

MONTGOMERY COUNTY MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Prepared by the
Department of Finance

Timothy L. Firestine, Director
101 Monroe Street
Rockville, Maryland 20850
240-777-8860

Fiscal Year 1999
July 1, 1998 - June 30, 1999

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PART IV - INDEX



FINANCIAL SECTION

ARTHUR ANDERSEN LLP

Report of Independent Public Accountants

To the Honorable County Council of Montgomery County, Maryland

We have audited the accompanying general purpose financial statements (identified as Exhibits A-1 through A-12 in the accompanying Table of Contents) and the combining and individual fund and account group financial statements and schedules (identified as Exhibits B-1 through I-4 in the accompanying Table of Contents) of Montgomery County, Maryland (the "County"), as of and for the year ended June 30, 1999. These financial statements and schedules are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit. We did not audit the financial statements of the Montgomery Community College, the Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, and the Bethesda Urban Partnership, Incorporated. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining, and individual fund and account group financial statements and schedules referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the County as of June 30, 1999, and the results of operations of such funds and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 1999 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The schedule of historical pension information in Note 17 to the general purpose financial statements is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

ARTHUR ANDERSEN LLP

The Year 2000 supplementary information in Note 18 to the general purpose financial statements is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin 98-1, as amended, are not sufficiently specific to permit meaningful results from the prescribed procedures. In addition, we do not provide assurance that the County is or will become Year 2000 compliant, that the County's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the County does business are or will be Year 2000 compliant.

Arthur Andersen LLP

Vienna, Virginia
December 3, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements include all funds, account groups, and component units of Montgomery County. They serve as an introduction to the more detailed statements, schedules, and additional information that are in the following sections.

MONTGOMERY COUNTY, MARYLAND
 COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 1999
Exhibit A-1

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Enterprise
ASSETS AND OTHER DEBITS					
Assets:					
Equity in pooled cash and investments	\$ 203,657,683	\$ 110,322,196	\$ 2,401,684	\$ 44,007,143	\$ 86,160,279
Cash with fiscal agents	-	-	23,450,476	-	-
Cash	161,375	44,950	-	-	31,175
Cash and cash equivalents - nonexpendable trust	-	-	-	-	-
Investments - cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Deferred compensation invested with fiscal agents	-	-	-	-	-
Receivables (net of allowances for uncollectibles):					
Income taxes	124,303,504	-	-	-	-
Property taxes	20,219,046	4,364,018	1,658	-	1,580,762
Accounts	15,167,885	2,032,998	-	708,309	8,413,606
Special assessments	-	-	259,520	-	-
Notes	-	2,404,676	-	-	-
Parking violations	1,555,871	-	-	-	2,546,812
Mortgages	238,105	37,070,006	-	-	-
Interest	-	-	-	-	-
Other	-	122,780	-	-	-
Due from other funds	57,091,255	1,777,587	-	750,000	3,106,570
Due from primary government	-	-	-	-	-
Due from component units	929,718	10,298,299	-	6,140,834	69,637
Due from other governments	18,727,021	16,730,026	-	3,144,495	2,721,400
Property liens acquired at tax sale	507,430	-	-	-	-
Inventory of supplies	2,070,390	-	-	2,617,046	20,481,531
Group annuity contract	-	-	-	-	-
Prepays	251,278	134,908	-	-	226,535
Unamortized bond costs	-	-	-	-	1,964,337
Restricted Assets:					
Equity in pooled cash and investments	-	-	-	-	29,220,649
Cash	-	-	-	-	-
Cash with fiscal agents	-	-	-	-	-
Investments - cash equivalents	-	-	-	-	-
Investments	-	-	-	-	4,325,060
Fixed assets (net of accumulated depreciation)	-	-	-	-	145,822,707
Other assets	-	-	-	-	121,972
Other Debits:					
Amounts to be Provided for:					
Retirement of general obligation bonds	-	-	-	-	-
Retirement of bond anticipation notes	-	-	-	-	-
Loans payable	-	-	-	-	-
Compensated absences	-	-	-	-	-
Claims and judgments	-	-	-	-	-
Capital leases	-	-	-	-	-
Equipment purchase contracts	-	-	-	-	-
Other long-term debt	-	-	-	-	-
Total Assets and Other Debits	\$ 444,880,561	\$ 185,302,444	\$ 26,113,338	\$ 57,367,827	\$ 306,793,032

(Continued)

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units	Totals (Memorandum Only)	
		General Fixed Assets	General Long- Term Obligations	Primary Government	Reporting Entity			
\$ 92,480,632	\$ 79,783,472	\$ -	\$ -	\$ 618,813,089	\$ 26,742,927	\$ 645,556,016		
-	-	-	-	23,450,476	9,264,526	32,715,002		
300	82,341	-	-	320,141	11,120,092	11,440,233		
-	376,633	-	-	376,633	-	376,633		
-	-	-	-	-	31,981,380	31,981,380		
383,673	1,974,723,724	-	-	1,975,107,397	743,001,500	2,718,108,897		
-	178,998,503	-	-	178,998,503	-	178,998,503		
-	-	-	-	124,303,504	-	124,303,504		
-	4,616,458	-	-	30,781,942	-	30,781,942		
153,253	4,585,755	-	-	31,061,806	12,401,046	43,462,852		
-	-	-	-	259,520	-	259,520		
-	-	-	-	2,404,676	1,715,811	4,120,487		
-	-	-	-	4,102,683	-	4,102,683		
-	-	-	-	37,308,111	315,033,841	352,341,952		
-	105,227	-	-	105,227	4,902,912	5,008,139		
-	3,394,635	-	-	3,517,415	3,564,234	7,081,649		
3,033,123	4,130,922	-	-	69,889,457	72,549,331	142,438,788		
-	-	-	-	-	40,643,580	40,643,580		
401,931	57,329	-	-	17,897,748	-	17,897,748		
228,213	89,652	-	-	41,640,807	54,937,328	96,578,135		
-	-	-	-	507,430	-	507,430		
919,018	-	-	-	26,087,985	7,023,242	33,111,227		
-	72,228,576	-	-	72,228,576	-	72,228,576		
252,759	1,443	-	-	866,923	1,007,770	1,874,693		
-	-	-	-	1,964,337	416,788	2,381,125		
-	-	-	-	29,220,649	5,202,031	34,422,680		
-	-	-	-	-	23,995,771	23,995,771		
-	-	-	-	-	7,969,837	7,969,837		
-	-	-	-	-	117,578,596	117,578,596		
-	-	-	-	4,325,060	98,848,103	103,173,163		
20,730,183	-	1,735,772,210	-	1,902,325,100	2,008,822,769	3,911,147,869		
-	-	-	-	121,972	20,011,850	20,133,822		
-	-	-	1,089,111,888	1,089,111,888	-	1,089,111,888		
-	-	-	80,000,000	80,000,000	-	80,000,000		
-	-	-	-	-	2,607,065	2,607,065		
-	-	-	35,236,320	35,236,320	63,287,672	98,523,992		
-	-	-	1,240,000	1,240,000	-	1,240,000		
-	-	-	-	-	21,817,240	21,817,240		
-	-	-	697,555	697,555	-	697,555		
-	-	-	5,609,595	5,609,595	4,806,858	10,416,453		
\$ 118,583,085	\$ 2,323,174,670	\$ 1,735,772,210	\$ 1,211,895,358	\$ 6,409,882,525	\$ 3,711,254,100	\$ 10,121,136,625		

MONTGOMERY COUNTY, MARYLAND
 COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND
 DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED
 JUNE 30, 1999
Exhibit A-1

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Enterprise
LIABILITIES, EQUITY, AND OTHER CREDITS					
Liabilities:					
Accounts/vouchers payable	\$ 19,018,778	\$ 8,724,417	\$ 55,201	\$ 7,734,340	\$ 16,777,967
Interest payable	-	-	-	-	436,277
Retainage payable	58,328	-	-	3,349,062	849,120
Accrued liabilities	16,620,317	6,658,146	-	513,671	10,619,813
Claims payable	-	-	-	-	-
Deposits	-	53,189	-	-	-
Due to other funds	4,526,452	2,545,305	23,450,476	34,915,011	430,984
Due to primary government	-	-	-	-	-
Due to component units	12,421,479	1,790,609	-	-	299,990
Due to other governments	2,309,428	1,451,187	-	1,089,097	1,471,982
Other liabilities	-	-	-	-	-
Deferred revenue	159,668,444	25,725,868	2,607,661	6,126,574	-
Property tax refunds due	-	-	-	-	-
Tax sale surplus and redemptions due	-	-	-	-	-
Notes payable	-	-	-	-	-
General obligation bonds payable	-	-	-	-	2,501,166
Bond anticipation notes payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	75,444,958
Compensated absences payable	-	-	-	-	-
Claims and judgments	-	-	-	-	-
Capital leases payable	-	-	-	-	-
Equipment purchase contracts payable	-	-	-	-	1,586,888
Mortgages payable	-	-	-	-	-
Landfill closure costs	-	-	-	-	33,265,900
Other long-term debt	-	-	-	-	-
Total Liabilities	214,623,226	46,948,721	26,113,338	53,727,755	143,685,045
Equity and Other Credits:					
Contributed capital	-	-	-	-	866,638
Investment in general fixed assets	-	-	-	-	-
Net assets of component units	-	-	-	-	-
Retained Earnings:					
Reserved	-	-	-	-	35,718,970
Unreserved	-	-	-	-	126,522,379
Fund balances:					
Reserved	22,947,323	38,130,628	-	60,861,379	-
Unreserved:					
Designated	116,822,382	17,646,524	-	-	-
Undesignated (deficit)	90,487,630	82,576,571	-	(57,221,307)	-
Total Equity and Other Credits	230,257,335	138,353,723	-	3,640,072	163,107,987
Total Liabilities, Equity, and Other Credits	\$ 444,880,561	\$ 185,302,444	\$ 26,113,338	\$ 57,367,827	\$ 306,793,032

