6,919,320	43,494,185
Total Net Position	<u>\$ 36,990,863</u>	<u>\$ 6,919,320</u>	<u>\$ 43,910,183</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit C-2

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 1,102,023	\$ 11,335,072	\$ 12,437,095
Licenses and permits	38,442,968	-	38,442,968
Fines and penalties	87,485	-	87,485
Total Operating Revenues	<u>39,632,476</u>	<u>11,335,072</u>	<u>50,967,548</u>
OPERATING EXPENSES			
Personnel costs	28,576,827	2,962,688	31,539,515
Other post employment contributions	1,062,970	142,080	1,205,050
Postage	16,009	59	16,068
Insurance	395,042	-	395,042
Supplies and materials	300,888	247,877	548,765
Contractual services	1,751,379	4,656,976	6,408,355
Communications	217,967	17,408	235,375
Transportation	893,228	4,852	898,080
Public utility services	-	1,933,790	1,933,790
Rentals	2,704,893	326,082	3,030,975
Maintenance	152,040	70,418	222,458
Depreciation	161,021	-	161,021
Other	40,622	49,208	89,830
Total Operating Expenses	<u>36,272,886</u>	<u>10,411,438</u>	<u>46,684,324</u>
Operating Income (Loss)	<u>3,359,590</u>	<u>923,634</u>	<u>4,283,224</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	334,005	108,892	442,897
Interest expense	(382)	-	(382)
Other revenue	19,795	-	19,795
Total Nonoperating Revenues (Expenses)	<u>353,418</u>	<u>108,892</u>	<u>462,310</u>
Income (Loss) Before Transfers	<u>3,713,008</u>	<u>1,032,526</u>	<u>4,745,534</u>
Transfers In (Out):			
Transfers in	-	25,000	25,000
Transfers out	(4,815,802)	(755,354)	(5,571,156)
Total Transfers In (Out)	<u>(4,815,802)</u>	<u>(730,354)</u>	<u>(5,546,156)</u>
Change in Net Position	(1,102,794)	302,172	(800,622)
Total Net Position - Beginning of Year	<u>38,093,657</u>	<u>6,617,148</u>	<u>44,710,805</u>
Total Net Position - End of Year	<u>\$ 36,990,863</u>	<u>\$ 6,919,320</u>	<u>\$ 43,910,183</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit C-3

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 39,524,824	\$ 11,376,768	\$ 50,901,592
Payments to suppliers	(7,654,260)	(8,196,440)	(15,850,700)
Payments to employees	(28,305,939)	(2,999,805)	(31,305,744)
Other operating receipts	4,254,416	-	4,254,416
Other operating payments	(4,477,922)	-	(4,477,922)
Other revenue	19,795	-	19,795
Net cash provided (Used) by Operating Activities	<u>3,360,914</u>	<u>180,523</u>	<u>3,541,437</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	-	25,000	25,000
Operating subsidies and transfers to other funds	(4,815,802)	(755,354)	(5,571,156)
Net cash provided (Used) by Noncapital Financing Activities	<u>(4,815,802)</u>	<u>(730,354)</u>	<u>(5,546,156)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	(18,769)	-	(18,769)
Interest paid on capital debt	(382)	-	(382)
Net cash provided (Used) by Capital and Related Financing Activities	<u>(19,151)</u>	<u>-</u>	<u>(19,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income from pooled investments	334,005	108,892	442,897
Net cash provided (Used) by Investing Activities	<u>334,005</u>	<u>108,892</u>	<u>442,897</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,140,034)	(440,939)	(1,580,973)
Balances - Beginning of Year	57,261,236	10,779,429	68,040,665
Balances - End of Year	<u>\$ 56,121,202</u>	<u>\$ 10,338,490</u>	<u>\$ 66,459,692</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,359,590	\$ 923,634	\$ 4,283,224
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	161,021	-	161,021
Other revenues	19,795	-	19,795
Pension expense	(344,886)	(27,897)	(372,783)
Effect of changes in operating assets and liabilities:			
Receivables, net	(83,017)	41,696	(41,321)
Accounts payable and other liabilities	(143,857)	(754,255)	(898,112)
Accrued expenses	392,268	(2,655)	389,613
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,360,914</u>	<u>\$ 180,523</u>	<u>\$ 3,541,437</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit C-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
LIQUOR				
Personnel costs	\$ 33,528,815	\$ 34,054,295	\$ 34,054,293	\$ 2
Operating	29,588,446	26,453,300	29,877,662	(3,424,362)
Total	<u>\$ 63,117,261</u>	<u>\$ 60,507,595</u>	63,931,955	<u>\$ (3,424,360)</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			2,522,575	
Cost of goods sold			215,872,938	
Interest expense			1,763,512	
Bad debt expense			699,803	
Deductions:				
Equipment note principal reduction			(997,710)	
Cash interest payments			(1,951,127)	
Capital outlay			(2,621,300)	
Principal paid on bonds			(3,104,688)	
Pension expense			355,208	
Encumbrances outstanding at year-end			(2,254,448)	
GAAP Expenses			<u>\$ 274,216,718</u>	

PERMITTING SERVICES

Personnel costs	\$ 28,275,295	\$ 28,921,714	\$ 28,921,713	\$ 1
Operating	9,469,297	9,673,956	8,689,380	984,576
Total	<u>\$ 37,744,592</u>	<u>\$ 38,595,670</u>	37,611,093	<u>\$ 984,577</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			161,021	
Deductions:				
Equipment note principal reduction			(18,769)	
Pension expense			(344,886)	
Cash interest payments			(382)	
Encumbrances outstanding at year-end			(1,135,191)	
GAAP Expenses			<u>\$ 36,272,886</u>	

COMMUNITY USE OF PUBLIC FACILITIES

Personnel costs	\$ 3,132,598	\$ 3,160,218	\$ 2,990,585	\$ 169,633
Operating	8,531,779	8,553,629	7,630,460	923,169
Total	<u>\$ 11,664,377</u>	<u>\$ 11,713,847</u>	10,621,045	<u>\$ 1,092,802</u>

Reconciliation to GAAP expenses:

Additions:				
Bad Debt			43,190	
Deductions:				
Pension expense			(27,897)	
Encumbrances outstanding at year-end			(224,900)	
GAAP Expenses			<u>\$ 10,411,438</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit C-4 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
SOLID WASTE DISPOSAL				
Personnel costs	\$ 10,334,559	\$ 10,100,298	\$ 10,100,292	\$ 6
Operating	75,172,604	75,699,657	75,699,647	10
Total	<u>\$ 85,507,163</u>	<u>\$ 85,799,955</u>	85,799,939	<u>\$ 16</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			1,722,399	
Accrued Gude Landfill Remedation Costs			200,000	
Accrued landfill closing cost			1,333,772	
Accrued landfill closing costs - PY Adjustment			(22,270)	
Bad debt expense			4,373	
Miscellaneous			2,259,288	
Deductions:				
Capital outlay expenditures			(4,299,265)	
Encumbrances outstanding at year-end			(6,538,953)	
Pension expense			85,533	
Adjustment of landfill closure costs			(1,117,258)	
GAAP Expenses			<u>\$ 79,427,558</u>	
SOLID WASTE COLLECTION				
Personnel costs	\$ 1,459,050	\$ 1,469,456	\$ 1,469,453	\$ 3
Operating	5,244,377	5,237,797	5,156,110	81,687
Total	<u>\$ 6,703,427</u>	<u>\$ 6,707,253</u>	6,625,563	<u>\$ 81,690</u>
Reconciliation to GAAP expenses:				
Additions:				
Pension expense			108,501	
Deductions:				
Deferred outflow of resources for contributions made to pension plan during current fiscal year			(92,607)	
Encumbrances outstanding at year-end			(206,704)	
GAAP Expenses			<u>\$ 6,434,753</u>	
SOLID WASTE LEAFING				
Personnel costs	\$ 3,241,789	\$ 2,917,619	\$ 2,699,308	\$ 218,311
Operating	2,415,440	2,882,510	2,882,502	8
Total	<u>\$ 5,657,229</u>	<u>\$ 5,800,129</u>	5,581,810	<u>\$ 218,319</u>
Reconciliation to GAAP expenses:				
Additions:				
Interfund activities budgeted as transfers - charges for services from disposal			687,926	
Deductions:				
Pension expense			48,421	
GAAP Expenses			<u>\$ 6,318,157</u>	
Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:				
GAAP Expenses:				
Solid Waste Disposal			\$ 79,427,558	
Solid Waste Collection			6,434,753	
Solid Waste Leafing			6,318,157	
Total Solid Waste Activities			<u>\$ 92,180,468</u>	*

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit C-4 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
SILVER SPRING PARKING				
Personnel costs	\$ 2,460,793	\$ 2,471,656	\$ 2,136,853	\$ 334,803
Operating	8,637,324	8,766,724	8,162,409	604,315
Total	<u>\$ 11,098,117</u>	<u>\$ 11,238,380</u>	10,299,262	<u>\$ 939,118</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			5,118,386	
CIP - other operating costs			2,322,475	
Deductions:				
Capital outlay			(2,281,976)	
Pension expense			26,809	
Encumbrances outstanding at year-end			(222,584)	
GAAP Expenses			<u>\$ 15,262,372</u>	
BETHESDA PARKING				
Personnel costs	\$ 2,231,546	\$ 2,242,826	\$ 2,156,676	\$ 86,150
Operating	12,566,661	12,705,654	12,403,282	302,372
Total	<u>\$ 14,798,207</u>	<u>\$ 14,948,480</u>	14,559,958	<u>\$ 388,522</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			6,146,610	
Interest expense			1,069,355	
CIP - other operating costs			2,755,518	
Deductions:				
Capital outlay			(2,582,377)	
Encumbrances outstanding at year-end			(267,013)	
Pension expense			40,197	
Principal paid on bonds			(3,158,000)	
Cash interest payments			(1,423,727)	
GAAP Expenses			<u>\$ 17,140,521</u>	
WHEATON PARKING				
Personnel costs	\$ 378,841	\$ 381,123	\$ 358,193	\$ 22,930
Operating	989,330	1,007,414	942,043	65,371
Total	<u>\$ 1,368,171</u>	<u>\$ 1,388,537</u>	1,300,236	<u>\$ 88,301</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			321,444	
CIP - other operating costs			198,586	
Deductions:				
Capital outlay			(162,126)	
Encumbrances outstanding at year-end			(113,889)	
Pension expense			(587)	
GAAP Expenses			<u>\$ 1,543,664</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit C-4 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
MONTGOMERY HILLS PARKING				
Personnel costs	\$ 50,869	\$ 50,971	\$ 35,884	\$ 15,087
Operating	33,398	33,415	24,798	8,617
Total	<u>\$ 84,267</u>	<u>\$ 84,386</u>	60,682	<u>\$ 23,704</u>

Reconciliation to GAAP expenses:

Additions:		
Depreciation		37
Deductions:		
Pension expense		1,703
GAAP Expenses		<u>\$ 62,422</u>

Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:

GAAP Expenses:		
Silver Spring Parking		\$ 15,262,372
Bethesda Parking		17,140,521
Wheaton Parking		1,543,664
Montgomery Hills Parking		62,422
Total Parking Lot Districts		<u>\$ 34,008,979</u> *

* Includes operating and nonoperating expenses



INTERNAL SERVICE FUNDS

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

Motor Pool

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

Liability and Property Coverage Self-Insurance

Accounts for the fiscal activity related to liability, property, and workers' compensation insurance needs of the participating governmental agencies.

Employee Health Benefits Self-Insurance

Accounts for the fiscal activity related to health, life, vision, dental, and long-term disability insurance needs of active employees of the participating governmental agencies.

Central Duplicating

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



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2017
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	\$ 16,406,802	\$ 156,532,028	\$ 49,599,903	\$ 1,205,880	\$ 223,744,613
Cash	300	-	-	-	300
Receivables (net of allowances for uncollectibles):					
Accounts	907,733	142,775	135,541	-	1,186,049
Due from other funds	-	-	8,179,826	-	8,179,826
Due from component units	34,141	-	742,814	3,350	780,305
Due from other governments	10,586	-	192,761	26,702	230,049
Inventory of supplies	4,505,659	-	-	-	4,505,659
Prepays	15,258	2,764	-	177,019	195,041
Total Current Assets	<u>21,880,479</u>	<u>156,677,567</u>	<u>58,850,845</u>	<u>1,412,951</u>	<u>238,821,842</u>
Noncurrent Assets:					
Capital Assets:					
Land, improved and unimproved	22,506	-	-	-	22,506
Improvements other than buildings	268,565	-	-	-	268,565
Furniture, fixtures, equipment, and machinery	3,224,369	-	-	765,564	3,989,933
Automobiles and trucks	97,130,576	-	-	-	97,130,576
Subtotal	<u>100,646,016</u>	<u>-</u>	<u>-</u>	<u>765,564</u>	<u>101,411,580</u>
Less: Accumulated depreciation	58,059,122	-	-	710,105	58,769,227
Total Capital Assets (net of accumulated depreciation)	<u>42,586,894</u>	<u>-</u>	<u>-</u>	<u>55,459</u>	<u>42,642,353</u>
Total Assets	<u>64,467,373</u>	<u>156,677,567</u>	<u>58,850,845</u>	<u>1,468,410</u>	<u>281,464,195</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	1,769,384	732,942	168,859	427,810	3,098,995
Total Deferred Outflows of Resources	<u>1,769,384</u>	<u>732,942</u>	<u>168,859</u>	<u>427,810</u>	<u>3,098,995</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	2,871,047	1,990,386	5,376,662	5,714	10,243,809
Claims payable	-	32,816,154	7,948,638	-	40,764,792
Accrued liabilities	5,281,245	729,906	650,891	226,850	6,888,892
Due to other funds	303,770	68,080	15,517,029	41,744	15,930,623
Due to component units	-	38,879	-	7,096	45,975
Due to other governments	-	139,862	61,760	-	201,622
Unearned revenue	-	-	34,816	-	34,816
Total Current Liabilities	<u>8,456,062</u>	<u>35,783,267</u>	<u>29,589,796</u>	<u>281,404</u>	<u>74,110,529</u>
Noncurrent Liabilities:					
Claims payable	-	113,994,034	4,322,775	-	118,316,809
Compensated absences	597,208	144,698	77,771	71,404	891,081
Net pension liability	3,113,258	1,319,654	317,009	753,939	5,503,860
Other postemployment benefits	983,943	43,753	-	113,518	1,141,214
Total Noncurrent Liabilities	<u>4,694,409</u>	<u>115,502,139</u>	<u>4,717,555</u>	<u>938,861</u>	<u>125,852,964</u>
Total Liabilities	<u>13,150,471</u>	<u>151,285,406</u>	<u>34,307,351</u>	<u>1,220,265</u>	<u>199,963,493</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	219,877	93,202	22,389	53,248	388,716
Total Deferred Inflows of Resources	<u>219,877</u>	<u>93,202</u>	<u>22,389</u>	<u>53,248</u>	<u>388,716</u>
NET POSITION					
Net investment in capital assets	42,586,894	-	-	-	42,586,894
Unrestricted	<u>10,279,515</u>	<u>6,031,901</u>	<u>24,689,964</u>	<u>622,707</u>	<u>41,624,087</u>
Total Net Position (Deficit)	<u>\$ 52,866,409</u>	<u>\$ 6,031,901</u>	<u>\$ 24,689,964</u>	<u>\$ 622,707</u>	<u>\$ 84,210,981</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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	\$ 74,334,806	\$ 62,015,940	\$ 147,503,493	\$ 7,883,855	\$ 291,738,094
Claim recoveries	1,762,947	411,291	-	-	2,174,238
Total Operating Revenues	<u>76,097,753</u>	<u>62,427,231</u>	<u>147,503,493</u>	<u>7,883,855</u>	<u>293,912,332</u>
OPERATING EXPENSES					
Personnel costs	21,318,206	4,277,653	1,688,633	2,186,819	29,471,311
Other post employment contributions	1,057,710	52,620	-	163,130	1,273,460
Postage	3,043	117	30,018	995,006	1,028,184
Self-insurance incurred and estimated claims	-	55,159,603	106,454,852	-	161,614,455
Insurance	1,399,422	4,587,703	25,652,468	-	31,639,593
Supplies and materials	21,396,425	20,563	49,715	661,468	22,128,171
Contractual services	731,616	6,415,829	5,569,994	315,042	13,032,481
Communications	119,053	4,795	116,663	209,841	450,352
Transportation	168,775	20,790	1,512	41,877	232,954
Public utility services	997,885	-	-	-	997,885
Rentals	-	-	-	2,730,690	2,730,690
Maintenance	14,334,877	7,068	-	34,412	14,376,357
Depreciation	7,571,555	-	-	49,287	7,620,842
Other	29,334	114,031	506,832	70	650,267
Total Operating Expenses	<u>69,127,901</u>	<u>70,660,772</u>	<u>140,070,687</u>	<u>7,387,642</u>	<u>287,247,002</u>
Operating Income (Loss)	<u>6,969,852</u>	<u>(8,233,541)</u>	<u>7,432,806</u>	<u>496,213</u>	<u>6,665,330</u>
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	521,952	-	-	-	521,952
Investment income	98,816	1,023,332	177,105	10,004	1,309,257
Insurance recoveries	-	574,405	-	42,456	616,861
Total Nonoperating Revenues (Expenses)	<u>620,768</u>	<u>1,597,737</u>	<u>177,105</u>	<u>52,460</u>	<u>2,448,070</u>
Income (Loss) Before Transfers	<u>7,590,620</u>	<u>(6,635,804)</u>	<u>7,609,911</u>	<u>548,673</u>	<u>9,113,400</u>
Transfers In (Out):					
Transfers in	95,623	-	-	-	95,623
Transfers out	-	(4,312)	-	-	(4,312)
Total Transfers In (Out)	<u>95,623</u>	<u>(4,312)</u>	<u>-</u>	<u>-</u>	<u>91,311</u>
Change in Net Position	<u>7,686,243</u>	<u>(6,640,116)</u>	<u>7,609,911</u>	<u>548,673</u>	<u>9,204,711</u>
Total Net Position - Beginning of Year	<u>45,180,166</u>	<u>12,672,017</u>	<u>17,080,053</u>	<u>74,034</u>	<u>75,006,270</u>
Total Net Position - End of Year	<u>\$ 52,866,409</u>	<u>\$ 6,031,901</u>	<u>\$ 24,689,964</u>	<u>\$ 622,707</u>	<u>\$ 84,210,981</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit D-3

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 76,384,076	\$ 62,025,765	\$ 147,540,600	\$ 7,889,422	\$ 293,839,863
Payments to suppliers	(39,958,183)	(10,412,261)	(23,281,461)	(5,375,101)	(79,027,006)
Payments to employees	(17,815,615)	(5,206,331)	(1,622,444)	(2,379,545)	(27,023,935)
Claims paid	-	(45,216,915)	(108,912,497)	-	(154,129,412)
Other revenue	-	411,291	-	42,456	453,747
Net Cash Provided (Used) by Operating Activities	18,610,278	1,601,549	13,724,198	177,232	34,113,257
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Insurance reimbursement claims	-	570,096	-	-	570,096
Net Cash Provided (Used) by Noncapital Financing Activities	-	570,096	-	-	570,096
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	702,298	-	-	-	702,298
Purchases of capital assets	(16,916,211)	-	-	(31,170)	(16,947,381)
Internal activity-payment from other funds	95,623	-	-	-	95,623
Net Cash Provided (Used) by Capital and Related Financing Activities	(16,118,290)	-	-	(31,170)	(16,149,460)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income from pooled investments	98,816	1,023,332	177,105	10,004	1,309,257
Net Cash Provided (Used) by Investing Activities	98,816	1,023,332	177,105	10,004	1,309,257
Net Increase (Decrease) in Cash and Cash Equivalents	2,590,804	3,194,977	13,901,303	156,066	19,843,150
Balances - Beginning of Year	13,816,298	153,337,051	35,698,600	1,049,814	203,901,763
Balances - End of Year	\$ 16,407,102	\$ 156,532,028	\$ 49,599,903	\$ 1,205,880	\$ 223,744,913
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 6,969,852	\$ (8,233,541)	\$ 7,432,806	\$ 496,213	\$ 6,665,330
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	7,571,555	-	-	49,287	7,620,842
Pension expense	239,927	7,311	(35,042)	(100,622)	111,574
Other revenue	-	-	-	42,456	42,456
Effect of changes in operating assets and liabilities:					
Receivables, net	286,323	9,825	37,107	5,566	338,821
Inventories, prepaids and other assets	(32,582)	(1,893)	-	(159,025)	(193,500)
Accounts payable and other liabilities	334,754	783,699	6,244,143	(58,735)	7,303,861
Claims payable	-	9,942,688	-	-	9,942,688
Accrued expenses	3,240,449	(906,540)	45,184	(97,908)	2,281,185
Net Cash Provided (Used) by Operating Activities	\$ 18,610,278	\$ 1,601,549	\$ 13,724,198	\$ 177,232	\$ 34,113,257

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit D-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
LIABILITY AND PROPERTY COVERAGE SELF-INSURANCE				
Personnel costs	\$ 4,391,276	\$ 4,391,276	\$ 4,284,964	\$ 106,312
Operating	59,300,190	59,299,906	57,779,182	1,520,724
Total	<u>\$ 63,691,466</u>	<u>\$ 63,691,182</u>	62,064,146	<u>\$ 1,627,036</u>

Reconciliation to GAAP expenses:

Additions:

Portion of incurred but not reported claims not
required to be budgeted

9,942,688

Bad debt expense

7,158

Deductions:

Pension expense

(7,311)

Encumbrances outstanding at year-end

(1,345,909)

GAAP Expenses

\$ 70,660,772

EMPLOYEE HEALTH BENEFITS SELF-INSURANCE

Personnel costs	\$ 2,561,374	\$ 2,561,374	\$ 1,653,593	\$ 907,781
Operating	243,291,574	243,392,118	139,921,061	103,471,057
Total	<u>\$ 245,852,948</u>	<u>\$ 245,953,492</u>	141,574,654	<u>\$ 104,378,838</u>

Reconciliation to GAAP expenses:

Additions:

Portion of incurred but not reported claims not
required to be budgeted

(1,117,381)

Pension expense

35,042

Deductions:

Encumbrances outstanding at year-end

(421,628)

GAAP Expenses

\$ 140,070,687

FIDUCIARY FUNDS

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

Pension and Other Employee Benefit Trust

Account for the accumulation of resources for, and payment of, retirement annuities and/or other benefits and administrative costs.

- Employees' Retirement System
- Employees' Retirement Savings Plan
- Deferred Compensation Plan
- Retiree Health Benefits

Private Purpose Trust

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

- Private Contributions
- Tricentennial

Agency

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

- Recreation Activities
- Property Tax
- Miscellaneous



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
 JUNE 30, 2017
Exhibit E-1

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Retiree Health Benefits	Total
ASSETS					
Current Assets:					
Equity in pooled cash and investments	\$ 86,255	\$ 658,883	\$ 9,285	\$ 1,377,858	\$ 2,132,281
Investments:					
Government and agency obligations	494,936,771	-	-	55,741,302	550,678,073
Asset-backed securities	575,265	-	-	126,155	701,420
Municipal/Provincial bonds	8,802,535	-	-	1,189,808	9,992,343
Corporate bonds	652,601,536	-	-	147,304,527	799,906,063
Collateralized mortgage obligations	938,220	-	-	21,271	959,491
Commercial mortgage-backed securities	1,636,717	-	-	126,892	1,763,609
Common and preferred stock	1,683,366,447	-	-	421,439,531	2,104,805,978
Mutual and commingled funds	444,710,885	391,669,152	389,445,345	56,393,167	1,282,218,549
Short-term investments	101,410,350	-	-	101,182,640	202,592,990
Cash collateral received under securities lending agreements	205,422,910	-	-	10,224,461	215,647,371
Private real assets	191,725,989	-	-	20,606,566	212,332,555
Private equity/debt	337,417,190	-	-	41,517,276	378,934,466
Total Investments	4,123,544,815	391,669,152	389,445,345	855,873,596	5,760,532,908
Receivables (net of allowances for uncollectibles):					
Receivables and accrued interest	14,113,462	-	-	2,971,680	17,085,142
Accounts	58,007	274,987	-	-	332,994
Due from other funds	6,929,795	1,530,348	951,708	15,504,074	24,915,925
Due from component units	35,092	61,583	-	-	96,675
Due from other governments	2,758	110	-	-	2,868
Total Current Assets	4,144,770,184	394,195,063	390,406,338	875,727,208	5,805,098,793
Noncurrent Assets:					
Capital assets:					
Miscellaneous	900,043	-	-	-	900,043
Less: Accumulated depreciation	900,043	-	-	-	900,043
Total Capital Assets (net of accumulated depreciation)	-	-	-	-	-
Total Assets	4,144,770,184	394,195,063	390,406,338	875,727,208	5,805,098,793
LIABILITIES					
Current Liabilities:					
Accounts payable	206,379,407	7,046	-	11,564,359	217,950,812
Accrued liabilities	4,723,489	23,165	-	783,589	5,530,243
Claims payable	-	-	-	4,174,423	4,174,423
Due to other funds	17,911	1,745	-	2,312	21,968
Unearned revenue	77,121	-	-	-	77,121
Total Current Liabilities	211,197,928	31,956	-	16,524,683	227,754,567
Noncurrent Liabilities:					
Compensated absences	66,845	5,858	-	7,072	79,775
Total Liabilities	211,264,773	37,814	-	16,531,755	227,834,342
NET POSITION					
Restricted for pension and other postemployment benefits	\$ 3,933,505,411	\$ 394,157,249	\$ 390,406,338	\$ 859,195,453	\$ 5,577,264,451

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit E-2

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Retiree Health Benefits	Total
ADDITIONS					
Contributions:					
Employers	\$ 95,398,957	\$ 19,782,538	\$ -	\$ 187,045,187	\$ 302,226,682
Members	27,940,416	10,303,239	19,511,533	24,658,041	82,413,229
Federal government - Medicare Part D	-	-	-	6,345,721	6,345,721
Total Contributions	<u>123,339,373</u>	<u>30,085,777</u>	<u>19,511,533</u>	<u>218,048,949</u>	<u>390,985,632</u>
Investment income (loss)	433,147,458	42,877,670	47,589,737	86,091,421	609,706,286
Less: Investment expenses	19,800,754	4,929	-	3,050,426	22,856,109
Net Investment Income (Loss)	<u>413,346,704</u>	<u>42,872,741</u>	<u>47,589,737</u>	<u>83,040,995</u>	<u>586,850,177</u>
Other income - forfeitures	-	725,208	-	-	725,208
Total Additions, net	<u>536,686,077</u>	<u>73,683,726</u>	<u>67,101,270</u>	<u>301,089,944</u>	<u>978,561,017</u>
DEDUCTIONS					
Benefits:					
Annuities:					
Retirees	175,048,760	-	-	-	175,048,760
Survivors	9,334,089	-	-	-	9,334,089
Disability	50,741,385	-	-	-	50,741,385
Claims	-	-	-	115,142,393	115,142,393
Total Benefits	<u>235,124,234</u>	<u>-</u>	<u>-</u>	<u>115,142,393</u>	<u>350,266,627</u>
Member refunds	6,473,277	15,220,134	25,665,790	-	47,359,201
Administrative expenses	2,885,755	267,100	-	4,516,717	7,669,572
Depreciation	300,014	-	-	-	300,014
Total Deductions	<u>244,783,280</u>	<u>15,487,234</u>	<u>25,665,790</u>	<u>119,659,110</u>	<u>405,595,414</u>
Net Increase (Decrease)	291,902,797	58,196,492	41,435,480	181,430,834	572,965,603
Net Position - Beginning of Year	<u>3,641,602,614</u>	<u>335,960,757</u>	<u>348,970,858</u>	<u>677,764,619</u>	<u>5,004,298,848</u>
Net Position - End of Year	<u>\$ 3,933,505,411</u>	<u>\$ 394,157,249</u>	<u>\$ 390,406,338</u>	<u>\$ 859,195,453</u>	<u>\$ 5,577,264,451</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2017
Exhibit E-3

	Private Contributions	Tri- Centennial	Total
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ -	\$ -	\$ -
Total Current Assets	-	-	-
Total Assets	-	-	-
LIABILITIES			
Current Liabilities:			
Accounts payable	-	-	-
Total Current Liabilities	-	-	-
Total Liabilities	-	-	-
NET POSITION			
Held in trust	\$ -	\$ -	\$ -

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit E-4

	Private Contributions	Tri- Centennial	Total
ADDITIONS			
Contributions:			
Members	\$ -	\$ -	\$ -
Investment Income:			
Investment income	-	19	19
Other interest income	-	-	-
Total Investment Income	-	19	19
Total Additions, net	-	19	19
DEDUCTIONS			
Program expenses	8,093	7,365	15,458
Net Increase (Decrease)	(8,093)	(7,346)	(15,439)
Net Position - Beginning of Year	8,093	7,346	15,439
Net Position - End of Year	\$ -	\$ -	\$ -

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit E-5

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>RECREATION ACTIVITIES FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 3,136,215	\$ 46,967,561	\$ 45,980,101	\$ 4,123,675
Accounts receivable	8,578,481	136,369,121	134,997,948	9,949,654
Total Assets	<u>11,714,696</u>	<u>183,336,682</u>	<u>180,978,049</u>	<u>14,073,329</u>
LIABILITIES				
Accounts payable	361,489	18,413,134	18,276,561	498,062
Accrued liabilities	-	25,798	11,339	14,459
Due to other governments	1,171	23,863,145	23,529,390	334,926
Other liabilities	11,352,036	78,302,548	76,428,702	13,225,882
Total Liabilities	<u>\$ 11,714,696</u>	<u>\$ 120,604,625</u>	<u>\$ 118,245,992</u>	<u>\$ 14,073,329</u>
<u>PROPERTY TAX FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 22,772,674	\$ 2,240,101,244	\$ 2,241,433,247	\$ 21,440,671
Property taxes receivable	5,095,566	423,545,329	423,899,148	4,741,747
Accounts receivable	-	26,099	25,888	211
Total Assets	<u>27,868,240</u>	<u>2,663,672,672</u>	<u>2,665,358,283</u>	<u>26,182,629</u>
LIABILITIES				
Uncollected property taxes due to governments	4,771,080	423,545,329	423,899,148	4,417,261
Due to other governments	496,074	430,182,385	429,200,701	1,477,758
Undistributed taxes and refunds	3,436,551	2,238,272,862	2,241,641,859	67,554
Tax sale surplus and redemptions payable	4,076,031	9,727,398	10,590,147	3,213,282
Other liabilities	15,088,504	494,249,139	492,330,869	17,006,774
Total Liabilities	<u>\$ 27,868,240</u>	<u>\$ 3,595,977,113</u>	<u>\$ 3,597,662,724</u>	<u>\$ 26,182,629</u>
<u>MISCELLANEOUS AGENCY FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 6,458,502	\$ 130,633,592	\$ 131,654,727	\$ 5,437,367
Cash	130,945	27,297	-	158,242
Property taxes receivable	274	1,090,066	1,090,047	293
Accounts receivable	516	-	-	516
Due from other governments	189,359	543,096	571,196	161,259
Total Assets	<u>6,779,596</u>	<u>132,294,051</u>	<u>133,315,970</u>	<u>5,757,677</u>
LIABILITIES				
Accrued liabilities	11,144	-	11,144	-
Due to component units	-	11,158	11,158	-
Due to other governments	1,363,653	2,247,428	2,320,763	1,290,318
Other liabilities	1,737,905	132,760,475	132,933,972	1,564,408
Deposits	3,666,894	1,441,258	2,205,201	2,902,951
Total Liabilities	<u>\$ 6,779,596</u>	<u>\$ 136,460,319</u>	<u>\$ 137,482,238</u>	<u>\$ 5,757,677</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
Exhibit E-5 (Concluded)

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Equity in pooled cash and investments	\$ 32,367,391	\$ 2,417,702,397	\$ 2,419,068,075	\$ 31,001,713
Cash	130,945	27,297	-	158,242
Property taxes receivable	5,095,840	424,635,395	424,989,195	4,742,040
Accounts receivable	8,578,997	136,395,220	135,023,836	9,950,381
Due from other governments	189,359	543,096	571,196	161,259
Total Assets	<u>46,362,532</u>	<u>2,979,303,405</u>	<u>2,979,652,302</u>	<u>46,013,635</u>
LIABILITIES				
Accounts payable	361,489	18,413,134	18,276,561	498,062
Accrued liabilities	11,144	25,798	22,483	14,459
Deposits	3,666,894	1,441,258	2,205,201	2,902,951
Due to component units	-	11,158	11,158	-
Due to other governments	1,860,898	456,292,958	455,050,854	3,103,002
Uncollected property taxes due to governments	4,771,080	423,545,329	423,899,148	4,417,261
Undistributed taxes and refunds	3,436,551	2,238,272,862	2,241,641,859	67,554
Tax sale surplus and redemptions payable	4,076,031	9,727,398	10,590,147	3,213,282
Other liabilities	28,178,445	705,312,162	701,693,543	31,797,064
Total Liabilities	<u>\$ 46,362,532</u>	<u>\$ 3,853,042,057</u>	<u>\$ 3,853,390,954</u>	<u>\$ 46,013,635</u>

NONMAJOR COMPONENT UNITS



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR COMPONENT UNITS
 JUNE 30, 2017
Exhibit F-1