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units	Totals (Memorandum Only) Reporting Entity
		General Fixed Assets	General Long- Term Obligations	Primary Government			
Internal Service	Trust and Agency						
\$ 2,699,676	\$ 131,176,445	\$ -	\$ -	\$ 186,186,824	\$ 70,043,416	\$ 256,230,240	
-	-	-	-	436,277	18,932,543	19,368,820	
-	-	-	-	4,256,510	5,819,228	10,075,738	
3,906,885	121,725	-	-	38,440,557	55,253,463	93,694,020	
45,238,686	-	-	-	45,238,686	10,689,337	55,928,023	
-	1,042,166	-	-	1,095,355	3,335,381	4,430,736	
163,914	745	-	3,856,570	69,889,457	72,549,331	142,438,788	
-	-	-	-	-	17,897,748	17,897,748	
-	19,556,635	-	-	34,068,713	-	34,068,713	
-	7,378,962	-	1,753,025	15,453,681	-	15,453,681	
-	12,796,600	-	-	12,796,600	13,122,401	25,919,001	
99,578	4,896,062	-	-	199,124,187	10,258,292	209,382,479	
-	19,438,540	-	-	19,438,540	-	19,438,540	
-	1,079,413	-	-	1,079,413	-	1,079,413	
-	-	-	-	-	26,440,964	26,440,964	
-	-	-	1,089,111,888	1,091,613,054	-	1,091,613,054	
-	-	-	80,000,000	80,000,000	-	80,000,000	
-	-	-	-	75,444,958	662,933,631	738,378,589	
-	-	-	35,236,320	35,236,320	66,373,669	101,609,989	
-	-	-	1,240,000	1,240,000	-	1,240,000	
-	-	-	-	-	42,792,907	42,792,907	
-	-	-	697,555	2,284,443	-	2,284,443	
-	-	-	-	-	1,564,308	1,564,308	
-	-	-	-	33,265,900	-	33,265,900	
-	-	-	-	-	4,806,858	4,806,858	
<u>52,108,739</u>	<u>197,487,293</u>	<u>-</u>	<u>1,211,895,358</u>	<u>1,946,589,475</u>	<u>1,082,813,477</u>	<u>3,029,402,952</u>	
13,150,177	-	-	-	14,016,815	12,204,448	26,221,263	
-	-	1,735,772,210	-	1,735,772,210	1,696,447,943	3,432,220,153	
-	-	-	-	-	1,535,301	1,535,301	
-	-	-	-	35,718,970	35,862,518	71,581,488	
53,324,169	-	-	-	179,846,548	153,189,974	333,036,522	
-	1,932,403,247	-	-	2,054,342,577	720,841,500	2,775,184,077	
-	193,284,130	-	-	327,753,036	8,557,511	336,310,547	
-	-	-	-	115,842,894	(198,572)	115,644,322	
<u>66,474,346</u>	<u>2,125,687,377</u>	<u>1,735,772,210</u>	<u>-</u>	<u>4,463,293,050</u>	<u>2,628,440,623</u>	<u>7,091,733,673</u>	
<u>\$ 118,583,085</u>	<u>\$ 2,323,174,670</u>	<u>\$ 1,735,772,210</u>	<u>\$ 1,211,895,358</u>	<u>\$ 6,409,882,525</u>	<u>\$ 3,711,254,100</u>	<u>\$ 10,121,136,625</u>	

MONTGOMERY COUNTY, MARYLAND

COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 1999

Exhibit A-2

	Montgomery County Public Schools	Montgomery Community College
ASSETS AND OTHER DEBITS		
Assets:		
Equity in pooled cash and investments	\$ 14,742,518	\$ 8,940,831
Cash with fiscal agents	202,476	-
Cash	6,714,133	223,072
Investments - cash equivalents	25,195,608	-
Investments	710,099,720	31,860,498
Receivables (net of allowances for uncollectibles):		
Accounts	3,959,150	898,261
Notes	-	1,706,698
Mortgages	-	-
Interest	-	-
Other	1,628,700	1,633,113
Due from other funds	38,819,806	4,652,822
Due from primary government	27,904,225	12,472,550
Due from other governments	40,979,279	9,127,396
Inventory of supplies	5,428,560	1,157,476
Prepays and deposits	12,879	76,888
Unamortized bond costs	-	-
Restricted Assets:		
Equity in pooled cash and investments	-	-
Cash	-	-
Cash with fiscal agents	-	-
Investments - cash equivalents	-	-
Investments	-	-
Fixed assets (net of accumulated depreciation)	1,601,084,108	101,629,964
Other assets	-	-
Other debits:		
Amounts to be provided for:		
Loans payable	2,607,065	-
Compensated absences	63,287,672	-
Capital leases	21,817,240	-
Other long-term debt	4,806,858	-
Total Assets and Other Debits	<u>\$ 2,569,289,997</u>	<u>\$ 174,379,569</u>

(Continued)

Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Incorporated	Totals
\$ -	\$ 3,059,578	\$ -	\$ 26,742,927
-	9,062,050	-	9,264,526
540,803	3,375,257	266,827	11,120,092
3,041,351	3,744,421	-	31,981,380
-	1,041,282	-	743,001,500
20,717	7,490,704	32,214	12,401,046
-	9,113	-	1,715,811
-	315,033,841	-	315,033,841
-	4,902,912	-	4,902,912
-	302,421	-	3,564,234
-	29,076,703	-	72,549,331
20,515	213,467	32,823	40,643,580
380,199	4,450,454	-	54,937,328
122,056	315,150	-	7,023,242
31,545	879,870	6,588	1,007,770
416,788	-	-	416,788
-	5,202,031	-	5,202,031
51,368	23,944,403	-	23,995,771
-	7,969,837	-	7,969,837
6,172,006	111,406,590	-	117,578,596
-	98,848,103	-	98,848,103
58,313,530	247,592,340	202,827	2,008,822,769
-	20,011,850	-	20,011,850
-	-	-	2,607,065
-	-	-	63,287,672
-	-	-	21,817,240
-	-	-	4,806,858
<u>\$ 69,110,878</u>	<u>\$ 897,932,377</u>	<u>\$ 541,279</u>	<u>\$ 3,711,254,100</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED
 JUNE 30, 1999
Exhibit A-2

	Montgomery County Public Schools	Montgomery Community College
LIABILITIES, EQUITY, AND OTHER CREDITS		
Liabilities:		
Accounts/vouchers payable	\$ 23,549,222	\$ 22,825,074
Interest payable	43,795	-
Retainage payable	5,773,016	46,212
Accrued liabilities	48,654,400	6,328,452
Claims payable	10,689,337	-
Deposits	-	-
Due to other funds	38,819,806	4,652,822
Due to primary government	70,578	342,809
Other liabilities	12,769,088	353,313
Deferred revenue	3,808,867	1,592,787
Notes payable	-	-
Revenue bonds payable	-	-
Compensated absences payable	66,373,669	-
Capital leases payable	22,808,082	-
Mortgages payable	-	-
Other long-term debt	4,806,858	-
	<u>238,166,718</u>	<u>36,141,469</u>
Total Liabilities		
Equity and Other Credits:		
Contributed capital	5,234,982	-
Investment in general fixed assets	1,594,873,931	101,574,012
Net assets of component units	1,535,301	-
Retained Earnings:		
Reserved	35,431,778	-
Unreserved (deficit)	1,910,903	-
Fund Balances:		
Reserved	716,164,782	4,588,234
Unreserved:		
Designated	-	8,557,511
Undesignated (deficit)	(24,028,398)	23,518,343
	<u>2,331,123,279</u>	<u>138,238,100</u>
Total Equity and Other Credits		
Total Liabilities, Equity, and Other Credits	<u>\$ 2,569,289,997</u>	<u>\$ 174,379,569</u>

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

Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Incorporated	Totals
\$ 4,037,746	\$ 19,565,938	\$ 65,436	\$ 70,043,416
558,890	18,329,858	-	18,932,543
-	-	-	5,819,228
196,699	-	73,912	55,253,463
-	-	-	10,689,337
36,455	3,298,926	-	3,335,381
-	29,076,703	-	72,549,331
32,827	17,449,570	1,964	17,897,748
-	-	-	13,122,401
681,898	4,174,740	-	10,258,292
-	26,440,964	-	26,440,964
43,554,073	619,379,558	-	662,933,631
-	-	-	66,373,669
-	19,984,825	-	42,792,907
1,564,308	-	-	1,564,308
-	-	-	4,806,858
<u>50,662,896</u>	<u>757,701,082</u>	<u>141,312</u>	<u>1,082,813,477</u>
6,969,466	-	-	12,204,448
-	-	-	1,696,447,943
-	-	-	1,535,301
430,740	-	-	35,862,518
11,047,776	140,231,295	-	153,189,974
-	-	88,484	720,841,500
-	-	-	8,557,511
-	-	311,483	(198,572)
<u>18,447,982</u>	<u>140,231,295</u>	<u>399,967</u>	<u>2,628,440,623</u>
<u>\$ 69,110,878</u>	<u>\$ 897,932,377</u>	<u>\$ 541,279</u>	<u>\$ 3,711,254,100</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS, AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-3

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$ 1,420,500,470	\$ 135,059,706	\$ -
Licenses and permits	4,338,599	3,268,174	-
Intergovernmental	93,255,279	125,996,490	-
Charges for services	7,337,927	28,392,686	93,934
Fines and forfeitures	3,188,275	726,430	-
Investment income	16,865,855	7,222,821	2,406,538
Miscellaneous	5,568,942	1,084,678	150,000
Total Revenues	<u>1,551,055,347</u>	<u>301,750,985</u>	<u>2,650,472</u>
Expenditures:			
Current:			
General government	130,949,047	5,872,645	-
Public safety	148,263,723	95,748,067	-
Public works and transportation	35,350,842	101,488,151	-
Health and human services	111,844,029	46,403,890	-
Culture and recreation	30,484,437	24,006,296	-
Community development and housing	2,858,110	3,946,898	-
Environment	2,826,249	11,199	-
Education	-	-	-
Capital Projects	-	-	-
Debt Service:			
General obligation bond principal retirement	-	-	84,727,525
General obligation bond interest	-	-	55,816,802
Bond anticipation note repayment	-	-	120,000,000
Bond anticipation note interest	-	-	5,671,593
Issuing costs	-	-	656,060
Long term purchase lease costs	-	-	28,400
Long term purchase leases	-	-	2,317,165
Other leases	-	-	1,250,000
Principal and interest on long term note	-	-	82,770
Capital leases	-	-	319,454
Equipment purchase contracts	-	-	486,386
Total Expenditures	<u>462,576,437</u>	<u>277,477,146</u>	<u>271,356,155</u>
Excess of Revenues over (under) Expenditures	<u>1,088,478,910</u>	<u>24,273,839</u>	<u>(268,705,683)</u>
Other Financing Sources (Uses):			
Capital lease financing	-	-	-
Equipment purchase contract financing	985,572	73,500	-
Operating transfers in	26,133,979	17,296,078	151,297,443
Operating transfers in - primary government	-	-	-
Operating transfers in - component units	110,000	-	-
Operating transfers (out)	(167,607,007)	(25,045,117)	(2,969,653)
Operating transfers (out) - component units	(883,943,201)	-	-
Sale of property	-	792,734	-
Loan proceeds	-	1,800,000	-
Proceeds of bond anticipation notes	-	-	-
Proceeds of general obligation bonds	-	-	120,377,893
Total Other Financing Sources (Uses)	<u>(1,024,320,657)</u>	<u>(5,082,805)</u>	<u>268,705,683</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	64,158,253	19,191,034	-
Fund Balances - Beginning of Year, as restated	165,889,674	119,372,097	-
Equity Transfers In (Out)	209,408	(209,408)	-
Fund Balances - End of Year	<u>\$ 230,257,335</u>	<u>\$ 138,353,723</u>	<u>\$ -</u>

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

Capital Projects	Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only) Primary Government	Component Unit Montgomery County Public Schools	Totals (Memorandum Only) Reporting Entity
\$ 1,404,843	\$ 1,354,803	\$ 1,558,319,822	\$ -	\$ 1,558,319,822
-	-	7,606,773	-	7,606,773
36,999,073	-	256,250,842	289,706,909	545,957,751
3,798,369	-	39,622,916	-	39,622,916
-	-	3,914,705	-	3,914,705
16,472	24,513,432	51,025,118	-	51,025,118
3,063,074	17,974,806	27,841,500	4,222,355	32,063,855
<u>45,281,831</u>	<u>43,843,041</u>	<u>1,944,581,676</u>	<u>293,929,264</u>	<u>2,238,510,940</u>
-	6,365,009	143,186,701	-	143,186,701
-	48,478	244,060,268	-	244,060,268
-	-	136,838,993	-	136,838,993
-	103,418	158,351,337	-	158,351,337
-	250,000	54,740,733	-	54,740,733
-	-	6,805,008	-	6,805,008
-	-	2,837,448	-	2,837,448
-	-	-	1,091,902,359	1,091,902,359
98,068,156	-	98,068,156	118,576,313	216,644,469
-	-	84,727,525	-	84,727,525
-	-	55,816,802	-	55,816,802
-	-	120,000,000	-	120,000,000
-	-	5,671,593	-	5,671,593
-	-	656,060	-	656,060
-	-	28,400	-	28,400
-	-	2,317,165	-	2,317,165
-	-	1,250,000	-	1,250,000
-	-	82,770	-	82,770
-	-	319,454	-	319,454
-	-	486,386	-	486,386
<u>98,068,156</u>	<u>6,766,905</u>	<u>1,116,244,799</u>	<u>1,210,478,672</u>	<u>2,326,723,471</u>
<u>(52,786,325)</u>	<u>37,076,136</u>	<u>828,336,877</u>	<u>(916,549,408)</u>	<u>(88,212,531)</u>
-	-	-	13,614,110	13,614,110
-	-	1,059,072	-	1,059,072
18,858,052	-	213,585,552	31,117	213,616,669
-	-	-	859,866,454	859,866,454
-	-	110,000	-	110,000
(2,395,888)	(401,160)	(198,418,825)	-	(198,418,825)
(31,750,000)	-	(915,693,201)	-	(915,693,201)
2,427,654	-	3,220,388	-	3,220,388
-	-	1,800,000	-	1,800,000
50,000,000	-	50,000,000	-	50,000,000
-	-	120,377,893	-	120,377,893
<u>37,139,818</u>	<u>(401,160)</u>	<u>(723,959,121)</u>	<u>873,511,681</u>	<u>149,552,560</u>
(15,646,507)	36,674,976	104,377,756	(43,037,727)	61,340,029
19,286,579	149,229,201	453,777,551	53,269,655	507,047,206
-	-	-	-	-
<u>\$ 3,640,072</u>	<u>\$ 185,904,177</u>	<u>\$ 558,155,307</u>	<u>\$ 10,231,928</u>	<u>\$ 568,387,235</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL, SPECIAL REVENUE, DEBT SERVICE, AND CAPITAL PROJECTS FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-4

	General Fund			Special Revenue Funds		
	Total Budget	Actual	Variance Favorable (Unfavorable)	Total Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 1,312,855,940	\$ 1,420,500,470	\$ 107,644,530	\$ 135,569,590	\$ 135,059,706	\$ (509,884)
Licenses and permits	4,265,680	4,338,599	72,919	3,115,800	3,268,174	152,374
Intergovernmental	91,063,750	93,255,279	2,191,529	166,917,303	136,124,260	(30,793,043)
Charges for services	8,422,140	7,337,927	(1,084,213)	27,935,660	28,392,686	457,026
Fines and forfeitures	2,936,600	3,188,275	251,675	87,000	726,430	639,430
Investment income	12,750,000	18,155,871	5,405,871	6,811,447	7,222,610	411,163
Miscellaneous	6,123,880	8,061,519	1,937,639	(169,463)	1,813,712	1,983,175
Total Revenues	<u>1,438,417,990</u>	<u>1,554,837,940</u>	<u>116,419,950</u>	<u>340,267,337</u>	<u>312,607,578</u>	<u>(27,659,759)</u>
Expenditures:						
Current:						
General government	146,379,265	139,868,204	6,511,061	23,901,564	6,630,226	17,271,338
Public safety	150,193,702	149,815,388	378,314	101,663,242	97,607,260	4,055,982
Public works and transportation	36,819,332	36,671,572	147,760	112,525,455	111,507,888	1,017,567
Health and human services	117,218,356	115,372,553	1,845,803	49,817,975	44,631,924	5,186,051
Culture and recreation	34,935,225	34,407,208	528,017	25,111,923	25,043,264	68,659
Community development and housing	2,884,341	2,883,758	583	18,623,059	10,857,764	7,765,295
Environment	3,322,673	3,197,837	124,836	40,363	13,699	26,664
Capital Projects	-	-	-	-	-	-
Debt Service:	-	-	-	-	-	-
General obligation bond principal retirement	-	-	-	-	-	-
General obligation bond interest	-	-	-	-	-	-
Bond anticipation note interest	-	-	-	-	-	-
Issuing costs	-	-	-	-	-	-
Principal and interest on long term note	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-
Equipment purchase leases	-	-	-	-	-	-
Long term leases	-	-	-	-	-	-
Total Expenditures	<u>491,752,894</u>	<u>482,216,520</u>	<u>9,536,374</u>	<u>331,683,581</u>	<u>296,292,025</u>	<u>35,391,556</u>
Excess of Revenues over (under) Expenditures	<u>946,665,096</u>	<u>1,072,621,420</u>	<u>125,956,324</u>	<u>8,583,756</u>	<u>16,315,553</u>	<u>7,731,797</u>
Other Financing Sources (Uses):						
Operating transfers in	26,140,880	26,133,979	(6,901)	9,981,795	15,215,974	5,234,179
Operating transfers (out)	(194,972,296)	(167,577,791)	27,394,505	(34,224,582)	(25,796,923)	8,427,659
Operating transfers in - component units	60,000	110,000	50,000	-	-	-
Operating transfers (out) - component units	(886,386,834)	(883,972,417)	2,414,417	-	-	-
Mortgage/loan disbursement/repayment	-	-	-	(1,118,796)	900,980	2,019,776
Sale of land	-	-	-	-	792,734	792,734
Proceeds of bond anticipation notes	-	-	-	-	-	-
Proceeds of general obligation refunding bonds	-	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,055,158,250)</u>	<u>(1,025,306,229)</u>	<u>29,852,021</u>	<u>(25,361,583)</u>	<u>(8,887,235)</u>	<u>16,474,348</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>(108,493,154)</u>	<u>47,315,191</u>	<u>155,808,345</u>	<u>(16,777,827)</u>	<u>7,428,318</u>	<u>24,206,145</u>
Fund Balances - Beginning of Year	163,742,363	163,742,363	-	93,485,769	93,485,769	-
Equity Transfer In (Out)	-	209,408	209,408	-	(209,408)	(209,408)
Fund Balances (Deficit) - End of Year	<u>\$ 55,249,209</u>	<u>\$ 211,266,962</u>	<u>\$ 156,017,753</u>	<u>\$ 76,707,942</u>	<u>\$ 100,704,679</u>	<u>\$ 23,996,737</u>