	BUP	MCRA	MC	Total
ASSETS				
Equity in pooled cash and investments	\$ -	\$ -	\$ 23,928,240	\$ 23,928,240
Cash with fiscal agents	-	-	6,985,746	6,985,746
Cash	862,578	6,290,060	6,500	7,159,138
Investments - cash equivalents	-	-	6,731,901	6,731,901
Investments	-	-	36,846,927	36,846,927
Receivables (net of allowance for uncollectibles):				
Capital leases	-	8,990,122	-	8,990,122
Accounts	-	-	6,532,897	6,532,897
Notes	-	62,594,160	-	62,594,160
Other	16,709	446,811	5,714,446	6,177,966
Due from primary government	98,253	-	16,057,426	16,155,679
Due from other governments	12,740	86,239	4,564,896	4,663,875
Inventory of supplies	-	351,872	4,156	356,028
Prepays	23,089	22,146	393,915	439,150
Other assets	5,075	-	4,794,997	4,800,072
Restricted Assets:				
Equity in pooled cash and investments	-	-	3,215,332	3,215,332
Cash	-	682,275	-	682,275
Investment	-	1,473,756	21,260,348	22,734,104
Capital Assets:				
Nondepreciable assets	-	33,724,534	72,196,367	105,920,901
Depreciable assets, net	390,804	12,857,886	518,059,836	531,308,526
Total Assets	<u>1,409,248</u>	<u>127,519,861</u>	<u>727,293,930</u>	<u>856,223,039</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	782,104	44,737	826,841
Pension deferrals	-	970,442	6,784,339	7,754,781
Accumulated decrease in fair value of hedging derivatives	-	180,064	-	180,064
Total Deferred Outflow of Resources	<u>-</u>	<u>1,932,610</u>	<u>6,829,076</u>	<u>8,761,686</u>
LIABILITIES				
Accounts payable	195,094	441,065	1,920,903	2,557,062
Interest payable	-	-	529,370	529,370
Retainage payable	-	-	1,533,390	1,533,390
Accrued liabilities	204,458	1,057,294	20,969,484	22,231,236
Deposits	-	371,356	-	371,356
Due to primary government	19,472	312,812	13,529	345,813
Due to other governments	-	-	149,387	149,387
Unearned revenue	19,270	813,424	6,598,406	7,431,100
Other liabilities	-	-	2,168,639	2,168,639
Noncurrent Liabilities:				
Due within one year	23,874	6,037,807	4,427,633	10,489,314
Due in more than one year	44,782	84,291,769	121,827,717	206,164,268
Total Liabilities	<u>506,950</u>	<u>93,325,527</u>	<u>160,138,458</u>	<u>253,970,935</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	3,094,000	3,094,000
Pension deferrals	-	590,846	409,611	1,000,457
Total Deferred Intflow of Resources	<u>-</u>	<u>590,846</u>	<u>3,503,611</u>	<u>4,094,457</u>
NET POSITION				
Net investment in capital assets	390,804	30,282,887	496,214,882	526,888,573
Restricted for:				
Capital projects	-	223,333	-	223,333
Debt service	-	1,473,756	-	1,473,756
Other purposes	-	458,942	32,214,824	32,673,766
Unrestricted (deficit)	<u>511,494</u>	<u>3,097,180</u>	<u>42,051,231</u>	<u>45,659,905</u>
Total Net Position	<u>\$ 902,298</u>	<u>\$ 35,536,098</u>	<u>\$ 570,480,937</u>	<u>\$ 606,919,333</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 NONMAJOR COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 Exhibit F-2

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	BUP	MCRA	MC	Total
Component Units:								
General government	\$ 5,600,713	\$ 5,399,502	\$ 219,920	\$ -	\$ 18,709	\$ -	\$ -	\$ 18,709
Culture and recreation	18,508,707	16,557,849	-	1,823,462	-	(127,396)	-	(127,396)
Education	348,267,060	69,296,995	17,699,154	45,690,553	-	-	(215,580,358)	(215,580,358)
Total component units	<u>\$ 372,376,480</u>	<u>\$ 91,254,346</u>	<u>\$ 17,919,074</u>	<u>\$ 47,514,015</u>	<u>18,709</u>	<u>(127,396)</u>	<u>(215,580,358)</u>	<u>(215,689,045)</u>
General revenues:								
Grants and contributions not restricted to specific programs					69,447	-	223,287,875	223,357,322
Investment Income					-	2,389,447	3,289,837	5,679,284
Gain (loss) on sale of capital assets					5,811	-	-	5,811
Total general revenues					<u>75,258</u>	<u>2,389,447</u>	<u>226,577,712</u>	<u>229,042,417</u>
Change in net position					93,967	2,262,051	10,997,354	13,353,372
Total Net Position - beginning					<u>808,331</u>	<u>33,274,047</u>	<u>559,483,583</u>	<u>593,565,961</u>
Total Net Position - ending					<u>\$ 902,298</u>	<u>\$ 35,536,098</u>	<u>\$ 570,480,937</u>	<u>\$ 606,919,333</u>



STATISTICAL SECTION

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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

Indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information

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

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



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

Table 1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net investment in capital assets	\$ 1,875,327,937	\$ 1,937,493,317	\$ 1,965,289,080	\$ 1,923,668,729	\$ 1,880,813,780	\$ 1,932,495,036	\$ 2,112,879,507	\$ 2,099,290,326	\$ 2,280,466,863	\$ 2,336,853,956
Restricted	410,457,623	393,404,279	380,181,540	426,265,013	502,059,858	296,564,191	315,878,315	493,320,702	415,275,255	441,648,621
Unrestricted (deficit) (1)	(652,576,967)	(1,043,969,070)	(1,372,709,340)	(1,388,128,738)	(1,365,476,872)	(1,147,060,057)	(1,247,964,983)	(1,882,775,991)	(2,007,096,943)	(1,912,754,465)
Total Governmental Activities Net Position	<u>1,633,208,593</u>	<u>1,286,928,526</u>	<u>972,761,280</u>	<u>961,805,004</u>	<u>1,017,396,766</u>	<u>1,081,999,170</u>	<u>1,180,792,839</u>	<u>709,835,037</u>	<u>688,645,175</u>	<u>865,748,112</u>
Business-type Activities:										
Net investment in capital assets	166,059,652	177,697,087	178,781,693	173,232,831	185,300,678	191,266,741	181,965,592	186,001,533	139,122,346	186,321,262
Restricted	76,590,751	66,606,205	54,684,729	52,817,393	93,254,622	94,329,133	64,810,807	48,386,118	88,115,316	68,287,578
Unrestricted	36,328,335	24,449,753	16,127,031	18,434,295	26,894,257	41,045,651	69,285,828	57,451,970	71,413,125	67,161,146
Total Business-type Activities Net Position	<u>278,978,738</u>	<u>268,753,045</u>	<u>249,593,453</u>	<u>244,484,519</u>	<u>305,449,557</u>	<u>326,641,525</u>	<u>316,062,227</u>	<u>291,839,621</u>	<u>298,650,787</u>	<u>321,769,986</u>
Primary Government:										
Net investment in capital assets	1,999,920,988	2,003,119,670	2,109,006,202	2,065,797,289	2,066,114,458	2,123,761,777	2,294,845,099	2,285,291,859	2,419,589,209	2,523,175,218
Restricted	513,085,046	487,048,374	434,866,269	479,082,406	595,314,480	390,893,324	380,689,122	541,706,820	503,390,571	509,936,199
Unrestricted (deficit) (1)	(348,382,752)	(577,980,713)	(1,321,517,738)	(1,338,590,172)	(1,338,582,615)	(1,106,014,406)	(1,178,679,155)	(1,825,324,021)	(1,935,683,818)	(1,845,593,319)
Total Primary Government Net Position	<u>\$ 2,164,623,282</u>	<u>\$ 1,912,187,331</u>	<u>\$ 1,222,354,733</u>	<u>\$ 1,206,289,523</u>	<u>\$ 1,322,846,323</u>	<u>\$ 1,408,640,695</u>	<u>\$ 1,496,855,066</u>	<u>\$ 1,001,674,658</u>	<u>\$ 987,295,962</u>	<u>\$ 1,187,518,098</u>

NOTES:

- * This table is a summary of net position information presented in the basic financial statement Exhibit A-1.
 - * Government-wide net position information is reported on the accrual basis of accounting.
 - * Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County.
 - * Beginning in FY13, the County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which requires amounts formerly reported as net assets be reported as net position. The effect of this implementation is reflected in the above table.*
 - * Certain amounts have been restated or reclassified to conform with the following year's presentation.
- (1) The County's governmental activities has an unrestricted deficit because the County issues debt to fund construction costs for MCPS and MC, two of its component units, and for M-NCPPC, a joint venture. Absent the effect of this relationship, the County would have reported a smaller government-wide deficit for its governmental activities and for government-wide purposes. Government-wide unrestricted net position would have been:

Unrestricted (deficit) net position reported above	\$ (348,382,752)	\$ (577,980,713)	\$ (1,321,517,738)	\$ (1,338,590,172)	\$ (1,338,582,615)	\$ (1,106,014,406)	\$ (1,178,679,155)	\$ (1,825,324,021)	(1,935,683,818)	\$(1,845,593,319)
Debt issued for capital on behalf of others	<u>1,023,021,034</u>	<u>1,122,854,267</u>	<u>1,252,293,676</u>	<u>1,359,354,018</u>	<u>1,399,452,195</u>	<u>1,471,314,322</u>	<u>1,498,460,648</u>	<u>1,634,742,350</u>	<u>1,664,939,419</u>	<u>1,706,292,298</u>
County net position absent effect of this relationship	<u>\$ 674,638,282</u>	<u>\$ 544,873,554</u>	<u>\$ (69,224,062)</u>	<u>\$ 20,763,846</u>	<u>\$ 60,869,580</u>	<u>\$ 365,299,916</u>	<u>\$ 319,781,493</u>	<u>\$ (190,581,671)</u>	<u>\$ (270,744,399)</u>	<u>\$ (139,301,021)</u>

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS

Table 2-a

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	\$ 304,526,806	\$ 337,557,085	\$ 293,349,395	\$ 287,987,929	\$ 351,138,451	\$ 400,023,515	\$ 474,084,799	\$ 470,405,790	\$ 624,551,802	\$ 540,011,504
Public safety	601,156,598	626,855,553	611,714,420	614,081,563	600,877,545	609,565,746	607,555,402	591,702,869	620,407,666	641,585,272
Public works and transportation	233,193,597	257,041,963	297,864,026	255,731,300	263,586,549	278,716,716	273,021,015	288,226,716	279,744,940	258,627,800
Health and human services	286,907,329	288,519,635	287,883,637	283,727,427	256,703,043	272,032,818	291,657,233	296,567,081	292,252,497	319,917,837
Culture and recreation	118,017,417	116,186,268	108,490,460	88,433,456	93,560,027	93,965,468	95,084,426	95,703,122	116,004,130	134,848,367
Community development and housing	19,134,520	21,365,597	40,627,603	73,432,068	46,198,670	37,821,686	38,160,065	32,001,034	42,140,359	50,618,370
Environment	14,967,339	13,618,312	16,446,934	19,189,065	28,584,840	28,913,062	31,590,141	30,905,863	29,886,401	29,095,268
Education	1,783,953,133	1,842,962,933	1,738,633,028	1,728,747,256	1,751,721,080	1,797,097,286	1,770,301,285	1,826,117,289	1,899,997,038	2,037,048,982
Interest on long-term debt	95,931,334	92,511,000	86,352,825	99,272,929	116,354,151	113,688,959	101,268,081	112,420,639	99,889,037	100,887,704
Total Governmental Activities Expenses	3,457,788,073	3,596,618,346	3,481,362,328	3,450,602,993	3,508,724,356	3,631,825,256	3,682,722,447	3,744,050,403	4,004,873,870	4,112,641,104
Business-type Activities:										
Liquor control	190,742,139	197,044,956	204,677,766	215,359,402	220,242,176	225,650,484	239,218,758	248,982,109	264,763,943	273,828,277
Solid waste activities	98,166,937	96,857,869	100,709,914	100,890,192	99,723,180	106,039,038	129,531,260	109,351,706	105,838,154	92,126,174
Parking lot districts	27,854,499	29,003,485	30,698,606	30,755,951	29,724,042	30,321,385	30,140,788	37,103,525	33,453,769	34,418,684
Permitting services	26,977,767	27,878,868	27,306,059	25,490,571	25,039,256	27,534,056	29,486,839	29,002,673	31,042,939	36,065,066
Community use of public facilities	8,456,433	8,744,741	8,397,989	8,727,217	8,890,716	9,533,241	8,997,721	9,444,551	10,301,634	10,386,038
Total Business-type Activities Expenses	352,197,775	359,529,919	371,790,334	381,223,333	383,619,370	399,078,204	437,375,366	433,884,564	445,400,439	446,824,239
Total Primary Government Expenses	3,809,985,848	3,956,148,265	3,853,152,662	3,831,826,326	3,892,343,726	4,030,903,460	4,120,097,813	4,177,934,967	4,450,274,309	4,559,465,343
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	52,271,766	55,124,011	53,793,781	72,444,386	69,255,366	67,955,551	35,879,186	75,223,054	67,180,168	86,023,992
Public safety	33,618,772	44,359,719	33,115,674	38,595,219	35,960,217	44,887,666	52,773,389	52,554,641	56,419,015	57,893,409
Public works and transportation	17,750,337	18,997,028	22,214,073	26,974,805	28,375,493	31,024,303	28,606,534	32,070,795	31,222,409	34,480,822
Health and human services	6,504,109	5,604,372	1,497,239	4,721,205	5,785,003	4,976,188	5,448,684	4,968,870	4,210,725	5,806,436
Culture and recreation	27,740,357	29,964,898	31,559,913	32,590,653	36,029,762	37,693,903	38,555,482	39,462,050	39,033,846	43,338,703
Community development and housing	3,947,238	3,937,188	4,745,237	5,019,056	5,328,444	7,882,996	5,097,251	5,245,558	5,943,869	6,484,254
Environment	6,062,667	8,594,412	10,832,323	11,860,231	17,686,313	23,115,938	23,130,913	28,232,295	107,496	1,146,600
Operating Grants and Contributions:										
General government	9,833,718	6,720,731	8,425,267	5,849,908	4,727,151	4,746,333	7,177,643	5,900,190	5,783,686	2,506,534
Public safety	29,421,302	30,138,410	30,382,733	37,520,540	34,066,226	37,548,290	32,105,352	34,566,646	38,001,429	32,049,554
Public works and transportation	65,513,498	71,494,515	30,127,888	29,181,943	17,616,341	34,642,383	48,675,916	40,840,283	48,018,142	55,439,795
Health and human services	102,694,709	109,573,451	95,136,860	104,007,562	87,045,926	105,230,050	111,498,816	112,388,538	103,139,187	119,822,880
Culture and recreation	5,084,296	4,729,985	5,270,729	5,366,409	5,391,330	12,344,981	5,089,403	5,362,215	5,564,089	6,375,674
Community development and housing	3,825,474	6,300,663	10,997,335	10,261,792	13,596,969	738,299	4,765,528	2,843,614	3,382,444	8,593,974
Environment	20,104	924	86,862	567,585	2,984,828	623,999	1,740,066	23,547	126,632	-
Capital Grants and Contributions:										
General government	702,125	2,019,511	1,785,014	5,102,185	6,279,853	6,998,575	6,728,959	8,780,438	8,057,312	5,759,703
Public safety	1,867,152	5,112,282	1,830,899	212,915	805,520	1,866,778	2,144,407	986,711	1,085,087	918,607
Public works and transportation (3)	22,482,671	16,919,856	43,203,926	38,384,823	49,814,738	11,801,526	26,115,518	18,100,100	46,691,306	52,741,941