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

Debt Service Fund			Capital Projects Fund			Totals (Memorandum Only)		
Total Budget	Actual	Variance Favorable (Unfavorable)	Total Budget	Actual	Variance Favorable (Unfavorable)	Total Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 16,758,502	\$ 1,404,843	\$ (15,353,659)	\$ 1,465,184,032	\$ 1,556,965,019	\$ 91,780,987
-	-	-	-	-	-	7,381,480	7,606,773	225,293
-	-	-	136,500,981	37,274,205	(99,226,776)	394,482,034	266,653,744	(127,828,290)
120,000	93,934	(26,066)	5,787,847	3,798,369	(1,989,478)	42,265,647	39,622,916	(2,642,731)
-	-	-	-	-	-	3,023,600	3,914,705	891,105
3,892,050	2,406,538	(1,485,512)	-	16,472	16,472	23,453,497	27,801,491	4,347,994
150,000	150,000	-	19,456,680	3,063,074	(16,393,606)	25,561,097	13,088,305	(12,472,792)
4,162,050	2,650,472	(1,511,578)	178,504,010	45,556,963	(132,947,047)	1,961,351,387	1,915,652,953	(45,698,434)
-	-	-	-	-	-	170,280,829	146,498,430	23,782,399
-	-	-	-	-	-	251,856,944	247,422,648	4,434,296
-	-	-	-	-	-	149,344,787	148,179,460	1,165,327
-	-	-	-	-	-	167,036,331	160,004,477	7,031,854
-	-	-	-	-	-	60,047,148	59,450,472	596,676
-	-	-	-	-	-	21,507,400	13,741,522	7,765,878
-	-	-	-	-	-	3,363,036	3,211,536	151,500
-	-	-	475,119,055	153,594,480	321,524,575	475,119,055	153,594,480	321,524,575
84,728,515	84,727,525	990	-	-	-	84,728,515	84,727,525	990
56,412,835	55,816,802	596,033	-	-	-	56,412,835	55,816,802	596,033
7,300,000	5,671,593	1,628,407	-	-	-	7,300,000	5,671,593	1,628,407
900,950	656,060	244,890	-	-	-	900,950	656,060	244,890
82,770	82,770	-	-	-	-	82,770	82,770	-
319,456	319,454	2	-	-	-	319,456	319,454	2
486,386	486,386	-	-	-	-	486,386	486,386	-
3,598,000	3,595,565	2,435	-	-	-	3,598,000	3,595,565	2,435
153,828,912	151,356,155	2,472,757	475,119,055	153,594,480	321,524,575	1,452,384,442	1,083,459,180	368,925,262
(149,666,862)	(148,705,683)	961,179	(296,615,045)	(108,037,517)	188,577,528	508,966,945	832,193,773	323,226,828
152,636,515	151,297,443	(1,339,072)	61,289,912	22,005,746	(39,284,166)	250,049,102	214,653,142	(35,395,960)
(2,969,653)	(2,969,653)	-	-	(2,395,888)	(2,395,888)	(232,166,531)	(198,740,255)	33,426,276
-	-	-	-	2,102,100	2,102,100	60,000	2,212,100	2,152,100
-	-	-	-	-	-	(886,386,834)	(883,972,417)	2,414,417
-	-	-	-	-	-	(1,118,796)	900,980	2,019,776
-	-	-	3,552,802	2,427,654	(1,125,148)	3,552,802	3,220,388	(332,414)
-	-	-	-	18,250,000	18,250,000	-	18,250,000	18,250,000
-	-	-	273,176,940	-	(273,176,940)	273,176,940	-	(273,176,940)
-	377,893	377,893	-	-	-	-	377,893	377,893
149,666,862	148,705,683	(961,179)	338,019,654	42,389,612	(295,630,042)	(592,833,317)	(843,098,169)	(250,264,852)
-	-	-	41,404,609	(65,647,905)	(107,052,514)	(83,866,372)	(10,904,396)	72,961,976
-	-	-	43,652,015	43,652,015	-	300,880,147	300,880,147	-
-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ 85,056,624	\$ (21,995,890)	\$ (107,052,514)	\$ 217,013,775	\$ 289,975,751	\$ 72,961,976

MONTGOMERY COUNTY, MARYLAND
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
 ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-5

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	Component Units	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government		Reporting Entity
Operating Revenues:						
Sales - net	\$ 120,492,375	\$ -	\$ -	\$ 120,492,375	\$ 18,675,724	\$ 139,168,099
Charges for services	102,311,082	108,202,793	-	210,513,875	15,149,805	225,663,680
Licenses and permits	15,841,168	-	-	15,841,168	-	15,841,168
Fines and penalties	4,650,944	-	-	4,650,944	-	4,650,944
Rentals, concessions, leases, subsidies, and commitment fees	-	-	-	-	40,861,984	40,861,984
Contributions	-	-	-	-	122,237,357	122,237,357
Investment income (loss)	-	-	(1,018,939)	(1,018,939)	48,056,225	47,037,286
Other	-	942,415	-	942,415	39,030	981,445
Total Operating Revenues (Losses)	<u>243,295,569</u>	<u>109,145,208</u>	<u>(1,018,939)</u>	<u>351,421,838</u>	<u>245,020,125</u>	<u>596,441,963</u>
Operating Expenses:						
Cost of goods sold	86,476,346	-	-	86,476,346	9,370,851	95,847,197
Personnel costs	32,806,947	11,302,278	-	44,109,225	36,429,307	80,538,532
Housing assistance payments	-	-	-	-	31,542,934	31,542,934
Postage	-	1,273,695	-	1,273,695	177,923	1,451,618
Self-insurance incurred and estimated claims	-	46,167,934	-	46,167,934	70,136,572	116,304,506
Insurance	312,207	21,750,860	-	22,063,067	32,826,656	54,889,723
Supplies and materials	1,661,311	4,692,353	-	6,353,664	3,176,993	9,530,657
Contractual services	78,433,441	12,054,636	-	90,488,077	8,023,826	98,511,903
Communications	508,657	48,224	-	556,881	308,344	865,225
Transportation	1,963,372	86,662	-	2,050,034	333,234	2,383,268
Public utility services	1,754,510	422,730	-	2,177,240	3,261,244	5,438,484
Rentals	3,884,914	339,410	-	4,224,324	224,954	4,449,278
Maintenance	1,477,736	6,635,862	-	8,113,598	10,091,116	18,204,714
Benefits	-	-	-	-	28,466,252	28,466,252
Lease activities	-	-	-	-	3,241,366	3,241,366
Depreciation and amortization	8,475,748	4,772,849	-	13,248,597	11,827,339	25,075,936
Miscellaneous	2,048,721	1,439,434	-	3,488,155	8,503,824	11,991,979
Total Operating Expenses	<u>219,803,910</u>	<u>110,986,927</u>	<u>-</u>	<u>330,790,837</u>	<u>257,942,735</u>	<u>588,733,572</u>
Operating Income (Loss)	<u>23,491,659</u>	<u>(1,841,719)</u>	<u>(1,018,939)</u>	<u>20,631,001</u>	<u>(12,922,610)</u>	<u>7,708,391</u>
Nonoperating Revenues (Expenses):						
Property taxes	6,065,609	-	-	6,065,609	-	6,065,609
Intergovernmental	3,565,078	548,655	-	4,113,733	50,348,215	54,461,948
Gain (loss) on sale of fixed assets	1,384,392	(1,130)	-	1,383,262	-	1,383,262
Investment income	7,630,982	5,163,559	-	12,794,541	36,474,701	49,269,242
Investment expense	(5,050,566)	-	-	(5,050,566)	(39,241,246)	(44,291,812)
Other revenue	7,594,325	-	-	7,594,325	175,872	7,770,197
Total Nonoperating Revenues (Expenses)	<u>21,189,820</u>	<u>5,711,084</u>	<u>-</u>	<u>26,900,904</u>	<u>47,757,542</u>	<u>74,658,446</u>
Income (Loss) before Operating Transfers	<u>44,681,479</u>	<u>3,869,365</u>	<u>(1,018,939)</u>	<u>47,531,905</u>	<u>34,834,932</u>	<u>82,366,837</u>
Operating Transfers In (Out):						
Operating transfers in	3,903,074	1,410,500	-	5,313,574	-	5,313,574
Operating transfers in - primary government	-	-	-	-	4,557,204	4,557,204
Operating transfers (out)	(20,480,301)	-	-	(20,480,301)	(496,839)	(20,977,140)
Operating transfers (out) - component units	-	-	(601,194)	(601,194)	-	(601,194)
Total Operating Transfers In (Out)	<u>(16,577,227)</u>	<u>1,410,500</u>	<u>(601,194)</u>	<u>(15,767,921)</u>	<u>4,060,365</u>	<u>(11,707,556)</u>
Net Income (Loss)/ Change in Retained Earnings	<u>28,104,252</u>	<u>5,279,865</u>	<u>(1,620,133)</u>	<u>31,763,984</u>	<u>38,895,297</u>	<u>70,659,281</u>
Other Changes in Fund Equity:						
Capital contributions	-	-	-	-	2,692,500	2,692,500
Depreciation on fixed assets acquired with contributed capital	-	-	-	-	1,114,479	1,114,479
Total Other Changes in Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,806,979</u>	<u>3,806,979</u>
Net Change in Fund Equity	<u>28,104,252</u>	<u>5,279,865</u>	<u>(1,620,133)</u>	<u>31,763,984</u>	<u>42,702,276</u>	<u>74,466,260</u>
Fund Equity - Beginning of Year, as restated	<u>135,003,735</u>	<u>61,194,481</u>	<u>9,001,276</u>	<u>205,199,492</u>	<u>837,159,406</u>	<u>1,042,358,898</u>
Fund Equity - End of Year	<u>\$ 163,107,987</u>	<u>\$ 66,474,346</u>	<u>\$ 7,381,143</u>	<u>\$ 236,963,476</u>	<u>\$ 879,861,682</u>	<u>\$ 1,116,825,158</u>

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

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
 ALL PROPRIETARY FUND TYPES
DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-6

	Montgomery County Public Schools	Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Incorporated	Totals
Operating Revenues:					
Sales - net	\$ 13,908,187	\$ 4,767,537	\$ -	\$ -	\$ 18,675,724
Charges for services	5,696,430	-	7,763,782	1,689,593	15,149,805
Rentals, concessions, leases, subsidies, and commitment fees	-	4,523,656	36,338,328	-	40,861,984
Contributions	122,211,717	-	-	25,640	122,237,357
Investment income	48,056,225	-	-	-	48,056,225
Other	-	-	-	39,030	39,030
Total Operating Revenues	<u>189,872,559</u>	<u>9,291,193</u>	<u>44,102,110</u>	<u>1,754,263</u>	<u>245,020,125</u>
Operating Expenses:					
Cost of goods sold	8,666,513	704,338	-	-	9,370,851
Personnel costs	20,559,409	1,989,794	13,131,340	748,764	36,429,307
Housing assistance payments	-	-	31,542,934	-	31,542,934
Postage	-	-	127,355	50,568	177,923
Self-insurance incurred and estimated claims	70,136,572	-	-	-	70,136,572
Insurance	32,095,386	47,028	625,285	58,957	32,826,656
Supplies and materials	2,058,572	365,176	291,351	461,894	3,176,993
Contractual services	5,041,330	240,661	2,494,199	247,636	8,023,826
Communications	-	37,293	256,348	14,703	308,344
Transportation	87,963	5,793	239,478	-	333,234
Public utility services	-	276,795	2,976,349	8,100	3,261,244
Rentals	-	41,939	104,029	78,986	224,954
Maintenance	-	307,966	9,667,378	115,772	10,091,116
Benefits	25,925,624	-	2,540,628	-	28,466,252
Lease activities	628,325	1,273,980	1,339,061	-	3,241,366
Depreciation and amortization	1,188,203	2,408,216	8,154,718	76,202	11,827,339
Miscellaneous	628,234	320,195	7,555,395	-	8,503,824
Total Operating Expenses	<u>167,016,131</u>	<u>8,019,174</u>	<u>81,045,848</u>	<u>1,861,582</u>	<u>257,942,735</u>
Operating Income (Loss)	<u>22,856,428</u>	<u>1,272,019</u>	<u>(36,943,738)</u>	<u>(107,319)</u>	<u>(12,922,610)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental	12,145,369	-	38,202,846	-	50,348,215
Interest income	5,894,092	328,432	30,252,177	-	36,474,701
Interest expense	(43,795)	(364,028)	(38,833,423)	-	(39,241,246)
Miscellaneous	175,572	300	-	-	175,872
Total Nonoperating Revenues (Expenses)	<u>18,171,238</u>	<u>(35,296)</u>	<u>29,621,600</u>	<u>-</u>	<u>47,757,542</u>
Income (Loss) Before Operating Transfers	<u>41,027,666</u>	<u>1,236,723</u>	<u>(7,322,138)</u>	<u>(107,319)</u>	<u>34,834,932</u>
Operating Transfers In (Out):					
Operating transfers in - primary government	300,000	-	4,257,204	-	4,557,204
Operating transfers out	(496,839)	-	-	-	(496,839)
Total Operating Transfers In (Out)	<u>(196,839)</u>	<u>-</u>	<u>4,257,204</u>	<u>-</u>	<u>4,060,365</u>
Net Income (Loss)/Change in Retained Earnings	<u>40,830,827</u>	<u>1,236,723</u>	<u>(3,064,934)</u>	<u>(107,319)</u>	<u>38,895,297</u>
Other Changes in Fund Equity:					
Capital contributions	-	47,746	2,644,754	-	2,692,500
Depreciation on fixed assets acquired with contributed capital	907,298	207,181	-	-	1,114,479
Total Other Changes in Fund Equity	<u>907,298</u>	<u>254,927</u>	<u>2,644,754</u>	<u>-</u>	<u>3,806,979</u>
Net Change in Fund Equity	<u>41,738,125</u>	<u>1,491,650</u>	<u>(420,180)</u>	<u>(107,319)</u>	<u>42,702,276</u>
Fund Equity - Beginning of Year, as restated	679,044,313	16,956,332	140,651,475	507,286	837,159,406
Fund Equity - End of Year	<u>\$ 720,782,438</u>	<u>\$ 18,447,982</u>	<u>\$ 140,231,295</u>	<u>\$ 399,967</u>	<u>\$ 879,861,682</u>

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

MONTGOMERY COUNTY, MARYLAND
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS, AND
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-7

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash Flows from Operating Activities:		
Operating income (loss)	\$ 23,491,659	\$ (1,841,719)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Component unit pension trust fund operating income	-	-
Depreciation and amortization	8,475,748	4,772,849
Bond discount, interest amortization	-	-
Accretion of capital appreciation bonds	-	-
Net adjustment for interest and lease payments included in financing and lease activities	-	-
USDA commodities	-	-
Interest on delinquent accounts	(269,044)	-
Investment (income) loss	-	-
Loss on disposal of fixed assets	-	-
Payments received on operating leases	-	-
Changes in assets and liabilities:		
(Increase) decrease in investments	-	-
(Increase) decrease in accounts receivable	(3,081,887)	(99,863)
(Increase) decrease in mortgages and notes receivable	-	-
(Increase) decrease in parking violations receivable	(163,542)	-
(Increase) decrease in due from other funds	-	(310,756)
(Increase) decrease in due from component units	3,648	(99,028)
(Increase) decrease in due from other governments	(611,031)	318,209
(Increase) decrease in inventory of supplies	(1,314,196)	990,952
(Increase) decrease in prepaids	60,946	(130,590)
(Increase) decrease in deposits	-	-
(Increase) decrease in other assets	(16,511)	-
Increase (decrease) in accounts/vouchers payable	4,090,484	(1,499,227)
Increase (decrease) in interest payable	(3)	-
Increase (decrease) in retainage payable	(31,020)	-
Increase (decrease) in accrued liabilities	2,337,564	1,646,047
Increase (decrease) in claims payable	-	(346,466)
Increase (decrease) in due to other funds	20,391	3,691
Increase (decrease) in due to primary government	-	-
Increase (decrease) in due to component units	50,820	-
Increase (decrease) in due to other governments	405,088	-
Increase (decrease) in deferred revenue	-	(7,501)
Net Cash Provided (Used) by Operating Activities	<u>33,449,114</u>	<u>3,396,598</u>

(Continued)

<u>Fiduciary Fund Type</u> Nonexpendable Trust	<u>Totals (Memorandum Only)</u> Primary Government	Component Units	<u>Totals (Memorandum Only)</u> Reporting Entity
\$ (1,018,939)	\$ 20,631,001	\$ (12,922,610)	\$ 7,708,391
-	-	(39,388,923)	(39,388,923)
-	13,248,597	11,827,339	25,075,936
-	-	685,042	685,042
-	-	1,468,731	1,468,731
-	-	(1,581,006)	(1,581,006)
-	-	1,231,641	1,231,641
-	(269,044)	-	(269,044)
1,018,939	1,018,939	-	1,018,939
-	-	67,909	67,909
-	-	3,910,688	3,910,688
31,139	31,139	-	31,139
-	(3,181,750)	(2,556,988)	(5,738,738)
-	-	(10,188,927)	(10,188,927)
-	(163,542)	-	(163,542)
-	(310,756)	149,586	(161,170)
-	(95,380)	-	(95,380)
-	(292,822)	-	(292,822)
-	(323,244)	(35,836)	(359,080)
-	(69,644)	35,339	(34,305)
-	-	2,503,267	2,503,267
-	(16,511)	(1,457,826)	(1,474,337)
-	2,591,257	8,888,306	11,479,563
-	(3)	(473,811)	(473,814)
-	(31,020)	-	(31,020)
-	3,983,611	166,843	4,150,454
-	(346,466)	(6,218,140)	(6,564,606)
-	24,082	486,759	510,841
-	-	35,568	35,568
(989)	49,831	-	49,831
-	405,088	-	405,088
(1,872)	(9,373)	1,854,301	1,844,928
<u>28,278</u>	<u>36,873,990</u>	<u>(41,512,748)</u>	<u>(4,638,758)</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS, AND
 DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-7