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS

Table 2-a (Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues (Continued)										
Culture and recreation	3,183,810	7,909,851	1,565,933	3,123,739	3,794,333	1,739,360	1,715,816	4,950,414	384,826	764,642
Community development and housing	3,071,146	2,567,389	1,760,429	79,902	556,768	1,008,236	3,306,075	1,509,342	536,830	(11,539)
Environment	1,999,900	-	5,024,146	493,943	12,063	-	-	43,848	5,582,790	1,787,625
Total Governmental Activities Program Revenues	397,595,151	430,069,196	393,356,261	432,358,801	425,112,644	436,825,355	440,554,938	474,053,149	470,471,288	521,923,606
Business-type Activities:										
Charges for Services:										
Liquor control	213,711,131	220,795,524	229,317,194	242,802,606	252,285,232	259,327,227	268,677,859	278,768,662	294,593,991	298,493,309
Solid waste activities	102,107,187	100,139,024	103,373,586	106,304,522	108,410,918	108,780,916	109,251,865	111,621,329	109,338,285	115,150,999
Parking lot districts	26,486,431	27,303,666	28,252,122	30,647,758	29,208,719	31,980,146	31,093,981	34,717,204	32,731,451	36,001,841
Permitting services	28,320,497	22,998,323	27,840,904	30,537,026	41,196,475	45,231,452	44,393,317	38,595,012	43,882,689	39,652,271
Community use of public facilities	7,788,733	8,576,323	8,405,087	9,854,373	10,378,258	10,555,506	10,986,875	11,133,118	11,437,099	11,335,072
Operating Grants and Contributions:										
Solid waste activities	10,000	8,700	30,000	-	-	-	-	-	-	-
Total Business-type Activities Program Revenues	378,423,979	379,821,560	397,218,893	420,146,285	441,479,602	455,875,247	464,403,897	474,835,325	491,983,515	500,633,492
Total Primary Government Program Revenues	776,019,130	809,890,756	790,575,154	852,505,086	866,592,246	892,700,602	904,958,835	948,888,474	962,454,803	1,022,557,098
Net (Expense) Revenue (1)										
Governmental activities	(3,060,192,922)	(3,166,549,150)	(3,088,006,067)	(3,018,244,192)	(3,083,611,712)	(3,194,999,901)	(3,242,167,509)	(3,269,997,254)	(3,534,402,582)	(3,590,717,498)
Business-type activities	26,226,204	20,291,641	25,428,559	38,922,952	57,860,232	56,797,043	27,028,531	40,950,761	46,583,076	53,809,253
Total Primary Government Net Expense	(3,033,966,718)	(3,146,257,509)	(3,062,577,508)	(2,979,321,240)	(3,025,751,480)	(3,138,202,858)	(3,215,138,978)	(3,229,046,493)	(3,487,819,506)	(3,536,908,245)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes (2)	2,707,037,561	2,759,520,047	2,711,817,013	2,945,614,528	3,083,078,491	3,208,768,624	3,290,585,776	3,228,243,148	3,488,157,212	3,722,174,244
Grants, contributions, and other revenue not restricted to specific programs	-	-	-	-	-	-	588,567	-	-	-
Investment income (3)	42,586,707	14,173,076	8,299,709	5,543,975	7,035,479	8,036,630	6,457,962	6,787,434	7,907,133	13,770,994
Gain/(loss) on sale of capital assets	13,309,573	1,604,285	(1,366,889)	2,669,858	1,103,216	4,965,531	(3,529,635)	3,882,648	172,639	-
Transfers	32,444,171	44,971,675	55,088,988	53,459,555	47,986,288	44,703,099	46,858,508	55,489,227	49,385,156	31,875,197
Total Governmental Activities	2,795,378,012	2,820,269,083	2,773,838,821	3,007,287,916	3,139,203,474	3,266,473,884	3,340,961,178	3,294,402,457	3,545,622,140	3,767,820,435
Business-type Activities:										
Property taxes	11,266,747	11,854,882	9,931,045	9,273,198	8,503,222	10,063,874	10,391,101	10,903,699	(657,506)	(45,762)
Investment income	7,330,179	2,599,459	569,792	154,471	43,202	51,852	100,857	215,823	415,329	1,068,863
Gain/(loss) on sale of capital assets	-	-	-	-	42,544,670	-	(1,241,279)	175,100	9,855,423	162,042
Transfers	(32,444,171)	(44,971,675)	(55,088,988)	(53,459,555)	(47,986,288)	(44,703,099)	(46,858,508)	(55,489,227)	(49,385,156)	(31,875,197)
Total Business-type Activities	(13,847,245)	(30,517,334)	(44,588,151)	(44,031,886)	3,104,806	(34,587,373)	(37,607,829)	(44,194,605)	(39,771,910)	(30,690,054)
Total Primary Government	2,781,530,767	2,789,751,749	2,729,250,670	2,963,256,030	3,142,308,280	3,231,886,511	3,303,353,349	3,250,207,852	3,505,850,230	3,737,130,381
Change in Net Position										
Governmental activities	(264,814,910)	(346,280,067)	(314,167,246)	(10,956,276)	55,591,762	71,473,983	98,793,669	24,405,203	11,219,558	177,102,937
Business-type activities	12,378,959	(10,225,693)	(19,159,592)	(5,108,934)	60,965,038	22,209,670	(10,579,298)	(3,243,844)	6,811,166	23,119,199
Total Primary Government	\$ (252,435,951)	\$ (356,505,760)	\$ (333,326,838)	\$ (16,065,210)	\$ 116,556,800	\$ 93,683,653	\$ 88,214,371	\$ 21,161,359	\$ 18,030,724	\$ 200,222,136

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

NOTES:

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

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

- (1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses.
- (2) See Table 2-b for detail of General Tax Revenues.
- (3) Certain amounts have been restated or reclassified to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES
 LAST TEN FISCAL YEARS

Table 2-b

	2008	2009	2010	2011	2012
Property taxes	\$ 1,146,965,583	\$ 1,296,974,051	\$ 1,371,964,491	\$ 1,358,968,819	\$ 1,395,693,492
County income taxes	1,246,939,067	1,169,568,981	1,010,874,757	1,151,260,721	1,265,289,159
Real property transfer taxes	80,380,388	64,771,739	77,106,332	71,809,475	76,089,437
Recordation taxes	54,658,577	42,437,216	44,934,687	57,725,334	51,207,341
Fuel energy taxes	118,277,973	129,328,307	156,880,330	233,408,845	226,148,664
Hotel-motel taxes	17,783,194	16,829,254	17,064,493	19,295,158	18,167,827
Telephone taxes	30,472,124	30,906,025	29,741,879	49,087,889	46,470,315
Other taxes	11,560,655	8,704,474	3,250,044	4,058,287	4,012,256
Total Taxes - Governmental Activities	<u>\$ 2,707,037,561</u>	<u>\$ 2,759,520,047</u>	<u>\$ 2,711,817,013</u>	<u>\$ 2,945,614,528</u>	<u>\$ 3,083,078,491</u>

	2013	2014	2015	2016	2017
Property taxes	\$ 1,463,855,656	\$ 1,528,302,790	\$ 1,528,093,085	\$ 1,593,880,896	\$ 1,792,921,614
County income taxes	1,311,161,472	1,329,827,192	1,276,415,595	1,464,946,447	1,481,806,881
Real property transfer taxes	84,391,394	90,496,157	92,068,495	100,566,864	118,000,203
Recordation taxes	57,635,661	53,962,477	55,530,762	61,141,531	60,375,616
Fuel energy taxes	223,948,716	210,678,660	207,195,218	193,281,367	192,459,066
Hotel-motel taxes	18,910,872	17,675,982	19,007,650	19,444,152	21,462,751
Telephone taxes	45,696,525	53,160,865	48,839,958	49,694,945	50,812,917
Other taxes	3,168,328	6,481,653	1,092,385	5,201,010	4,335,196
Total Taxes - Governmental Activities	<u>\$ 3,208,768,624</u>	<u>\$ 3,290,585,776</u>	<u>\$ 3,228,243,148</u>	<u>\$ 3,488,157,212</u>	<u>\$ 3,722,174,244</u>

NOTES:

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

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

Table 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 8,465,100	\$ 8,621,928	\$ 7,596,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	164,347,706	99,484,134	39,665,617	-	-	-	-	-	-	-
Nonspendable	-	-	-	4,181,482	5,635,580	5,649,319	6,159,553	6,799,926	7,275,055	8,797,529
Restricted	-	-	-	-	-	184,879,381	208,001,441	231,233,570	261,313,852	292,445,250
Committed	-	-	-	23,275,746	41,243,696	49,695,245	68,078,344	70,586,279	71,684,134	60,445,573
Assigned	-	-	-	11,022,956	20,382,922	29,344,177	33,293,736	26,575,194	27,035,009	26,916,962
Unassigned	-	-	-	69,031,737	192,937,060	238,947,394	284,211,537	156,538,119	113,028,313	118,366,481
Total General Fund	<u>172,812,806</u>	<u>108,106,062</u>	<u>47,262,456</u>	<u>107,511,921</u>	<u>260,199,258</u>	<u>508,515,516</u>	<u>599,744,611</u>	<u>491,733,088</u>	<u>480,336,363</u>	<u>506,971,795</u>
All Other Governmental Funds:										
Reserved	210,340,019	225,379,967	292,759,512	-	-	-	-	-	-	-
Unreserved (deficit), reported in:										
Capital Projects Fund	(12,377,776)	(86,447,622)	(34,256,005)	-	-	-	-	-	-	-
Special Revenue Funds	211,866,176	176,689,046	107,931,281	-	-	-	-	-	-	-
Nonspendable	-	-	-	212,311,293	212,663,632	102,478	-	1,842,076	1,489,280	-
Restricted	-	-	-	116,843,705	172,168,580	273,243,953	314,830,001	491,602,469	413,785,975	441,648,621
Committed	-	-	-	97,110,019	117,227,649	23,217,760	-	-	-	-
Assigned	-	-	-	(16,187,982)	(6,573,775)	-	1,777,868	-	-	-
Unassigned	-	-	-	-	-	(4,023,811)	(45,043,906)	(123,843)	-	(60,793)
Total All Other Governmental Funds	<u>409,828,419</u>	<u>315,621,391</u>	<u>366,434,788</u>	<u>410,077,035</u>	<u>495,486,086</u>	<u>292,540,380</u>	<u>271,563,963</u>	<u>493,320,702</u>	<u>415,275,255</u>	<u>441,587,828</u>
Total All Governmental Funds	<u>\$ 582,641,225</u>	<u>\$ 423,727,453</u>	<u>\$ 413,697,244</u>	<u>\$ 517,588,956</u>	<u>\$ 755,685,344</u>	<u>\$ 801,055,896</u>	<u>\$ 871,308,574</u>	<u>\$ 985,053,790</u>	<u>\$ 895,611,618</u>	<u>\$ 948,559,623</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.

(1) Beginning in fiscal year 2011, the County implemented GASB Statement No. 54 which revised the fund balance categories for Governmental Funds.

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

Table 4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$2,752,355,883	\$2,872,519,430	\$2,742,547,034	\$2,842,907,152	\$3,071,355,492	\$3,213,926,861	\$3,340,415,154	\$3,262,424,596	\$3,447,864,362	\$3,711,400,753
Licenses and permits	11,192,157	11,545,500	11,864,114	12,846,648	12,195,140	10,738,233	11,614,419	11,326,007	12,265,385	11,758,684
Intergovernmental	244,672,132	226,479,924	247,787,259	233,177,719	238,828,101	203,295,273	238,025,684	239,344,101	243,783,791	242,093,911
Charges for services	80,355,654	89,226,745	88,114,055	95,328,028	104,474,174	118,897,641	137,867,556	138,342,978	118,467,372	127,764,110
Fines and forfeitures	21,583,162	28,423,775	24,010,876	22,095,048	19,823,291	23,990,181	24,718,907	29,527,268	29,007,222	28,633,840
Investment income	37,012,601	12,114,916	8,167,875	2,501,375	1,678,682	3,559,251	3,246,853	3,140,302	3,981,063	9,208,776
Miscellaneous (1)	13,919,065	17,856,623	13,186,434	35,697,895	32,262,972	28,609,606	19,238,372	22,099,346	18,754,780	60,558,640
Total Revenues	3,161,090,654	3,258,166,913	3,135,677,647	3,244,553,865	3,480,617,852	3,603,017,046	3,775,126,945	3,706,204,598	3,874,123,975	4,191,418,714
Expenditures										
General government	257,381,611	277,007,216	251,799,095	250,208,030	304,292,249	377,437,886	427,961,485	436,469,967	423,988,597	448,738,319
Public safety	543,200,962	569,158,754	551,861,356	540,676,570	545,731,975	584,117,898	609,901,721	638,867,007	654,542,863	623,552,752
Public works and transportation	171,903,223	176,414,373	209,734,805	172,602,449	163,495,587	182,373,840	202,423,119	201,412,836	210,800,081	195,129,517
Health and human services	272,823,056	276,831,826	274,811,330	259,840,844	241,758,579	262,670,134	290,822,526	307,899,487	298,572,142	320,432,552
Culture and recreation	96,010,787	93,616,178	87,134,422	69,468,004	69,919,113	75,063,030	83,710,619	86,389,803	92,157,698	94,553,277
Community development and housing	15,916,219	19,208,889	38,595,295	56,344,179	44,426,304	42,401,492	34,324,023	42,434,875	37,372,312	52,467,220
Environment	9,242,386	10,318,956	12,667,903	13,758,025	20,857,521	20,173,173	19,621,158	21,828,607	23,414,990	27,746,495
Education (2)	1,563,374,406	1,643,643,553	1,562,095,633	1,525,074,457	1,484,470,943	1,541,101,257	1,569,587,294	1,615,305,046	1,674,058,571	1,818,904,243
Debt service:										
Principal	146,194,699	373,014,292	136,317,844	142,318,320	160,126,917	164,255,364	176,485,346	197,898,016	192,160,354	224,618,357
Interest	78,949,436	87,192,902	85,337,817	90,118,001	96,102,824	26,472,773	22,100,609	27,134,321	29,873,326	29,326,306
Leases and other obligations	16,358,135	19,857,064	20,921,170	28,650,471	24,704,102	112,329,448	115,657,356	124,957,396	133,478,302	141,126,787
Issuing costs	937,441	2,087,524	5,544,495	4,407,985	6,108,436	3,943,616	4,509,475	5,669,380	3,715,273	5,639,495
Capital projects	424,518,682	447,794,002	511,372,430	496,309,888	559,056,287	603,801,660	617,298,883	556,683,579	624,096,406	627,826,903
Total Expenditures	3,596,811,043	3,996,145,529	3,748,193,595	3,649,777,223	3,721,050,837	3,996,141,571	4,174,403,614	4,262,950,320	4,398,230,915	4,610,062,223
Excess (Deficiency) of Revenues over (under) Expenditures	(435,720,389)	(737,978,616)	(612,515,948)	(405,223,358)	(240,432,985)	(393,124,525)	(399,276,669)	(556,745,722)	(524,106,940)	(418,643,509)
Other Financing Sources (Uses)										
Transfers in	382,434,018	367,718,614	440,418,586	407,905,174	494,213,344	500,639,293	468,468,576	518,356,272	498,634,256	553,454,133
Transfers (out)	(352,397,173)	(324,259,745)	(370,535,898)	(351,883,159)	(447,138,462)	(438,499,850)	(414,155,565)	(452,713,522)	(448,738,284)	(521,670,247)
Sale of property	13,370,213	1,629,312	1,596,976	3,124,492	1,578,365	5,652,439	1,552,618	3,596,267	1,192,070	1,886,335
Financing under notes and leases payable	-	-	22,969,000	97,525	35,151,498	8,395,000	15,857,552	18,128,411	8,360,742	41,921,607
Payment to refunded bond escrow agent	(74,751,270)	-	(183,217,861)	-	(314,114,061)	(33,636,846)	(29,837,255)	(429,855,226)	-	-

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

Table 4 (Continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses) (Continued)										
Debt Issued:										
General obligation bonds	-	250,000,000	310,000,000	325,000,000	320,000,000	295,000,000	295,000,000	500,000,000	300,000,000	340,000,000
Premium on general obligation bonds	-	-	9,937,130	28,107,877	37,661,920	32,201,168	30,795,345	81,853,250	26,706,450	29,810,010
Bond anticipation notes	150,000,000	250,000,000	125,000,000	75,000,000	-	-	-	-	-	-
Certificates of participation	34,583,195	-	24,483,684	-	-	-	-	-	-	24,860,000
Premium on Certificates of participation	-	-	-	-	-	-	-	-	-	1,329,676
Lease revenue bonds	399,231	15,059,652	14,700	29,360,000	28,840,000	-	-	-	-	-
Taxable LTD obligation certificate	-	-	30,400,000	-	-	-	38,015,000	-	-	-
Discount on Taxable LTD obligation certificate	-	-	-	-	-	-	(4,763)	-	-	-
Notes payable	-	10,000,000	-	-	-	-	-	-	-	-
Premium on general obligation refunding bonds	-	-	22,055,598	-	43,863,734	2,013,430	5,023,826	74,595,486	-	-
Capital lease financing	12,407	-	11,985	-	-	-	-	-	-	-
General obligation refunding bonds	74,795,297	8,917,011	161,755,000	-	237,655,000	23,360,000	25,059,716	356,510,000	-	-
Lease revenue refunding bonds	-	-	-	-	35,465,000	-	-	-	-	-
Premium on lease revenue refunding bonds	-	-	-	-	5,353,035	57,288	-	-	-	-
Revenue bonds	-	-	-	-	-	37,835,000	32,383,753	-	46,500,000	-
Premium on revenue bonds	-	-	-	-	-	5,478,155	1,370,544	-	2,009,534	-
Total Other Financing Sources (Uses)	<u>228,447,926</u>	<u>579,066,853</u>	<u>594,890,910</u>	<u>516,713,920</u>	<u>478,531,385</u>	<u>438,497,090</u>	<u>469,531,361</u>	<u>670,472,953</u>	<u>434,664,768</u>	<u>471,591,514</u>
Net Change in Fund Balances	<u>\$ (207,272,463)</u>	<u>\$ (158,911,763)</u>	<u>\$ (17,625,038)</u>	<u>\$ 111,490,562</u>	<u>\$ 238,098,400</u>	<u>\$ 45,372,565</u>	<u>\$ 70,254,692</u>	<u>\$ 113,727,231</u>	<u>\$ (89,442,172)</u>	<u>\$ 52,948,005</u>
Debt service as a percentage of noncapital expenditures (1, 2)	6.56%	12.13%	6.44%	6.80%	7.47%	5.15%	5.25%	5.66%	5.44%	5.91%