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash Flows from Noncapital Financing Activities:		
Property tax collections	\$ 5,344,145	\$ -
Intergovernmental revenue	1,984,927	548,655
Proceeds from sale of bonds	-	-
Retirement of bonds	-	-
Bond issue costs net of early redemption reduction	-	-
Operating transfers in	3,903,074	1,410,500
Operating transfers in - primary government	-	-
Operating transfers (out)	(20,480,301)	-
Operating transfers (out) - component units	-	-
Net Cash Flows from Noncapital Financing Activities	<u>(9,248,155)</u>	<u>1,959,155</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital financing/reimbursements	1,755,370	-
Contributed capital received	-	-
Proceeds from sale of fixed assets	1,511,880	403,613
Acquisition of fixed assets	(11,703,102)	(5,945,136)
Principal paid on general obligation bonds	(1,122,475)	-
Principal paid on revenue bonds	(4,790,000)	-
Principal paid on mortgages	-	-
Principal paid on equipment contracts and capital leases	(191,152)	-
Payments of landfill closure costs	(4,319,000)	-
Interest paid on bonds, leases, and equipment contracts	(5,034,184)	-
Net Cash Flows from Capital and Related Financing Activities	<u>(23,892,663)</u>	<u>(5,541,523)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	-	-
Purchase of investments	-	-
Interest income from pooled investments	7,250,294	5,169,511
Interest income from nonpooled investments	348,716	-
Net Cash Flows from Investing Activities	<u>7,599,010</u>	<u>5,169,511</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,907,306	4,983,741
Cash and Cash Equivalents - Beginning of Year, as restated	<u>107,504,797</u>	<u>87,497,191</u>
Cash and Cash Equivalents - End of Year	<u>\$ 115,412,103</u>	<u>\$ 92,480,932</u>

Noncash investing, capital, and financing activities:

Community Use of Public Facilities Fund fully depreciated assets of \$18,131 were written off during FY99. The County disposed of land in the Silver Spring Parking Lot District Fund with a book value of \$502,245, through a lease agreement with a developer. This transaction generated a receivable of \$3,106,570 from other governmental funds and related other income of \$2,604,325.

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

<u>Fiduciary Fund Type</u> Nonexpendable Trust	<u>Totals (Memorandum Only)</u> Primary Government	Component Units	<u>Totals (Memorandum Only)</u> Reporting Entity
\$ -	\$ 5,344,145	\$ -	\$ 5,344,145
-	2,533,582	49,433,176	51,966,758
-	-	90,354,551	90,354,551
-	-	(68,934,050)	(68,934,050)
-	-	(801,277)	(801,277)
-	5,313,574	-	5,313,574
-	-	4,557,204	4,557,204
-	(20,480,301)	(496,839)	(20,977,140)
(601,194)	(601,194)	-	(601,194)
<u>(601,194)</u>	<u>(7,890,194)</u>	<u>74,112,765</u>	<u>66,222,571</u>
-	1,755,370	34,678,100	36,433,470
-	-	2,781,776	2,781,776
-	1,915,493	20,899,462	22,814,955
-	(17,648,238)	(30,578,994)	(48,227,232)
-	(1,122,475)	-	(1,122,475)
-	(4,790,000)	(1,596,519)	(6,386,519)
-	-	(29,769,231)	(29,769,231)
-	(191,152)	(276,768)	(467,920)
-	(4,319,000)	-	(4,319,000)
-	(5,034,184)	(41,018,416)	(46,052,600)
<u>-</u>	<u>(29,434,186)</u>	<u>(44,880,590)</u>	<u>(74,314,776)</u>
-	-	409,851,177	409,851,177
-	-	(392,938,085)	(392,938,085)
-	12,419,805	32,795,142	45,214,947
609,127	957,843	3,350,181	4,308,024
<u>609,127</u>	<u>13,377,648</u>	<u>53,058,415</u>	<u>66,436,063</u>
36,211	12,927,258	40,777,842	53,705,100
<u>340,422</u>	<u>195,342,410</u>	<u>167,716,898</u>	<u>363,059,308</u>
\$ 376,633	\$ 208,269,668	\$ 208,494,740	\$ 416,764,408

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 Exhibit A-8

	Montgomery County Public Schools	Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Incorporated	Totals
Cash Flows from Operating Activities:					
Operating income (loss)	\$ 22,856,428	\$ 1,272,019	\$ (36,943,738)	\$ (107,319)	\$ (12,922,610)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Pension Trust Fund operating income	(39,388,923)	-	-	-	(39,388,923)
Depreciation and amortization	1,188,203	2,408,216	8,154,718	76,202	11,827,339
Bond discount, interest amortization	-	-	685,042	-	685,042
Accretion of capital appreciation bonds	-	-	1,468,731	-	1,468,731
Net adjustment for interest and lease payments included in financing and lease activities	-	(1,581,006)	-	-	(1,581,006)
USDA commodities	1,231,641	-	-	-	1,231,641
(Gain) loss on disposal of fixed assets	67,909	-	-	-	67,909
Payments received on operating leases	-	3,910,688	-	-	3,910,688
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	113,033	(34,635)	(2,577,314)	(58,072)	(2,556,988)
(Increase) decrease in mortgages and notes receivable	-	-	(10,188,927)	-	(10,188,927)
(Increase) decrease in due from other funds	149,586	-	-	-	149,586
(Increase) decrease in inventory of supplies	2,242	(38,078)	-	-	(35,836)
(Increase) decrease in prepaids	-	31,299	-	4,040	35,339
(Increase) decrease in deposits	-	-	2,503,267	-	2,503,267
(Increase) decrease in other assets	-	-	(1,457,826)	-	(1,457,826)
Increase (decrease) in accounts/vouchers payable	3,030,218	(590,034)	6,403,035	45,087	8,888,306
Increase (decrease) in interest payable	(43,795)	-	(430,016)	-	(473,811)
Increase (decrease) in accrued liabilities	120,503	(1,756)	-	48,096	166,843
Increase (decrease) in claims payable	(6,218,140)	-	-	-	(6,218,140)
Increase (decrease) in due to other funds	486,759	-	-	-	486,759
Increase (decrease) in due to primary government	39,446	-	-	(3,878)	35,568
Increase (decrease) in deferred revenue	459,601	-	1,394,700	-	1,854,301
Net Cash Provided (Used) by Operating Activities	<u>(15,905,289)</u>	<u>5,376,713</u>	<u>(30,988,328)</u>	<u>4,156</u>	<u>(41,512,748)</u>
Cash Flows from Noncapital Financing Activities:					
Intergovernmental revenue	11,230,330	-	38,202,846	-	49,433,176
Proceeds from sale of bonds	-	-	90,354,551	-	90,354,551
Retirement of bonds	-	-	(68,934,050)	-	(68,934,050)
Bond issue costs net of early redemption reduction	-	-	(801,277)	-	(801,277)
Operating transfers in - primary government	300,000	-	4,257,204	-	4,557,204
Operating transfers (out)	(496,839)	-	-	-	(496,839)
Net Cash Flows from Noncapital Financing Activities	<u>11,033,491</u>	<u>-</u>	<u>63,079,274</u>	<u>-</u>	<u>74,112,765</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from capital financing	335,891	647,134	33,695,075	-	34,678,100
Contributed capital received	-	137,022	2,644,754	-	2,781,776
Proceeds from sale of fixed assets	-	-	20,899,462	-	20,899,462
Acquisition of fixed assets	(359,514)	(6,028,723)	(24,173,036)	(17,721)	(30,578,994)
Principal paid on revenue bonds	-	(1,596,519)	-	-	(1,596,519)
Principal paid on mortgages	-	(57,330)	(29,711,901)	-	(29,769,231)
Principal paid on equipment contracts and capital leases	(275,675)	-	(1,093)	-	(276,768)
Interest paid on bonds, leases, and equipment contracts	-	(2,179,443)	(38,838,973)	-	(41,018,416)
Net Cash Flows from Capital and Related Financing Activities	<u>(299,298)</u>	<u>(9,077,859)</u>	<u>(35,485,712)</u>	<u>(17,721)</u>	<u>(44,880,590)</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-8

	Montgomery County Public Schools	Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Incorporated	Totals
Cash Flows from Investing Activities:					
Proceeds from sale of investments	\$ -	\$ -	\$ 409,851,177	\$ -	\$ 409,851,177
Net (purchase) disposition of investments	7,734,157	-	(400,672,242)	-	(392,938,085)
Interest income from pooled investments	-	-	32,795,142	-	32,795,142
Interest income from nonpooled investments	2,808,966	541,215	-	-	3,350,181
Net Cash Flows from Investing Activities	<u>10,543,123</u>	<u>541,215</u>	<u>41,974,077</u>	<u>-</u>	<u>53,058,415</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,372,027	(3,159,931)	38,579,311	(13,565)	40,777,842
Cash and Cash Equivalents - Beginning of Year	<u>25,286,191</u>	<u>12,965,459</u>	<u>129,184,856</u>	<u>280,392</u>	<u>167,716,898</u>
Cash and Cash Equivalents - End of Year	<u>\$ 30,658,218</u>	<u>\$ 9,805,528</u>	<u>\$ 167,764,167</u>	<u>\$ 266,827</u>	<u>\$ 208,494,740</u>
Noncash investing, capital, and financing activities:					
Capital grants were used to purchase furniture and equipment of \$498,130 for the MCPS Enterprise (Food Services) Fund during FY99, which was recorded by Food Services as contributed capital. MCRA acquired \$8,798,554 in land and buildings through the issuance of bonds and other payables.					
Reconciliation of cash and cash equivalents on "Combining Statement of Cash Flows - Discretely Presented Component Units" to "Combining Balance Sheet - Discretely Presented Component Units":					
Cash and cash equivalents as noted above	\$ 30,658,218	\$ 9,805,528	\$ 167,764,167	\$ 266,827	\$ 208,494,740
Reconciling item - Cash and cash equivalents for governmental fund types and pension trust funds not presented on "Statement of Cash Flows."	<u>16,196,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,196,517</u>
Cash and cash equivalents on "Combining Balance Sheet - Discretely Presented Component Units"	<u>\$ 46,854,735</u>	<u>\$ 9,805,528</u>	<u>\$ 167,764,167</u>	<u>\$ 266,827</u>	<u>\$ 224,691,257</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
HIGHER EDUCATION FUNDS - DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-9