NOTES:

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

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

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

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

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF CASH AND INVESTMENTS AND INVESTMENT AND INTEREST INCOME - ALL FUNDS
 AS OF JUNE 30, 2017 AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table 5

	Cash and Investments			Investment and Interest Income (Loss)		
	Pooled	Non-pooled	Total	Pooled	Non-pooled	Total
Primary Government:						
General Fund	\$ 342,382,316	\$ 7,162,899	\$ 349,545,215	\$ 1,106,756	\$ 13,480	\$ 1,120,236
Debt Service Fund	31,975,306	13,386,793	45,362,099	-	76,713	76,713
Capital Projects Fund	276,973,268	80,771,571	357,744,839	882,839	260,973	1,143,812
Special Revenue Funds:						
Recreation	5,010,379	5,750	5,016,129	44,006	-	44,006
Fire Tax District	8,771,763	5,000	8,776,763	305,635	-	305,635
Mass Transit Facilities	37,927,704	2,000	37,929,704	237,297	-	237,297
Housing Initiative	33,904,228	212,450	34,116,678	249,200	4,903,966	5,153,166
Rehabilitation Loan	2,162,385	-	2,162,385	12,256	33,256	45,512
Cable TV (2)	8,980,718	-	8,980,718	73,146	-	73,146
Grants (1)	1,628,903	-	1,628,903	-	781,152	781,152
Agricultural Transfer Tax	900,653	-	900,653	9,520	-	9,520
Drug Enforcement Forfeitures	2,822,335	25,000	2,847,335	15,511	-	15,511
Water Quality Protection	27,948,516	-	27,948,516	203,068	-	203,068
Restricted Donations	2,362,696	-	2,362,696	-	-	-
Total Special Revenue Funds	132,420,280	250,200	132,670,480	1,149,639	5,718,374	6,868,013
Enterprise Funds:						
Liquor	2,373,129	2,513,160	4,886,289	-	78,759	78,759
Solid Waste Activities	85,024,937	3,600	85,028,537	330,715	-	330,715
Parking Lot Districts	35,130,791	3,198,735	38,329,526	202,304	14,188	216,492
Permitting Services	56,121,202	-	56,121,202	334,005	-	334,005
Community Use of Public Facilities	10,338,490	-	10,338,490	108,892	-	108,892
Total Enterprise Funds	188,988,549	5,715,495	194,704,044	975,916	92,947	1,068,863
Internal Service Funds:						
Motor Pool	16,406,802	300	16,407,102	98,816	-	98,816
Liability & Property Coverage Self-Insurance	156,532,028	-	156,532,028	1,023,332	-	1,023,332
Employee Health Benefits Self-Insurance	49,599,903	-	49,599,903	177,105	-	177,105
Central Duplicating	1,205,880	-	1,205,880	10,004	-	10,004
Total Internal Service Funds	223,744,613	300	223,744,913	1,309,257	-	1,309,257
Pension and Other Employee Benefit Trust Funds (1)	2,132,281	5,760,532,908	5,762,665,189	100,533	609,605,753	609,706,286
Investment Trust Fund	10,760,691	-	10,760,691	58,178	-	58,178
Private Purpose Trust Funds	-	-	-	19	-	19
Agency Funds	31,001,713	158,242	31,159,955	5,250	-	5,250
Total Primary Government	1,240,379,017	5,867,978,408	7,108,357,425	5,588,387	615,768,240	621,356,627
Component Units (Participation in County Pool)	384,690	-	384,690	2,199	-	2,199
Total	\$ 1,240,763,707	\$ 5,867,978,408	\$ 7,108,742,115	\$ 5,590,586	\$ 615,768,240	\$ 621,358,826

NOTES:

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

(1) Non-pooled investment income of these funds includes adjustments to fair value of nonpooled investments.

(2) Pooled investment income of the Cable TV Special Revenue Fund includes \$152 related to interest earned on deposits, which has been classified as a liability.

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF CASH AND INVESTMENTS - BY FINANCIAL INSTITUTION
 JUNE 30, 2017

Table 6

Description	Total
PNC Bank	\$ 492,318,114
Capital One Bank	16,126,733
Congressional Bank	4,479,911
Eagle Bank	40,851,044
Capital Bank	2,504,534
United Bank	17,126,610
Washington First Bank	9,857,342
Total Financial Institutions	<u>583,264,288</u>
Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow:	
General Fund	7,162,899
Debt Service Fund	13,386,793
Capital Projects Fund	80,771,571
Special Revenue Funds	250,200
Enterprise Funds	2,600,686
Internal Service Funds	300
Fiduciary Funds	158,242
Total Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow	<u>104,330,691</u>
Total Cash Deposits in Financial Institutions and on Hand	687,594,979
Investments, at carrying value	6,419,923,059
Accrued interest receivable	1,224,077
Total Cash and Investments (1)	<u>\$ 7,108,742,115</u>

NOTES:

This table presents detailed cash and investment information that supports amounts reported in Table 5 and in Note III-A Cash and Investments.

(1) Includes component units' participation in County external investment pool (see Table 5).

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF INVESTMENTS
 JUNE 30, 2017
Table 7

	Pooled	Non-Pooled		Total Carrying Value (2)
		Enterprise	Fiduciary	
Investments, including accrued interest:				
U.S. Agency Securities	\$ 347,810,624	\$ -	\$ -	\$ 347,810,624
U.S. Treasury Securities	29,970,100	-	-	29,970,100
Commercial paper	69,313,208	-	-	69,313,208
Money Market Funds	-	3,114,809	-	3,114,809
Maryland Local Governmnet Investment Pool	209,181,410	-	-	209,181,410
Pension and Other Employee Benefit Trusts	-	-	5,760,532,908	5,760,532,908
Total (1)	<u>\$ 656,275,342</u>	<u>\$ 3,114,809</u>	<u>\$ 5,760,532,908</u>	<u>\$ 6,419,923,059</u>

NOTES:

* This table presents detailed cash and investment information that supports amounts reported in Table 5 and in Note III-A Cash and Investments.

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

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

Table 8

Fiscal Year	Real Property						Total Direct Tax Rate (3)
	Residential (1)		Commercial/Other		Total		
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	
2008	\$ 110,002,920,713	\$ 112,247,878,279	\$ 32,303,514,880	\$ 32,962,770,285	\$ 142,306,435,593	\$ 145,210,648,564	0.902
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,473	164,038,891,569	0.902
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834	0.904
2012	129,513,818,139	139,412,075,499	32,683,331,619	35,181,196,575	162,197,149,758	174,593,272,074	0.947
2013	124,783,384,563	134,320,112,554	33,489,446,285	36,048,919,575	158,272,830,848	170,369,032,129	0.990
2014	125,035,897,087	136,502,071,055	34,855,968,247	38,052,367,082	159,891,865,334	174,554,438,137	1.008
2015	127,929,975,330	138,452,354,253	35,726,782,876	38,665,349,433	163,656,758,206	177,117,703,686	0.995
2016	130,228,674,548	134,812,292,493	39,947,771,504	41,353,800,729	170,176,446,052	176,166,093,222	0.986
2017	136,227,683,441	145,542,396,839	41,267,669,577	44,089,390,573	177,495,353,018	189,631,787,412	1.025

Fiscal Year	Personal Property (2)					Total Direct Tax Rate (3)	Real 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					
2008	\$ 34,444,330	\$ 2,412,515,690	\$ 1,035,536,740	\$ 488,050,610	\$ 3,970,547,370	2.241	\$ 146,276,982,963	\$ 149,181,195,934	98.05
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,493	167,959,062,589	96.48
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2.247	171,220,840,149	179,277,920,655	95.51
2011	44,693,880	2,295,053,040	1,075,595,252	440,849,780	3,856,191,952	2.247	171,646,984,481	193,664,780,786	88.63
2012	44,967,690	2,206,151,910	1,063,567,900	404,258,210	3,718,945,710	2.357	165,916,095,468	178,312,217,784	93.05
2013	46,638,380	2,092,070,220	1,081,466,940	384,303,210	3,604,478,750	2.463	161,877,309,598	173,973,510,879	93.05
2014	42,416,630	2,172,248,760	1,120,973,968	373,688,150	3,709,327,508	2.509	163,601,192,842	178,263,765,645	91.77
2015	42,008,150	2,075,584,320	1,181,901,740	355,639,000	3,655,133,210	2.473	167,311,891,416	180,772,836,896	92.55
2016	47,898,060	2,234,518,270	1,258,731,007	343,201,680	3,884,349,017	2.450	174,060,795,069	180,050,442,239	96.67
2017	58,246,910	2,294,129,160	1,353,826,658	345,169,740	4,051,372,468	2.547	181,546,725,486	193,683,159,880	93.73

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.

* Ratio for real property in FY16 revised by the State Department of Assessments and Taxation

* Ratio for real property for FY17 not available used average of ratios FY14-FY16 .

(1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.

(2) For personal property, the assessed value and estimated actual value are the same.

(3) See Table 9-a for real and personal property direct tax rates.

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

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - COUNTY DIRECT RATE
 LAST TEN FISCAL YEARS

Table 9-a

	County-wide					Substantially County-wide (1)					Prorata Tax Rate	Total County Direct Rate (3)
	County		M-NCPPC (2)		Subtotal	County		M-NCPPC (2)				
	County	Fire Tax District	Transit District	Advance Land Acquisition		Recreation	Storm Drainage	Regional District	Metropolitan District			
Real Property:												
2008	\$.6270	\$.1260	\$.0580	\$.0010	\$.8120	\$.0240	\$.0030	\$.0190	\$.0580	\$.0900	\$.9020	
2009	.6610	.1160	.0400	.0010	.8180	.0220	.0030	.0190	.0530	.0840	.9020	
2010	.6830	.1050	.0370	.0010	.8260	.0190	.0030	.0180	.0500	.0780	.9040	
2011	.6990	.0970	.0370	.0010	.8340	.0180	.0030	.0150	.0450	.0700	.9040	
2012	.7130	.1210	.0380	.0010	.8730	.0180	.0030	.0170	.0480	.0740	.9470	
2013	.7240	.1340	.0480	.0010	.9070	.0210	.0030	.0180	.0540	.0830	.9900	
2014	.7590	.1250	.0420	.0010	.9270	.0200	.0030	.0180	.0530	.0810	1.0080	
2015	.7320	.1360	.0400	.0010	.9090	.0230	.0030	.0170	.0560	.0857	.9947	
2016	.7230	.1160	.0600	.0010	.9000	.0230	.0030	.0180	.0552	.0858	0.9858	
2017	.7734	.1140	.0520	.0010	.9404	.0230	.0030	.0170	.0548	.0845	1.0249	
Personal Property:												
2008	\$ 1.5670	\$.3150	\$.1450	\$.0030	\$ 2.0300	\$.0600	\$.0070	\$.0470	\$.1450	\$.2110	\$ 2.2410	
2009	1.6520	.2900	.1000	.0030	2.0450	.0550	.0070	.0470	.1320	.1960	2.2410	
2010	1.7070	.2620	.0920	.0030	2.0640	.0470	.0070	.0450	.1250	.1830	2.2470	
2011	1.7470	.2420	.0920	.0030	2.0840	.0450	.0070	.0380	.1120	.1630	2.2470	
2012	1.7830	.3030	.0950	.0030	2.1840	.0450	.0080	.0430	.1200	.1730	2.3570	
2013	1.8100	.3350	.1200	.0030	2.2680	.0530	.0080	.0450	.1350	.1950	2.4630	
2014	1.8980	.3130	.1050	.0030	2.3190	.0500	.0080	.0450	.1330	.1900	2.5090	
2015	1.8300	.3400	.1000	.0030	2.2730	.0580	.0080	.0430	.1400	.2003	2.4733	
2016	1.8075	.2900	.1500	.0025	2.2500	.0575	.0075	.0450	.1380	.1998	2.4498	
2017	1.9335	.2850	.1300	.0025	2.3510	.0575	.0075	.0425	.1370	.1959	2.5469	

NOTES:

- * The Tax rates are per \$100 of assessed value.
- * The charter requires that revenues from real property taxes cannot exceed last year's revenues adjusted by the rate of inflation excluding revenues from new construction. The Council can adopt tax rates that exceed this limit by a supermajority of seven out of nine councilmembers.
- * No discounts are allowed.
- * Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1 for non-owner occupied property.
- * Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payment due by September 30 and December 31 for owner occupied property.
- * Interest and penalty at 20 percent are assessed on delinquent tax bills.
- * Revised tax bills based upon certifications from the State received after September 1 may be paid within thirty days without interest.
- * Delinquent taxes on real property are collected by sale. Taxes on personal property are enforced by legal action. Corporations may lose charter for failure to pay taxes.
- * Costs of tax sale, which vary, are added to tax bills. The last sale cost \$50 per parcel.
- * Tax sale date: second Monday in June.
- * Personal property tax rates are applied to 100 percent of the property assessment.

- (1) Rates classified as substantially county-wide represent those tax rates that are levied against all of the County's assessable base, except those incorporated cities and municipalities that provide their own such service.
- (2) M-NCPPC County property tax rates are included in the County's direct rate since the County Council has the power to set, modify, or approve these tax rates for this joint venture organization.
- (3) County direct rate includes: County tax rates that are levied County-wide, and County tax rates levied by M-NCPPC. For County special taxing district tax rates that are levied substantially County-wide, the direct rate includes a prorata portion of the tax rate that corresponds to the portion of the County's assessable base against which the rate is levied. Therefore, the total County direct rate presented above is not a mathematical sum of all the individual rates presented.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - 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 Village	West Germantown	White Flint (2)
Real Property:												
2008	\$.2800	\$.2800	\$.2400	\$.2400	\$.0240	\$.0160	\$.0300	\$.0800	\$.0800	\$.0710	\$.1560	\$.0000
2009	.2800	.2800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0630	.1440	.0000
2010	.2800	.1800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0860	.1370	.0000
2011	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0790	.1630	.0000
2012	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0770	.0800	.0990	.1650	.1070
2013	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0100	.0990	.1730	.1120
2014	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.1050	.1830	.1130
2015	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.0810	.1820	.1120
2016	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0660	.1510	.1111
2017	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0410	.1530	.1150
Personal Property:												
2008	\$.7000	\$.7000	\$.6000	\$.6000	\$.0600	\$.0400	\$.0750	\$.2000	\$.2000	\$.0000	\$.0000	\$.0000
2009	.7000	.7000	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2010	.7000	.4500	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2011	.7920	.2600	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2012	.7930	.2600	.6000	.6000	.0600	.0300	.0750	.1930	.2000	.0000	.0000	.0000
2013	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0250	.0000	.0000	.0000
2014	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2015	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2016	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2017	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000

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) White Flint Special Taxing District was established in November 2010 and levy year 2011 was the first year that the property tax on commercial properties went into effect.

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

Table 9-c

Fiscal Year	Cities			Towns									
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:													
2008	\$.2120	\$.3020	\$.6100	\$.0540	\$.1500	\$.0230	\$.1900	\$.1200	\$.1390	\$.1400	\$.1800	\$.0400	\$.2020
2009	.2120	.2920	.6050	.0540	.1500	.0210	.1900	.1300	.1300	.1200	.1600	.0400	.1810
2010	.2120	.2920	.5800	.0490	.1500	.0100	.1920	.1300	.1220	.1100	.1500	.0400	.1810
2011	.2620	.2920	.5800	.0514	.1500	.0100	.1920	.1300	.1360	.1000	.1594	.0800	.2210
2012	.2620	.2920	.5800	.0514	.1500	.0105	.2100	.1300	.1360	.1100	.1594	.0800	.2210
2013	.2620	.2920	.5800	.0514	.1500	.0104	.2100	.1340	.1360	.1100	.1590	.0800	.3170
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400	.1360	.1000	.1672	.0800	.3000
2015	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400	.1360	.0900	.1672	.0800	.3000
2016	.2620	.2920	.5850	.0514	.2000	.0000	.2100	.1400	.1360	.0900	.1700	.0800	.2860
2017	.2620	.2920	.5675	.0514	.2000	.0100	.2100	.1400	.1360	.0900	.1756	.1000	.2700
Personal Property:													
2008	\$.5300	\$.8050	\$ 1.5250	\$.2000	\$.4500	\$.1000	\$ 1.0000	\$.8000	\$.5000	\$.3500	\$.6000	\$.2200	\$.6000
2009	.5300	.8050	1.5130	.2000	.4500	.1000	1.0000	.8000	.5000	.3300	.6000	1.0000	.6000
2010	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5000	.3100	.6000	1.0000	.6000
2011	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2012	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2013	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.5700	.3000	.6000	1.0000	.7000
2015	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.6200	.3000	.6000	1.0000	.7000
2016	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.6500	.3000	.6000	1.0000	.7000
2017	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.7000	.3000	.6000	1.0000	.7000

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - VILLAGES
 LAST TEN FISCAL YEARS

Table 9-d

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
2008	\$.0500	\$.0200	\$.0000	\$.0220	\$.1110	\$.0480	\$.0400	\$.0080	\$.0520	\$.0600
2009	.0500	.0200	.0000	.0220	.1030	.0480	.0400	.0080	.0520	.0400
2010	.0500	.0200	.0000	.0220	.0960	.0480	.0400	.0080	.0520	.0400
2011	.0500	.0200	.0000	.0220	.0900	.0480	.0400	.0400	.0520	.0400
2012	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0460	.0520	.0400
2013	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0470	.0520	.0400
2014	.0500	.0200	.0000	.0220	.1000	.0480	.0400	.0470	.0520	.0400
2015	.0500	.0200	.0000	.0220	.0850	.0480	.0400	.0472	.0520	.0400
2016	.0500	.0200	.0000	.0220	.0828	.0480	.0400	.0472	.0520	.0400
2017	.0400	.0200	.0000	.0220	.0807	.0480	.0400	.0472	.0520	.0400
Personal Property:										
2008	\$.1250	\$.0500	\$.0000	\$.0000	\$.6600	\$.1200	\$.0400	\$.5000	\$.1300	\$.1000
2009	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2010	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2011	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2012	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2013	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2014	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2015	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2016	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2017	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
Table 10

For the Fiscal Year Ended June 30, 2017				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 914,226,121	\$ 15,487,201	\$ 898,738,920	0.50 %
Federal Realty Investments Trust	490,232,481	486,372,601	3,859,880	0.27
Wash Metro Area Transit Auth	390,620,933	390,620,933	-	0.22
Verizon - Maryland	339,716,240	-	339,716,240	0.19
Montgomery Mall LLC	338,261,500	338,261,500	-	0.19
Street Retail Inc.	334,461,733	334,461,733	-	0.18
Chevy Chase Land Co	323,940,900	323,940,900	-	0.18
WP Project Developer LLC	294,665,550	294,665,550	-	0.16
Washington Gas Light Co.	283,348,210	-	283,348,210	0.16
Wheaton Plaza Reg Shopping Center	282,862,634	281,606,504	1,256,130	0.16
Total	\$ 3,992,336,302	\$ 2,465,416,922	\$ 1,526,919,380	2.21 %
Total Assessable Base	\$ 181,546,725,485			100.00 %

For the Fiscal Year Ended June 30, 2008				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 689,238,812	\$ 7,280,832	\$ 681,957,980	0.47 %
Verizon	677,976,920	32,000,000	645,976,920	0.46
Montgomery Mall	388,230,580	387,662,500	568,080	0.27
7501 Wisconsin Avenue LLC	220,262,500	220,262,500	-	0.15
Washington Gas Light Co.	219,256,160	-	219,256,160	0.15
Federal Realty Investment Trust	217,618,610	216,118,430	1,500,180	0.15
Mirant Mid-Atlantic LLC	199,580,310	78,291,600	121,288,710	0.14
Camalier, Anne D. et al, Trustee	196,269,158	196,269,158	-	0.13
Democracy Associates	184,676,600	184,676,600	-	0.13
Wheaton Plaza Regional Shopping Center	180,823,356	179,792,566	1,030,790	0.12
Total	\$ 3,173,933,006	\$ 1,502,354,186	\$ 1,671,578,820	2.17 %
Total Assessable Base	\$ 146,276,982,963			100.00 %

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 Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years	Total Adjusted Levy	Amount (1)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$ 1,137,590,824	\$ (3,591,560)	\$ 1,133,999,264	\$ 1,132,548,519	99.56 %	\$ (2,822,843)	\$ 1,129,725,676	99.62 %
2009	1,282,437,423	1,298,891	1,283,736,314	1,278,337,019	99.68	712,733	1,279,049,752	99.63
2010	1,344,626,102	(5,523,139)	1,339,102,963	1,343,140,289	99.89	(17,157,951)	1,325,982,338	99.02
2011	1,350,416,973	(2,455,034)	1,347,961,939	1,349,698,631	99.95	(3,993,961)	1,345,704,670	99.83
2012	1,365,605,932	(123,524)	1,365,482,408	1,363,217,734	99.83	944,384	1,364,162,118	99.90
2013	1,390,542,228	(1,328,417)	1,389,213,811	1,384,563,178	99.57	835,254	1,385,398,432	99.73
2014	1,437,898,506	(638,929)	1,437,259,577	1,434,787,650	99.78	(325,869)	1,434,461,781	99.81
2015	1,447,816,313	1,979,394	1,449,795,707	1,442,602,468	99.64	3,438,790	1,446,041,258	99.74
2016	1,521,343,303	(4,199,631)	1,517,143,672	1,518,519,304	99.81	(9,377,235)	1,509,142,069	99.47
2017	1,663,208,936	-	1,663,208,936	1,661,121,521	99.87	-	1,661,121,521	99.87

NOTES:

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

(1) Amounts represent collections received, including overpayments, net of refunds. Penalties and interest are excluded. See Table 12 Note (2) for treatment of such overpayments.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
SCHEDULE OF FISCAL YEAR PROPERTY TAX LEVY, PROPERTY TAX REVENUES,
AND ADDITIONAL ITEMS RELATED TO THE PROPERTY TAX BILLING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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 ***					
Bethesda Urban District	\$ 637,037	\$ 634,185	\$ (4,733)	\$ 14,759	\$ 644,211
Silver Spring Urban District	755,551	748,465	36,192	6,462	791,119
Wheaton Urban District	193,028	192,347	884	1,410	194,641
All Other General Fund	1,311,560,661	1,312,069,527	(10,063,273)	(36,461,005)	1,265,545,249
Total General Fund	1,313,146,277	1,313,644,524	(10,030,930)	(36,438,374)	1,267,175,220
Special Revenue Funds: ***					
Recreation	33,786,938	33,665,029	(152,367)	3,685,292	37,197,954
Mass Transit	87,864,138	87,507,194	(381,435)	9,498,988	96,624,747
Fire Tax District	192,637,046	191,920,216	(922,231)	20,853,402	211,851,387
Water Quality Protection Charges	35,774,537	34,384,558	(28,137)	157,636	34,514,057
Total Special Revenue Funds	350,062,659	347,476,997	(1,484,170)	34,195,318	380,188,145
Enterprise Funds:					
Silver Spring Parking Lot District **	-	-	(123,559)	116,454	(7,105)
Bethesda Parking Lot District **	-	-	(249,898)	203,059	(46,839)
Wheaton Parking Lot District **	-	-	(1,276)	352	(924)
Montgomery Hills Parking Lot District **	-	-	(421)	280	(141)
Total Enterprise Funds	-	-	(375,154)	320,145	(55,009)
Total Property Tax - Montgomery County	1,663,208,936	1,661,121,521	(11,890,254)	(1,922,911)	1,647,308,356
Tax Bill Items Other than Montgomery County					
Property Taxes:					
M-NCPPC Joint Venture Property Taxes:					
M-NCPPC Administration	24,832,374	24,741,154	(128,286)	2,696,637	27,309,505 *
M-NCPPC Park	80,047,952	79,762,504	(435,471)	8,715,836	88,042,869 *
M-NCPPC Land Acquisition	1,689,072	1,682,786	(7,405)	181,846	1,857,227 *
Agency Relationship Property Taxes:					
State of Maryland	199,012,237	198,802,392	(803,219)	(4,672,997)	193,326,176 *
Municipalities	101,095,598	100,201,472	(65,812)	550,684	100,686,344 *
Development Districts	2,763,678	2,762,567	(297,380)	15,878	2,481,065 *
Charges for Services:					
Refuse Disposal - Solid Waste Activities Fund	67,661,684	66,956,309	985,657	(965,250)	66,976,716 *
Refuse Collection - Solid Waste Activities Fund	6,413,925	6,410,223	3,649	(656)	6,413,216 *
Leaf Vacuuming	7,212,587	7,208,420	1,636	2,228	7,212,284 *
Municipality Refuse Charges	1,307,095	1,306,733	1,525	36	1,308,294 *
Development District Special Assessments	107,571	107,571	-	-	107,571 *
WSSC FFBC	11,070,115	11,063,061	8,385	2,477	11,073,923 *
Bay Restoration Fund	822,060	847,458	(2,435)	(27,461)	817,562 *
Total Other Items	504,035,948	501,852,650	(739,156)	6,499,258	507,612,752
Grand Total	\$ 2,167,244,884	\$ 2,162,974,171	\$ (12,629,410)	\$ 4,576,347	\$ 2,154,921,108

NOTES:

* Amounts represent collections, rather than revenues.

** County Council set the real and personal property tax rate for parking lot districts for the levy year 2016 (FY17) to zero.

*** Beginning in FY16, the Urban Districts are included in the General Fund and the Water Quality Protection is included with Special Revenue Funds.

(1) Amounts represent collections received net of refunds.

(2) Total Revenues represent the sum of Collections, during the current year, of Current and Prior Year Levy Assessments, (i.e., cash basis) and related Adjustments and Accruals to convert such data to revenues on the modified or full accrual basis of accounting. Penalties and interest are excluded.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
SCHEDULE OF PROPERTY TAXES RECEIVABLE BY FUND TYPE
JUNE 30, 2017
Table 13

Year	General*	Special Revenue*	Enterprise	Other Fiduciary	Total
2008 & prior	\$ 1,516,241	\$ 449,073	\$ 73,298	\$ 807,729	\$ 2,846,341
2009	190,516	139,466	15,956	157,198	503,136
2010	495,597	156,731	8,633	221,522	882,483
2011	709,940	121,242	42,038	183,127	1,056,347
2012	377,490	234,016	39,478	243,795	894,779
2013	623,766	405,008	72,777	517,478	1,619,029
2014	733,873	618,782	52,209	260,648	1,665,512
2015	1,164,443	1,130,097	64,730	393,037	2,752,307
2016	1,310,193	1,611,818	-	636,634	3,558,645
2017	3,710,644	2,263,957	-	1,320,579	7,295,180
Total Property Taxes Receivable	<u>\$ 10,832,703</u>	<u>\$ 7,130,190</u>	<u>\$ 369,119</u>	<u>\$ 4,741,747</u>	<u>\$ 23,073,759</u>

NOTES:

* Beginning in FY16, the Urban Districts are included in the General Fund and the Water Quality Protection Fund is included in the Special Revenue Fund.

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			
2006	2.00	%	3.00	%	4.00	%	4.75	%	3.20	%
2007	2.00		3.00		4.00		4.75		3.20	
2008	2.00		3.00		4.00		4.75-6.25		3.20	
2009	2.00		3.00		4.00		4.75-6.25		3.20	
2010	2.00		3.00		4.00		4.75-6.25		3.20	
2011	2.00		3.00		4.00		4.75-5.50		3.20	
2012	2.00		3.00		4.00		4.75-5.75		3.20	
2013	2.00		3.00		4.00		4.75-5.75		3.20	
2014	2.00		3.00		4.00		4.75-5.75		3.20	
2015	2.00		3.00		4.00		4.75-5.75		3.20	

NOTES:

- * Rates are based on tax year which coincides with calendar year.
- * From tax years 2008-2010, the State's income tax rates for net taxable income in excess of \$3,000 were 4.75%, 5.00%, 5.25%, 5.50%, and 6.25% depending on the filing status and net taxable income.
- * Beginning with tax year 2011, the State's income tax rates for net taxable income in excess of \$3,000 were 4.75%, 5.00%, 5.25%, and 5.50% depending on the filing status and net taxable income.
- * Beginning with tax year 2012, the State added a 5.75% rate for the top bracket.
- * Tax Year 2015 is the latest tax year for which data are available.

Source: Revenue Administration Division, State Comptroller's Office.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 INCOME TAX FILERS 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
2006	383,214	\$ 41,836,264,633	\$ 34,089,151,444	\$ 1,470,625,709	\$ 1,084,440,791	\$ 2,555,066,500	3.20 %
2007	387,875	45,044,465,276	36,947,166,594	1,610,260,135	1,175,936,199	2,786,196,334	3.20
2008	379,739	41,070,791,364	32,876,469,466	1,511,917,178	1,046,272,919	2,558,190,097	3.20
2009	376,323	39,060,773,506	31,075,877,228	1,410,063,716	987,098,452	2,397,162,168	3.20
2010	386,891	42,234,426,562	34,040,992,827	1,556,444,328	1,081,538,245	2,637,982,573	3.20
2011	393,640	43,986,140,274	35,879,078,661	1,622,232,304	1,139,960,820	2,762,193,124	3.20
2012	401,848	47,554,137,682	39,644,979,160	1,845,214,377	1,259,631,971	3,104,846,348	3.20
2013	407,363	45,607,413,448	38,036,993,408	1,789,843,794	1,207,855,836	2,997,699,630	3.20
2014	413,501	48,591,853,475	40,868,459,662	1,920,372,577	1,283,681,651	3,204,054,228	3.20
2015	414,395	50,116,129,872	42,311,573,366	1,982,448,715	1,319,006,867	3,301,455,582	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.
- * Tax Year 2015 is the latest tax year for which data are available.

Source: Revenue Administration Division, State Comptroller's Office.

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

Table 16

	2015						2014					
	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	53,225	12.8 %	\$ 23,657,207,816	55.9 %	\$ 731,634,760	55.5 %	50,930	12.3 %	\$22,545,414,493	55.1 %	\$ 707,232,455	55.0 %
\$100,000 - 199,999	85,023	20.6	9,939,715,472	23.5	317,564,616	24.0	83,150	20.1	9,686,668,621	23.7	309,843,847	24.1
\$80,000 - 99,999	33,226	8.0	2,303,354,205	5.4	73,657,082	5.6	32,884	8.0	2,269,659,433	5.6	72,609,217	5.7
\$50,000 - 79,999	71,770	17.3	3,381,485,984	8.0	108,143,358	8.2	70,572	17.1	3,320,713,280	8.1	106,237,189	8.3
\$25,000 - 49,999	94,821	22.9	2,323,387,127	5.5	69,119,921	5.2	95,479	23.1	2,321,932,637	5.7	68,806,063	5.4
\$10,000 - 24,999	66,759	16.1	675,163,724	1.6	18,195,512	1.4	69,968	16.9	690,098,980	1.7	18,213,654	1.4
Under \$10,000	9,571	2.3	31,259,038	0.1	691,618	0.1	10,518	2.5	33,972,218	0.1	739,226	0.1
Total	414,395	100.0 %	\$ 42,311,573,366	100.0 %	\$ 1,319,006,867	100.0 %	413,501	100.0 %	\$40,868,459,662	100.0 %	\$1,283,681,651	100.0 %

	2013						2012					
	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	47,399	11.6 %	\$ 20,082,401,088	52.7 %	\$ 642,615,654	53.2 %	46,219	11.5 %	\$22,039,899,095	55.6 %	\$ 705,083,255	56.0 %
\$100,000 - 199,999	81,264	20.0	9,380,510,171	24.7	300,161,908	24.9	80,423	19.8	9,191,004,899	23.2	294,106,087	23.3
\$80,000 - 99,999	32,704	8.0	2,243,475,972	5.9	71,790,335	5.9	32,356	8.1	2,200,179,738	5.5	70,404,468	5.6
\$50,000 - 79,999	70,247	17.2	3,292,911,673	8.7	105,364,132	8.7	69,779	17.4	3,234,709,580	8.2	103,501,417	8.2
\$25,000 - 49,999	95,475	23.4	2,317,332,376	6.1	68,911,128	5.7	94,285	23.5	2,275,703,684	5.7	67,996,861	5.4
\$10,000 - 24,999	69,904	17.2	686,312,740	1.8	18,250,977	1.5	68,129	17.0	666,921,915	1.7	17,760,659	1.4
Under \$10,000	10,370	2.6	34,049,388	0.1	761,702	0.1	10,657	2.7	36,560,249	0.1	779,224	0.1
Total	407,363	100.0 %	\$ 38,036,993,408	100.0 %	\$ 1,207,855,836	100.0 %	401,848	100.0 %	\$39,644,979,160	100.0 %	\$1,259,631,971	100.0 %

	2011						2010					
	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	43,367	11.0 %	\$ 18,940,921,100	52.8 %	\$ 606,109,387	53.1 %	41,013	10.6 %	\$17,579,946,541	51.7 %	\$ 562,543,777	51.9 %
\$100,000 - 199,999	78,493	19.9	8,754,369,086	24.4	280,131,565	24.6	77,120	20.0	8,500,689,337	25.0	272,017,224	25.2
\$80,000 - 99,999	31,549	8.0	2,109,818,960	5.9	67,512,836	5.9	31,087	8.0	2,052,626,152	6.0	65,684,030	6.1
\$50,000 - 79,999	69,024	17.5	3,158,538,933	8.8	101,065,265	8.9	68,176	17.6	3,069,598,268	9.0	98,220,784	9.1
\$25,000 - 49,999	93,603	23.9	2,230,397,502	6.2	67,065,011	5.9	91,738	23.8	2,157,173,705	6.3	65,083,691	6.0
\$10,000 - 24,999	67,074	17.0	647,673,860	1.8	17,271,011	1.5	66,278	17.0	639,553,522	1.9	17,109,443	1.6
Under \$10,000	10,530	2.7	37,359,220	0.1	805,745	0.1	11,479	3.0	41,405,302	0.1	879,296	0.1
Total	393,640	100.0 %	\$ 35,879,078,661	100.0 %	\$ 1,139,960,820	100.0 %	386,891	100.0 %	\$ 34,040,992,827	100.0 %	\$ 1,081,538,245	100.0 %