	<u>Current Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
Revenues:		
Educational and General:		
Student tuition and fees	\$ 38,010,878	\$ -
Federal, State, and private gifts, grants, and contributions	-	7,530,720
Governmental appropriations	16,837,294	2,228,120
Investment income	1,430,884	-
Other	465,244	-
Expended for plant facilities	-	-
Sales and services of auxiliary enterprises	7,206,093	-
State appropriations	5,139,947	-
Total Revenues	<u>69,090,340</u>	<u>9,758,840</u>
Expenditures:		
Educational and general	99,877,889	10,174,531
Auxiliary enterprises	7,105,971	-
State appropriations	5,139,947	-
Loan cancellations and collection costs	-	-
Disposal of plant facilities	-	-
Depreciation of plant assets	-	-
Capitalized plant expenditures	-	-
Noncapitalized plant expenditures	-	-
Total Expenditures	<u>112,123,807</u>	<u>10,174,531</u>
Excess of Revenues over (under) Expenditures	<u>(43,033,467)</u>	<u>(415,691)</u>
Other Financing Sources (Uses):		
Transfers In (Out):		
Primary government	43,136,000	-
Mandatory transfers	(432,793)	415,691
Total Other Financing Sources (Uses)	<u>42,703,207</u>	<u>415,691</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(330,260)	-
Fund Balances - Beginning of Year	<u>14,040,233</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 13,709,973</u>	<u>\$ -</u>

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

Loan Funds	Endowment & Similar	Plant Funds			Totals
		Unexpended	Renewal & Replacement	Investment in Plant	
\$ -	\$ -	\$ -	\$ 415,789	\$ -	\$ 38,426,667
-	-	-	-	-	7,530,720
51,307	-	5,575,414	-	-	24,692,135
30,736	30,478	-	150,628	-	1,642,726
2,247	-	-	-	-	467,491
-	-	-	-	15,831,604	15,831,604
-	-	-	-	-	7,206,093
-	-	-	-	-	5,139,947
<u>84,290</u>	<u>30,478</u>	<u>5,575,414</u>	<u>566,417</u>	<u>15,831,604</u>	<u>100,937,383</u>
-	-	-	-	-	110,052,420
-	-	-	-	-	7,105,971
-	-	-	-	-	5,139,947
46,224	-	-	-	-	46,224
-	-	-	-	1,262,876	1,262,876
-	-	-	-	6,067,336	6,067,336
-	-	9,738,439	-	-	9,738,439
-	-	751,860	-	-	751,860
<u>46,224</u>	<u>-</u>	<u>10,490,299</u>	<u>-</u>	<u>7,330,212</u>	<u>140,165,073</u>
<u>38,066</u>	<u>30,478</u>	<u>(4,914,885)</u>	<u>566,417</u>	<u>8,501,392</u>	<u>(39,227,690)</u>
-	-	16,445,049	-	-	59,581,049
<u>17,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>17,102</u>	<u>-</u>	<u>16,445,049</u>	<u>-</u>	<u>-</u>	<u>59,581,049</u>
55,168	30,478	11,530,164	566,417	8,501,392	20,353,359
<u>1,852,748</u>	<u>557,456</u>	<u>5,559,372</u>	<u>2,802,312</u>	<u>93,072,620</u>	<u>117,884,741</u>
<u>\$ 1,907,916</u>	<u>\$ 587,934</u>	<u>\$ 17,089,536</u>	<u>\$ 3,368,729</u>	<u>\$ 101,574,012</u>	<u>\$ 138,238,100</u>

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND TRANSFERS
HIGHER EDUCATION FUNDS - DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-10

	Unrestricted	Restricted	Totals
Revenues:			
Educational and General:			
Student tuition and fees	\$ 38,010,878	\$ -	\$ 38,010,878
Governmental appropriations	16,837,294	2,228,120	19,065,414
Investment income	1,430,884	-	1,430,884
Other sources	465,244	-	465,244
Federal, State, and private gifts, grants, and contributions	-	7,530,720	7,530,720
Sales and services of auxiliary enterprises	7,206,093	-	7,206,093
State appropriations	<u>5,139,947</u>	<u>-</u>	<u>5,139,947</u>
 Total Revenues	 <u>69,090,340</u>	 <u>9,758,840</u>	 <u>78,849,180</u>
Expenditures:			
Educational and General:			
Instruction	47,952,917	1,261,274	49,214,191
Academic support	9,368,991	112,209	9,481,200
Student services	11,423,860	1,318,583	12,742,443
Operation and maintenance of physical plant	12,158,989	-	12,158,989
Institutional support	17,781,184	6,723	17,787,907
Scholarships and fellowships	1,191,948	7,475,742	8,667,690
Auxiliary enterprises	7,105,971	-	7,105,971
State appropriations	<u>5,139,947</u>	<u>-</u>	<u>5,139,947</u>
 Total Expenditures	 <u>112,123,807</u>	 <u>10,174,531</u>	 <u>122,298,338</u>
Transfers In (Out):			
Primary government	43,136,000	-	43,136,000
Mandatory transfers	<u>(432,793)</u>	<u>415,691</u>	<u>(17,102)</u>
 Total Transfers In (Out)	 <u>42,703,207</u>	 <u>415,691</u>	 <u>43,118,898</u>
 Net Increase in Fund Balance	 <u>\$ (330,260)</u>	 <u>\$ -</u>	 <u>\$ (330,260)</u>

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

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF PLAN NET ASSETS -
 ALL PENSION TRUST FUNDS
 JUNE 30, 1999
Exhibit A-11

	Employees' Retirement System	Employees' Retirement Savings Plan	Totals
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ 96,753	\$ 586,326	\$ 683,079
Investments	1,955,873,171	11,758,533	1,967,631,704
Receivables:			
Accounts	8,859	1,134	9,993
Other	-	199,603	199,603
Due from other funds	3,862,835	268,087	4,130,922
Due from component units	41,346	15,983	57,329
Due from other governments	27,160	570	27,730
Current portion of group annuity contract	5,019,171	-	5,019,171
Prepays	253	-	253
Total Current Assets	<u>1,964,929,548</u>	<u>12,830,236</u>	<u>1,977,759,784</u>
Group annuity contract	<u>67,209,405</u>	<u>-</u>	<u>67,209,405</u>
Fixed Assets, at Cost:			
Office equipment	159,621	-	159,621
Less: Accumulated depreciation	<u>159,621</u>	<u>-</u>	<u>159,621</u>
Net Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>2,032,138,953</u>	<u>12,830,236</u>	<u>2,044,969,189</u>
LIABILITIES			
Current Liabilities:			
Accounts/vouchers payable:			
Refunds	270,150	-	270,150
Other	130,844,961	15,119	130,860,080
Total accounts/vouchers payable	<u>131,115,111</u>	<u>15,119</u>	<u>131,130,230</u>
Accrued liabilities	119,885	1,840	121,725
Due to other funds	535	210	745
Deferred revenue	<u>226,004</u>	<u>-</u>	<u>226,004</u>
Total Liabilities	<u>131,461,535</u>	<u>17,169</u>	<u>131,478,704</u>
Net Assets Held in Trust for Pension Benefits (A schedule of funding progress is presented in Note 17.)	<u>\$ 1,900,677,418</u>	<u>\$ 12,813,067</u>	<u>\$ 1,913,490,485</u>

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

MONTGOMERY COUNTY, MARYLAND
 COMBINED STATEMENT OF CHANGES IN NET ASSETS -
 PENSION AND INVESTMENT TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
Exhibit A-12

	Employees' Retirement System	Employees' Retirement Savings Plan	Investment Trust	Totals (Memorandum Only)
Additions:				
Contributions:				
Employers	\$ 47,462,625	\$ 2,570,110	\$ -	\$ 50,032,735
Members	10,477,566	1,422,354	-	11,899,920
Share purchases	-	-	9,362,405	9,362,405
Total Contributions	<u>57,940,191</u>	<u>3,992,464</u>	<u>9,362,405</u>	<u>71,295,060</u>
Investment income	177,381,295	1,752,769	1,275,341	180,409,405
Less: investment expenses	11,671,426	126,447	-	11,797,873
Net Investment Income	<u>165,709,869</u>	<u>1,626,322</u>	<u>1,275,341</u>	<u>168,611,532</u>
Other income - forfeitures	-	199,603	-	199,603
Total Additions	<u>223,650,060</u>	<u>5,818,389</u>	<u>10,637,746</u>	<u>240,106,195</u>
Deductions:				
Benefits:				
Annuities:				
Retirees	49,532,983	-	-	49,532,983
Survivors	3,100,196	-	-	3,100,196
Disability	13,624,278	-	-	13,624,278
Amortization of group annuity contract	5,214,958	-	-	5,214,958
Total Benefits	<u>71,472,415</u>	<u>-</u>	<u>-</u>	<u>71,472,415</u>
Share redemptions	-	-	7,163,681	7,163,681
Member refunds	828,326	632,134	-	1,460,460
Administrative expenses	1,297,038	42,477	-	1,339,515
Total Deductions	<u>73,597,779</u>	<u>674,611</u>	<u>7,163,681</u>	<u>81,436,071</u>
Net Increase	150,052,281	5,143,778	3,474,065	158,670,124
Net Assets Held in Trust - Beginning of Year	<u>1,750,625,137</u>	<u>7,669,289</u>	<u>15,437,507</u>	<u>1,773,731,933</u>
Net Assets Held in Trust - End of Year	<u>\$ 1,900,677,418</u>	<u>\$ 12,813,067</u>	<u>\$ 18,911,572</u>	<u>\$ 1,932,402,057</u>

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

MONTGOMERY COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NOTE 2	LEGAL COMPLIANCE
NOTE 3	CASH AND INVESTMENTS
NOTE 4	RECEIVABLES
NOTE 5	INTERFUND RECEIVABLES AND PAYABLES
NOTE 6	DUE FROM/TO COMPONENT UNITS
NOTE 7	FIXED ASSETS
NOTE 8	LONG-TERM DEBT
NOTE 9	LEASE AND EQUIPMENT PURCHASE CONTRACT OBLIGATIONS
NOTE 10	SEGMENTS OF ENTERPRISE ACTIVITIES
NOTE 11	FUND EQUITY
NOTE 12	SIGNIFICANT COMMITMENTS AND CONTINGENCIES
NOTE 13	SUBSEQUENT EVENTS
NOTE 14	JOINT VENTURES
NOTE 15	DEFERRED COMPENSATION
NOTE 16	OTHER EMPLOYEE BENEFITS
NOTE 17	PENSION PLAN OBLIGATIONS *
NOTE 18	YEAR 2000 *

* Includes unaudited required supplementary information.