(Continued)

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

Table 16 (Concluded)

	2009						2008					
	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	37,938	10.1 %	\$ 15,099,696,016	48.6 %	\$ 483,182,753	48.9 %	38,578	10.2 %	\$ 16,973,535,490	51.7 %	\$ 543,156,343	52.0 %
\$100,000 - 199,999	75,337	20.0	8,205,421,074	26.4	262,570,303	26.6	74,717	19.7	8,091,343,219	24.6	258,922,960	24.7
\$80,000 - 99,999	30,539	8.1	1,991,569,519	6.4	63,727,815	6.5	30,776	8.1	1,986,294,082	6.0	63,561,396	6.1
\$50,000 - 79,999	67,318	17.9	2,997,962,262	9.6	95,930,462	9.7	68,045	17.9	2,989,265,979	9.1	95,651,414	9.1
\$25,000 - 49,999	91,012	24.2	2,133,139,837	6.9	64,605,378	6.6	92,617	24.4	2,175,555,800	6.6	67,165,848	6.4
\$10,000 - 24,999	63,453	16.8	609,402,845	2.0	16,258,806	1.6	62,729	16.5	613,532,524	1.9	16,788,721	1.6
Under \$10,000	10,726	2.9	38,685,675	0.1	822,935	0.1	12,277	3.2	46,942,372	0.1	1,026,237	0.1
Total	<u>376,323</u>	<u>100.0 %</u>	<u>\$ 31,075,877,228</u>	<u>100.0 %</u>	<u>\$ 987,098,452</u>	<u>100.0 %</u>	<u>379,739</u>	<u>100.0 %</u>	<u>\$ 32,876,469,466</u>	<u>100.0 %</u>	<u>\$ 1,046,272,919</u>	<u>100.0 %</u>

	2007						2006					
	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	39,973	10.3 %	\$ 20,721,888,649	56.1 %	\$ 663,101,691	56.4 %	35,634	9.3 %	\$ 18,364,689,191	53.8 %	\$ 587,671,196	54.2 %
\$100,000 - 199,999	73,690	19.0	8,058,872,420	21.8	257,889,666	21.9	70,202	18.3	7,643,868,101	22.4	244,608,348	22.6
\$75,000 - 99,999	30,713	7.9	2,030,595,581	5.5	64,983,024	5.5	30,178	7.9	1,998,995,282	5.9	63,973,086	5.9
\$50,000 - 74,999	67,534	17.4	3,057,948,389	8.3	97,861,191	8.3	66,285	17.3	2,995,838,794	8.8	95,875,398	8.8
\$25,000 - 49,999	93,694	24.2	2,298,139,649	6.2	71,322,924	6.1	95,337	24.8	2,306,395,629	6.8	71,796,673	6.6
\$10,000 - 24,999	67,786	17.5	719,513,016	1.9	19,469,703	1.7	70,328	18.4	715,858,507	2.1	19,067,166	1.8
Under \$10,000	14,485	3.7	60,208,890	0.2	1,308,000	0.1	15,250	4.0	63,505,940	0.2	1,448,924	0.1
Total	<u>387,875</u>	<u>100.0 %</u>	<u>\$ 36,947,166,594</u>	<u>100.0 %</u>	<u>\$ 1,175,936,199</u>	<u>100.0 %</u>	<u>383,214</u>	<u>100.0 %</u>	<u>\$ 34,089,151,444</u>	<u>100.0 %</u>	<u>\$ 1,084,440,791</u>	<u>100.0 %</u>

NOTES:

- * Information in this table presents data by adjusted gross income level to support summary level information in Table 15.
- * Information relating to the ten highest tax payers is not available from the State of Maryland; therefore, as an alternative, data is presented above by adjusted gross income level.
- * Rates are based on tax year which coincides with calendar year.
- * See Tables 14 and 15 for direct tax rate information.
- * Tax Year 2015 is the latest tax year for which data are available.

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

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (2)
Table 17

Fiscal Year	Governmental Activities										Total Governmental Activities
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations	Bond Anticipation Notes	Notes Payable	Lease Revenue Bonds	Certificates of Participation	Capital Leases	Revenue Bonds	Taxable Limited Obligation Certificates	
2008	\$ 1,366,758,054	\$ 100,000,000	\$ -	\$ 300,000,000	\$ 9,920,647	\$ 36,670,000	\$ 33,580,000	\$ 74,472,783	\$ -	\$ -	\$ 1,921,401,484
2009	1,496,561,371	100,000,000	-	300,000,000	15,764,265	35,025,000	30,475,000	67,929,435	14,463,000	-	2,060,218,071
2010	1,437,839,285	100,000,000	232,000,000	425,000,000	13,897,942	33,320,000	50,255,000	81,564,283	13,923,324	30,400,000	2,418,199,834
2011	1,517,280,000	100,000,000	338,320,000	500,000,000	15,023,170	31,550,000	43,935,000	71,156,741	42,803,956	29,470,000	2,689,538,867
2012	1,658,970,000	100,000,000	338,320,000	500,000,000	59,537,476	33,100,000	37,420,000	46,530,000	41,265,110	56,265,000	2,871,407,586
2013	1,930,155,391	100,000,000	339,827,520	500,000,000	49,745,063	33,802,447	30,675,000	20,130,000	83,556,016	54,661,870	3,142,553,307
2014	2,085,028,317	100,000,000	339,671,879	500,000,000	55,419,997	32,812,650	24,305,000	16,432,750	112,031,698	90,509,121	3,356,211,412
2015	2,465,315,677	100,000,000	339,516,238	500,000,000	60,499,112	30,251,464	17,685,000	13,817,910	106,941,278	86,711,269	3,720,737,948
2016	2,582,259,186	100,000,000	323,901,913	500,000,000	53,985,826	27,624,182	10,800,000	11,158,430	151,269,640	82,881,644	3,843,880,821
2017	2,722,235,195	90,000,000	308,297,064	500,000,000	82,172,181	24,912,503	29,731,560	8,454,830	144,304,420	78,964,284	3,989,072,037

Fiscal Year	Business-type Activities				Ratios	
	Revenue Bonds	Notes Payable	Total Business-Type Activities	Total Primary Government	Debt to Personal Income (1)	Outstanding Debt per Capita (1)
2008	\$ 54,685,000	\$ 724,795	\$ 55,409,795	\$ 1,976,811,279	2.93 %	\$ 2,097
2009	79,567,000	467,876	80,034,876	2,140,252,947	3.24	2,232
2010	73,101,676	252,610	73,354,286	2,491,554,120	3.60	2,552
2011	71,566,044	81,782	71,647,826	2,761,186,693	3.74	2,780
2012	87,674,890	-	87,674,890	2,959,082,476	3.84	2,940
2013	86,295,600	1,976,348	88,271,948	3,230,825,255	4.36	3,170
2014	97,163,694	1,701,104	98,864,798	3,455,076,210	4.56	3,353
2015	91,756,076	4,655,348	96,411,424	3,817,149,372	4.77	3,670
2016	83,929,819	5,756,247	89,686,066	3,933,566,887	4.74	3,755
2017	78,105,420	5,367,645	83,473,065	4,072,545,102	4.70	3,860

NOTES:

- (1) See Table 23 for personal income and population data, used in calculating these ratios.
- (2) Beginning in fiscal year 2013, the County changed its presentation of outstanding debt in the statistical section to include unamortized premiums, discounts, and deferred differences on refundings. Amounts presented prior to fiscal year 2013 are shown at gross amounts.

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

Fiscal Year	General Bonded Debt Outstanding (1)				Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations				
2008	\$ 1,366,758,054	\$ 100,000,000	\$ -		\$ 1,466,758,054	0.98 %	\$ 1,556
2009	1,496,561,371	100,000,000	-		1,596,561,371	0.95	1,665
2010	1,437,839,285	100,000,000	232,000,000		1,769,839,285	0.99	1,813
2011	1,517,280,000	100,000,000	338,320,000		1,955,600,000	1.01	1,969
2012	1,658,970,000	100,000,000	338,320,000		2,097,290,000	1.18	2,084
2013	1,930,155,391	100,000,000	339,827,520		2,369,982,911	1.36	2,325
2014	2,085,028,317	100,000,000	339,671,879		2,524,700,196	1.42	2,450
2015	2,465,315,677	100,000,000	339,516,238		2,904,831,915	1.61	2,793
2016	2,582,259,186	100,000,000	323,901,913		3,006,161,099	1.67	2,870
2017	2,722,235,195	90,000,000	308,297,064		3,120,532,259	1.61	2,958

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) See Table 8 for estimated actual value of taxable property data.

(3) See Table 23 for population data used in calculating the Per Capita.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
JUNE 30, 2017
Table 19

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 271,400	100.00 %	\$ 271,400
Poolesville - bonds	1,799,078	100.00	1,799,078
Rockville:			
Bonds	30,861,625	100.00	30,861,625
Certificates or notes	241,333	100.00	241,333
Somerset - bonds	1,395,000	100.00	1,395,000
Takoma Park:			
Bonds	1,768,500	100.00	1,768,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	59,649,305	100.00	59,649,305
MC - capital leases	84,858,548	100.00	84,858,548
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	115,166,181	46.98	54,105,000
Advance land acquisition bonds	1,020,000	100.00	1,020,000
Development Districts (2):			
Kingsview Village Center - bonds	923,480	100.00	923,480
West Germantown - bonds	10,740,000	100.00	<u>10,740,000</u>
Total Overlapping Debt			247,783,269
Montgomery County direct debt (5)			<u>3,989,072,037</u>
Total Direct and Overlapping Debt			<u>\$ 4,236,855,306</u>

NOTES:

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

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

	2008	2009	2010	2011	2012
Assessed Value					
Real property (1, 3)	\$ 142,306,435,593	\$ 158,133,491,473	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758
Personal property (2)	3,970,547,370	3,920,171,020	4,123,996,612	3,856,191,952	3,718,945,710
Total Assessed Value	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,493</u>	<u>\$ 171,220,840,149</u>	<u>\$ 171,646,984,481</u>	<u>\$ 165,916,095,468</u>
Legal Debt Margin					
Debt limit - percentage of assessable base:					
For real property at 6%	\$ 8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985
For personal property at 15%	595,582,106	588,025,653	618,599,492	578,428,793	557,841,857
Legal limitation for the borrowing of funds and the issuance of bonds	9,133,968,242	10,076,035,141	10,644,410,104	10,645,876,345	10,289,670,842
Debt Applicable to Limit:					
General obligation bonds	1,366,758,054	1,496,561,371	1,437,839,285	1,517,280,000	1,658,970,000
Variable rate demand obligation	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs general obligation	-	-	232,000,000	338,320,000	338,320,000
Bond anticipation notes	300,000,000	300,000,000	425,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>1,766,758,054</u>	<u>1,896,561,371</u>	<u>2,194,839,285</u>	<u>2,455,600,000</u>	<u>2,597,290,000</u>
Legal Debt Margin	<u>\$ 7,367,210,188</u>	<u>\$ 8,179,473,770</u>	<u>\$ 8,449,570,819</u>	<u>\$ 8,190,276,345</u>	<u>\$ 7,692,380,842</u>
Legal Debt Margin as a Percentage of Debt Limit	81%	81%	79%	77%	75%
<hr/>					
	2013	2014	2015	2016	2017
Assessed Value					
Real property (1, 3)	\$ 158,272,830,848	\$ 159,891,865,334	\$ 163,656,758,206	\$ 170,176,446,052	\$ 177,495,353,018
Personal property (2)	3,604,478,750	3,709,327,508	3,655,133,210	3,884,349,017	4,051,372,468
Total Assessed Value	<u>\$ 161,877,309,598</u>	<u>\$ 163,601,192,842</u>	<u>\$ 167,311,891,416</u>	<u>\$ 174,060,795,069</u>	<u>\$ 181,546,725,486</u>
Legal Debt Margin					
Debt limit - percentage of assessable base:					
For real property at 6%	\$ 9,496,369,851	\$ 9,593,511,920	\$ 9,819,405,492	\$ 10,210,586,763	\$ 10,649,721,181
For personal property at 15%	540,671,813	556,399,126	548,269,982	582,652,353	607,705,870
Legal limitation for the borrowing of funds and the issuance of bonds	10,037,041,664	10,149,911,046	10,367,675,474	10,793,239,116	11,257,427,051
Debt Applicable to Limit:					
General obligation bonds	1,930,155,391	2,085,028,317	2,465,315,677	2,582,259,186	2,722,235,195
Variable rate demand obligation	100,000,000	100,000,000	100,000,000	100,000,000	90,000,000
Taxable BABs general obligation	339,827,520	339,671,879	339,516,238	323,901,913	308,297,064
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>2,869,982,911</u>	<u>3,024,700,196</u>	<u>3,404,831,915</u>	<u>3,506,161,099</u>	<u>3,620,532,259</u>
Legal Debt Margin	<u>\$ 7,167,058,753</u>	<u>\$ 7,125,210,850</u>	<u>\$ 6,962,843,559</u>	<u>\$ 7,287,078,017</u>	<u>\$ 7,636,658,297</u>
Legal Debt Margin as a Percentage of Debt Limit	71%	70%	67%	68%	68%

NOTES:

- (1) See (1) on Table 8.
- (2) See (2) 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. The legal debt margin is a total of 6 percent of the assessable base (presented at 100 percent) of real property of the County and 15 percent of the County's assessable base of personal property and operating real property.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
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:							
2008	\$ 20,991,790	\$ 6,935,238	\$ 14,056,552	\$ 3,175,000	\$ 1,709,435	\$ 4,884,435	287.78 %
2009	21,538,148	7,409,414	14,128,734	3,340,000	1,566,585	4,906,585	287.95
2010	20,046,662	8,188,688	11,857,974	1,840,000	1,429,335	3,269,335	362.70
2011	19,217,766 (a)	7,829,314	11,388,452	1,915,000	1,355,235	3,270,235	348.25
2012	18,137,767 (a)	8,038,372	10,099,395	1,995,000	1,278,135	3,273,135	308.55
2013	20,201,622 (a)	8,006,351	12,195,271	2,020,000	2,030,369	4,050,369	301.09
2014	19,001,427 (a)	8,129,681	10,871,746	2,100,000	1,910,939	4,010,939	271.05
2015	21,153,076 (a)	9,015,362	12,137,714	3,120,000	1,839,789	4,959,789	244.72
2016	17,963,769 (a)	9,024,033	8,939,736	3,245,000	1,575,467	4,820,467	185.45
2017	20,320,118 (a)	9,924,556	10,395,562	3,158,000	1,416,347	4,574,347	227.26
Liquor Control:							
2010	\$ 229,335,472	\$ 201,443,397	\$ 27,892,075	\$ 1,745,000	\$ 2,024,478	\$ 3,769,478	739.95 %
2011	242,614,756	212,550,427	30,064,329	1,550,000	2,108,248	3,658,248	821.82
2012	252,364,670	217,254,363	35,110,307	2,825,000	3,530,455	6,355,455	552.44
2013	258,903,266	222,759,553	36,143,713	2,790,000	3,561,750	6,351,750	569.04
2014	268,683,615	235,187,621	33,495,994	4,725,000	5,038,843	9,763,843	343.06
2015	278,792,397	245,176,046	33,616,351	4,640,000	5,188,539	9,828,539	342.03
2016	294,621,921	261,015,960	33,605,961	4,865,000	4,972,389	9,837,389	341.61
2017	298,572,068	269,930,631	28,641,437	5,060,000	4,774,889	9,834,889	291.22
Metrorail Garage Project:							
2008	\$ 3,292,339	\$ -	\$ 3,292,339	\$ 1,585,000	\$ 1,707,339	\$ 3,292,339	100.00 %
2009	3,295,276	-	3,295,276	1,645,000	1,650,276	3,295,276	100.00
2010	3,294,214	-	3,294,214	1,705,000	1,589,214	3,294,214	100.00
2011	3,292,009	-	3,292,009	1,770,000	1,522,009	3,292,009	100.00
2012	3,416,120	-	3,416,120	2,365,000	1,051,120	3,416,120	100.00
2013	3,472,363	-	3,472,363	1,860,000	1,612,363	3,472,363	100.00
2014	3,474,363	-	3,474,363	1,955,000	1,519,363	3,474,363	100.00
2015	3,481,613	-	3,481,613	2,060,000	1,421,613	3,481,613	100.00
2016	3,478,613	-	3,478,613	2,160,000	1,318,613	3,478,613	100.00
2017	3,490,613	-	3,490,613	2,280,000	1,210,613	3,490,613	100.00
Water Quality Protection:							
2013	\$ 25,302,118	\$ 16,937,522	\$ 8,364,596	\$ 915,000	\$ 1,207,601	\$ 2,122,601	394.07 %
2014	26,047,644	17,248,871	8,798,773	1,310,000	1,706,150	3,016,150	291.72
2015	30,745,793	20,016,830	10,728,963	1,340,000	1,678,850	3,018,850	355.40
2016	33,454,313	20,751,317	12,702,996	1,395,000	1,625,250	3,020,250	420.59
2017	38,471,238	22,324,542	16,146,696	3,185,000	2,963,160	6,148,160	262.63

NOTES:

- (1) Table includes debt that is secured by a pledge of a specific revenue stream, and is designed to reflect whether the County had to use general (unpledged) revenues to repay debt that was intended to be self-supporting.
- (2) Gross revenues include non-operating investment income. Gross revenues for the parking lot district bonds include all revenues of the district and consist primarily of parking fee charges for services, parking fines, and dedicated property taxes. Gross revenues for the metrorail garage project lease revenue bonds include lease payments from WMATA. Gross revenues for the liquor control bonds come primarily from the sale of beverage alcohol products. Gross revenues for the water quality protection bonds include the water quality protection excise tax that is part of property tax bills and based on the potential for a property to contribute to stormwater runoff.
- (3) Operating expenses do not include interest, depreciation, or amortization expenses.
- (4) Debt service consists of amounts relating to revenue or lease revenue bonds; amounts relating to general obligation bonds are excluded.
- (a) Parking Lot District gross revenue excludes non-cash gains on disposal of capital assets; not available to pay for debt service.

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

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees (1)	Rank	Percentage of Total County Employment (2,3)	Employees	Rank	Percentage of Total County Employment (2,3)
U.S. Department of Health and Human Services	30,089	1	6.10 %	39,979	1	8.31 %
Montgomery County Public Schools	26,205	2	5.31	20,769	2	4.32
Montgomery County Government	11,014	3	2.23	9,059	4	1.88
U.S. Department of Defense	5,863	4	1.19	14,709	3	3.06
U.S. Department of Commerce	5,608	5	1.14	8,749	5	1.82
Adventist Healthcare	4,793	6	0.97	8,090	6	1.68
Marriott International, Inc. (Headquarters)	4,184	7	0.85	3,000	9	0.62
Holy Cross Hospital of Silver Spring	3,942	8	0.80	*		-
Red Coats, Inc.	3,826	9	0.78	*		-
Montgomery College	3,488	10	0.71	*		-
Lockheed Martin Corporation	*		-	7,518	7	1.56
Giant Food Corporation	*		-	3,816	8	0.79
U.S. Nuclear Regulatory Commission	*		-	2,972	10	0.62
Total	<u>99,012</u>		<u>20.08 %</u>	<u>118,661</u>		<u>24.66 %</u>

NOTES:

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

- (1) Employee numbers are based on Finance Department's analysis of the MD Department of Labor, Licensing and Regulation's Quarterly Census of Employment and Wages, 4th quarter CY2016 data of public and private employers in Montgomery County.
- (2) Employee counts for federal and military facilities exclude contractors to the extent possible.
- (3) Total average payroll employment in FY17 was 493,289, and in FY08, 481,300.

Source: Montgomery County Department of Finance (FY17) and Montgomery County Department of Economic Development (FY08)

MONTGOMERY COUNTY, MARYLAND
 DEMOGRAPHIC STATISTICS
 LAST TEN YEARS
Table 23

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year) (7)
2008	942,748	\$ 67,564,394	\$ 71,668	515,987	499,705	3.2 %	137,745
2009	959,013	66,147,761	68,975	522,421	494,565	5.3	137,763
2010	976,179	69,149,438	70,837	532,549	502,710	5.6	140,500
2011	993,068	73,818,085	74,333	536,832	508,549	5.3	143,309
2012	1,006,472	76,994,315	76,499	540,427	512,438	5.2	146,497
2013	1,019,164	74,017,970	72,626	542,690	515,689	5.0	149,018
2014	1,030,476	75,840,951	73,598	544,210	520,288	4.4	151,289
2015	1,040,116	79,946,266	76,863	548,499	527,034	3.9	153,852
2016	1,047,500	82,910,000	79,150	551,392	533,201	3.3	159,242
2017	1,055,000	86,730,000	82,209	554,029	536,300	3.2	161,909

NOTES:

- (1) Sources: Data for 2008-2015 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2016 and 2017 are estimated by the Montgomery County Department of Finance from Round 8.4 Cooperative Estimates and pertain to population in households. Data for 2007-2015 were published by BEA.
- (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 2008-2015 were revised by BEA. Data for 2016 through 2017 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 2012 - 2016. Data for 2017 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first five months of CY16 to the average of the first five months of CY17.
- (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 2012-2016 were revised by BLS. Data for 2017 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first five months of CY2016 to the first five months of CY2017.
- (6) The unemployment rates for 2012 through 2016 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2017 is estimated by Montgomery County Department of Finance based on the estimate of the civilian labor force and the estimate of resident employment.
- (7) Source: County Executive's Recommended FY18 Operating Budget, Office of Management and Budget, Montgomery County, page 5-16.

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

	2008 ⁽⁴⁾	2009 ⁽⁴⁾	2010 ⁽⁴⁾	2011 ⁽⁴⁾	2012 ⁽⁴⁾	2013	2014	2015	2016	2017
Governmental Activities:										
General Government:										
Legislative Branch:										
Board of Appeals	5	5	5	4	4	4	4	4	4	4
County Council	73	77	75	70	73	75	77	79	82	82
Inspector General	6	6	5	3	4	5	5	5	7	7
Legislative Oversight	11	11	11	9	9	10	11	11	11	11
Merit System Protection Board	1	1	1	1	1	1	1	1	2	2
People's Counsel	2	2	2	2	-	-	-	-	-	-
Zoning and Administrative Hearings	4	4	4	4	4	4	4	4	4	4
Judicial Branch:										
Circuit Court	108	109	110	107	106	117	118	114	114	114
State's Attorney	118	121	122	119	122	129	132	136	140	143
Executive Branch:										
Agriculture	-	-	-	-	-	-	-	-	-	4
Board of Elections	47	47	46	44	40	31	31	51	55	55
Commission for Women	11	11	10	6	-	-	-	-	-	-
Community Engagement (2)	-	-	-	-	24	22	22	22	22	23
County Attorney	44	43	39	37	34	42	43	43	44	44
County Executive	41	50	47	32	26	28	31	32	33	34
Ethics Commission	3	3	2	-	2	3	3	3	3	3
Finance	121	116	108	103	107	114	125	126	126	122
General Services	-	194	199	179	178	184	183	191	162	164
Human Resources	61	59	58	44	49	60	67	66	67	68
Human Rights	22	22	19	15	8	8	8	9	9	9
Intergovernmental Relations	5	5	5	5	5	5	5	5	5	5
Management and Budget	31	30	29	25	25	28	28	29	30	30
Procurement (5)	30	-	-	-	-	-	-	-	33	35
Public Information	9	9	8	42	42	43	42	43	43	42
Regional Services Centers	31	34	29	17	-	-	-	-	-	-
Technology Services	150	146	138	107	102	104	110	110	147	159
Urban Districts	57	58	58	50	52	55	55	58	58	59
Non-Departmental Accounts	3	3	3	3	2	2	4	4	4	4
Public Safety:										
Consumer Protection	22	21	19	15	15	16	17	17	17	16
Correction and Rehabilitation	635	622	599	555	557	512	518	526	527	538
Emergency Management and Homeland Security	72	10	9	10	11	11	12	14	15	15
Fire and Rescue	1,335	1,351	1,349	1,267	1,240	1,254	1,282	1,287	1,299	1,303
Police	1,777	1,819	1,789	1,720	1,724	1,744	1,767	1,843	1,868	1,888
Sheriff	183	183	176	169	166	178	185	183	183	190
Transportation:										
Fleet Management	191	205	202	194	206	205	205	204	204	204
Transit Services	762	871	831	789	831	814	816	836	836	842
Other (3)	480	315	346	305	258	258	273	275	279	283
Health and Human Services	1,605	1,613	1,577	1,462	1,484	1,559	1,569	1,589	1,594	1,619
Culture and Recreation:										
Cable TV	15	17	19	26	27	30	31	31	31	32
Public Libraries	428	426	388	299	273	314	350	385	389	387
Recreation	450	451	422	365	343	375	398	414	417	441
Community Development and Housing:										
Economic Development	52	46	41	32	26	29	31	34	33	1
Housing and Community Affairs	77	73	67	59	58	66	73	77	80	84
Environmental Protection	51	51	52	51	84	91	93	97	102	105
Business-Type Activities:										
Community Use of Public Facilities	26	27	25	22	26	27	27	27	28	29
Liquor Control	341	344	337	313	323	324	339	337	427	432
Parking Lot Districts	47	50	51	46	48	49	49	50	49	49
Permitting Services	214	218	197	173	178	198	201	207	213	244
Solid Waste Activities	155	159	105	99	103	103	102	103	103	106
Total FTEs	9,912	10,038	9,734	8,999	9,000	9,231	9,447	9,682	9,899	10,035

NOTES:

Amounts represent budgeted workyears or FTEs rounded to nearest whole workyear.

- (1) Represents County government FTEs only, and excludes component units. Therefore, no FTEs are listed for Education function, which relates to component units MCPS and MC.
- (2) Community Engagement Cluster created in FY12 by consolidating the staffing of the Regional Services Centers, the Gilchrist Center and the Commission for Women.
- (3) Excludes programs presented under business-type activities.
- (4) Effective FY13, FTE is used as a measure rather than workyear. Years FY08 to FY12 still reflect original workyear measurements.
- (5) Effective FY16, The Office of Procurement was established per Expedited Bill No. 7-15.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (1)
Governmental Activities:										
General Government:										
Number of Procurement Office actions (2)	8,396	7,709	7,188	6,610	6,750	7,711	8,396	7,556	8,429 (6)	7,615
Number of property tax bills processed (5)	358,514	361,237	361,963	362,971	364,050	365,495	366,847	367,708	371,446	371,866
Number of payments issued	153,201	154,416	137,856	117,831	111,211	112,507	129,973	121,311	121,366	125,764
Investment portfolio return (5)	4.41 %	1.71 %	0.22 %	0.10 %	0.02 %	0.16 %	0.15 %	0.18 %	0.39 %	0.71 %
Public Safety:										
Fire and Rescue:										
Number of responses to incidents	106,321	105,736	107,527	109,153	109,597	108,996	109,496	115,366	116,915	120,989
Number of inspections completed	16,771	24,663	20,994	13,139 (7)	7,353	6,036	11,644	13,929	16,439	17,386
Number of fire fatalities	10	1	1	2	4	2	4	4	3	9
Police:										
Number of arrests	11,741	13,286	13,150	13,567	13,216	12,511	13,153	16,518	20,045	16,707
Number of traffic citations (calendar years)	102,280	93,796	82,119	65,439	55,710	53,540	107,040	106,944	105,607 (6)	100,867
Number of warrants served	10,222	9,052	7,823	7,542	9,598	12,623	8,297	9,763	8,109	7,779
Transportation (3):										
Lane-miles of streets resurfaced	248	250	377	258	332	442	311	436	405	293
Number of passengers transported	29,673,000	29,627,000	27,895,138	26,719,517	27,240,110	26,603,242	26,391,551	25,972,313	24,512,705	22,984,192
Health and Human Services:										
Number of applicants approved for the Home Energy Program	6,840	8,077	9,681	9,438	8,778	7,308	7,951	7,440	7,822	7,587
Number of individuals served through the Crisis Center	60,390	59,966	60,150	50,083	47,075	48,312	45,749	45,906	47,191	46,202
Number of licensed and registered child care slots in the County	34,382	35,501	35,403	36,426	38,722	39,806	38,506	39,501	40,292	41,768
Number of in-home aide service hours for seniors and people with disabilities	219,515	182,761	156,634	122,991	101,905	90,000	94,012	110,848	105,000	110,185
Culture and Recreation:										
Library:										
Number of items circulated	11,451,481	11,836,563	12,105,851	10,137,952	9,403,471	9,303,918	9,770,776	10,035,027	10,478,360	10,172,487
Recreation:										
Number of community center visits/contacts	4,050,000	1,760,336	1,315,022	1,299,619	1,320,664	1,178,398	1,127,742	985,527	955,160	1,634,333
Number of visits to County pools	1,600,000	2,230,406	2,232,902	2,234,904	2,246,874	2,255,874	2,553,202	2,696,608	1,570,434 (6)	2,482,362
Number of persons registered for camps and classes	25,000	51,785	66,029	51,648	53,746	55,044	55,829	65,762	76,285	85,835
Community Development and Housing:										
Housing and Community Affairs:										
Number of housing rental licenses issued	82,205	85,285	86,267	89,286	91,555	92,527	96,185	98,525	100,379	101,810
Number of housing code enforcement cases	6,574	7,547	7,282	7,186	6,988	6,597	6,998	7,633	8,250	7,917
Environment:										
Number of sediment control inspections performed for development sites	16,389	17,859	17,666	13,472	12,206	12,839	16,287	18,741	19,109	18,259
Education:										
Average number of pupils registered pre-K through 12 (4)	137,745	139,276	141,777	144,064	146,497	148,779	151,298	153,852	156,447	159,010
College students - credit and non-credit (4)	58,506	59,479	60,698	60,970	63,837	62,417	59,389	56,228	56,001	55,243
Business-Type Activities:										
Land development plans approved	4,324	3,302	3,432	4,066	4,967	4,517	5,112	5,161	6,048	6,013
Refuse collected (tons)	83,181	81,704	83,826	85,628	86,512	69,568	71,407	73,996	71,767	70,684
Waste processed at the Resource Recovery Facility (tons)	579,660	540,407	535,980	575,000	540,644	546,644	577,787	591,687	620,505	634,089
Number of cases sold from the Department of Liquor Control retail stores	921,681	979,464	1,014,804	1,096,702	1,093,554	1,094,530	1,155,544	1,131,073	1,163,437 (6)	1,139,836
Number of wholesale liquor cases sold to private liquor stores	4,191,956	4,092,765	4,104,740	4,142,590	4,104,574	4,068,430	4,174,541	4,079,000	4,138,371 (6)	4,068,797

NOTES:

- (1) Indicators represent actuals or latest estimates of actuals.
- (2) Indicators provided by Office of Procurement.
- (3) Excludes programs presented under "Business-Type Activities."
- (4) Indicators provided by the Montgomery County Public Schools and Montgomery College, two component unit organizations.
- (5) Indicators provided by Department of Finance.
- (6) Revised.
- (7) The decrease in number of inspections reflects a loss of 12 inspector positions from mid-2010 thru mid-2011.

Source: 2006: Montgomery Measures Up!, Montgomery County Office of Management and Budget. 2007 and later: County departments.

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Table 26

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General Government:										
Number of conference centers	1	1	1	1	1	1	1	1	1	1
Landfills	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Police stations	6	6	6	6	6	6	6	6	6	6
Police satellites	8	8	8	8	4	4	3	3	3	3
Police vehicles	1,340	1,410	1,369	1,327	1,363	1,341	1,345	1,467	1,486	1,509
Fire stations	34	35	35	36	36	37	37	37	37	37
Fire apparatus	471	498	518	452	464	451	461	447	493	497
Transportation:										
Streets (miles)	2,609	2,611	2,621	2,621	2,623	2,627	2,631	2,634	2,640	2,661
Ride On buses	469	480	462	390	410	412	422	379	403	389
Administrative vehicles	757	806	785	757	734	738	761	764	869	885
Fire vehicles	130	134	122	121	120	115	116	113	94	96
Heavy equipment	540	482	456	454	460	463	482	420	423	481
Streetlights	66,528	66,752	66,903	66,962	67,211	67,781	67,931	67,969	68,350	68,675
Traffic signals	772	779	791	800	814	823	829	836	848	854
Culture and Recreation:										
Libraries	22	22	22	22	22	22	22	22	22	22
Volumes in library collection	3,131,150	3,168,551	2,809,010	2,660,221	2,564,280	2,500,705	2,834,652	2,060,370	1,993,001	2,235,689
Swimming pools	14	14	13	13	13	13	13	13	13	13
Community Development and Housing:										
Number of low income housing units	102	102	101	101	101	101	101	101	101	101
Environment:										
Storm drains (miles)	864	864	874	874	875	877	881	883	888	893
Education:										
Elementary, Middle and High School buildings	200	199	200	200	200	202	202	203	204	205
College buildings	43	44	46	48	48	49	49	49	49	51
Business-Type Activities:										
Parking spaces in parking lot districts	21,160	21,169	21,185	21,173	20,470	19,989	19,984	20,970	20,754	20,482
Parking garages/lots	41	41	41	41	40	40	42	42	41	40

NOTES:

* Data relates to primary government only, except for education data which relates to MCPS and MC.

* Some numbers for PFY have been restated

* Sources: Various County departments, MCPS, and MC.

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* POEB = Pension and Other Employee Benefits

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