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 the legislative responsibility vested in an elected nine-member county council and the executive responsibility vested in an elected county executive. Montgomery County provides its citizens with services in the areas of general government, public safety, public works and transportation, health and human services, education, culture and recreation, community development and housing, and environment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

As required by generally accepted accounting principles, these financial statements present the primary government and its component units, which are entities for which the primary government is considered financially accountable. The Montgomery County, Maryland, 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.

Based on the evaluation of the fiscal activities of the Montgomery County Public Schools (MCPS), Montgomery Community College (MCC), the Montgomery County Revenue Authority (MCRA), the Housing Opportunities Commission of Montgomery County (HOC), and the Bethesda Urban Partnership, Incorporated (BUPI), all are included in the Montgomery County, Maryland, reporting entity (County) as discretely presented component units. The results of this analysis determined that Montgomery County Government (MCG) is the Primary Government. The results of the evaluation also concluded that the Maryland-National Capital Park and Planning Commission (M-NCPPC), Washington Suburban Sanitary Commission (WSSC), Washington Suburban Transit Commission (WSTC), Washington Metropolitan Area Transit Authority (WMATA), Metropolitan Washington Council of Governments (COG), and Northeast Maryland Waste Disposal Authority (NEMWDA) are considered joint ventures. Disclosure of the County's participation in these joint ventures is presented in Note 14.

The component unit columns in the combined general purpose financial statements include the financial data of the five discretely presented component units. Component unit columns are presented separately to emphasize that these units are legally separate from the Primary Government. Each discretely presented component unit has a June 30 fiscal year end.

MCPS is responsible for special education, elementary, middle and high schools within Montgomery County. Members of the Board of Education are elected by the voters. (One nonvoting student member is elected by secondary students.) However, MCPS is fiscally dependent upon the Primary Government because the Primary Government approves the budget, levies taxes to provide the majority of the fiscal support, and issues debt for construction of school facilities.

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

MCRA is governed by a five member Board of Directors, of which one position is vacant at year-end. 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.

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

BUPI has its entire eleven member Board of Directors appointed by the County Executive with the approval of the County Council. The primary purpose of BUPI, a not-for-profit corporation, is to execute service contracts for the benefit of one of the Primary Government's special taxing districts (Bethesda Urban District Special Revenue Fund). Substantially all of the funding of this corporation (with the exception of investment earnings on idle funds) is granted through the Primary Government's operating budget. The County Council approves the BUPI operating budget on an annual basis and is able to modify it in a manner similar to the way Primary Government agency budgets are modified.

Complete financial statements for each of the individual component units can be obtained at the entities' administrative offices listed below:

Montgomery County Public Schools 850 Hungerford Drive Rockville, MD 20850	Montgomery Community College 900 Hungerford Drive Rockville, MD 20850	Montgomery County Revenue Authority 101 Monroe Street, 4 th Floor Rockville, MD 20850
Housing Opportunities Commission of Montgomery County 10400 Detrick Avenue Kensington, MD 20895	Bethesda Urban Partnership, Inc. 7906 Woodmont Avenue Bethesda, MD 20814	

Complete financial statements for each of the individual joint ventures can be obtained at the entities' administrative offices listed below:

Maryland-National Capital Park and Planning Commission 6611 Kenilworth Avenue Riverdale, MD 20737	Washington Suburban Sanitary Commission 14501 Sweitzer Lane Laurel, MD 20707	Washington Suburban Transit Commission 8720 Georgia Avenue, Suite 904 Silver Spring, MD 20910
Washington Metropolitan Area Transit Authority 600 Fifth Street, NW Washington, DC 20001	Metropolitan Washington Council of Governments 777 N. Capitol Street, NE, #300 Washington, DC 20002	Northeast Maryland Waste Disposal Authority 25 South Charles Street, Suite 2105 Baltimore, MD 21201-3330

B) Basis of Presentation - Fund Accounting

The accounts of the County are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses. The account groups are concerned only with the measurement of financial position and do not measure results of operations. The various funds are summarized by type in the financial statements. Interfund eliminations have not been made in the aggregation of this data. The following fund types and account groups are used by the County:

PRIMARY GOVERNMENT

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.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally or administratively restricted to expenditures for specified purposes.

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

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

Proprietary Funds:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation/amortization and interest) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

Fiduciary Funds:

Trust and Agency Funds - These funds are used to account for assets held by Montgomery County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, nonexpendable trust, pension trust, and agency funds. The pension trust and nonexpendable trust funds are accounted for and reported on the same basis as proprietary funds because capital maintenance is critical. Expendable trust and agency funds are accounted for and reported on the same basis as governmental funds.

Account Groups:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the County, other than those accounted for in the proprietary and fiduciary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the County except those accounted for in the proprietary and fiduciary funds. These long-term obligations include, but are not limited to, long-term bonded debt, long-term obligations relative to compensated absences, claims and judgments, and capital lease obligations.

COMPONENT UNITS

MCPS has a variety of governmental, proprietary, and fiduciary funds, which include capital projects, enterprise, internal service, and pension trust funds in addition to general fixed assets and general long-term obligations account groups. MCC accounts for its operations within a fund structure consistent with generally accepted accounting principles for colleges and universities which were promulgated by GASB, and has adopted the "AICPA College Guide Model." MCRA, HOC, and BUPI account for their fiscal operations on a proprietary basis of accounting.

C) Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds (General, Special Revenue, Debt Service, and Capital Projects) and expendable trust and agency funds. Governmental funds and expendable trust funds are accounted for on a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available financial resources" during a period. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due. Depreciation is not recorded.

In applying the susceptible to accrual concept to property taxes, Montgomery County, Maryland, defines "available" to mean received within thirty days after year-end. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts are paid to the County; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are nearly irrevocable (i.e., revocable only for failure to comply with prescribed compliance requirements, e.g., equal employment opportunity). These monies are reflected as revenues at the time of receipt or earlier if they meet the available criterion.

Licenses and permits, income taxes (distributed by the State), charges for services, fines and forfeitures, special street assessments, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Also, the County has determined that the differences between recording on a cash versus an accrual basis are immaterial, except for income taxes. The final fiscal year income tax payment (which is normally received in August or September after the close of the fiscal year) is recorded as income taxes receivable with an offset to "deferred revenue." Revenue is not recognized in the current fiscal year since this final income tax payment is not measurable and available for use in the year. In the State of Maryland, the State has assumed the responsibility for the collection of all income taxes and for distributing these 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. There is currently no timely reporting process by which the State notifies the counties of outstanding and delinquent taxes or liabilities related to pending refunds. Investment earnings are recorded as earned since they are measurable and available. Montgomery County bills all service receivables at the time services are rendered. An offsetting entry is made to "deferred revenue" in all situations in which revenues cannot be recognized at time of billing. Montgomery County does not operate any utilities. Water and sewer services are provided by WSSC through a joint venture relationship (See Note 14). Other common utilities are provided by regulated private industry.

The accrual basis of accounting is utilized by proprietary (enterprise and internal service), the pension trust, and nonexpendable trust funds. Proprietary, pension trust, and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. Under this method revenues are recorded when earned, expenses are recorded at the time liabilities are incurred, and allocations of interest and depreciation/amortization are recorded for the fiscal period.

GASB Statement 20 allows governments to choose not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The County has elected not to implement FASB pronouncements issued after that date for any proprietary fund type activity of the Primary Government.

D) Budgets

The "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP Budgetary Basis) - General, Special Revenue, Debt Service, and Capital Projects Fund Types" is prepared on a basis consistent with the legally adopted budget. Under this method, encumbrances outstanding are charged to budgetary appropriations and considered expenditures of the current period.

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

Encumbrance accounting, under which 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 reserve that portion of the appropriation, is employed in the governmental and proprietary funds. In the governmental funds, encumbrances are reported as a reservation of fund balance because they do not constitute expenditures or liabilities. In the Proprietary Funds, encumbrances are eliminated for financial statement presentation since neither goods nor services have been provided.

E) Cash and Investments

Pooled Cash and Investments

The County sponsors an external investment pool. Participants in the pool include County funds, certain component unit agencies, and other legally separate entities. During the year, investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. At year-end, investments in the pool are adjusted to fair value. See Note 3 for additional information.

Non-pooled Investments

Proprietary Fund Types

The Solid Waste Disposal Enterprise Fund investment in a nonparticipating investment contract is stated at cost plus accrued interest, which approximates fair value.

Fiduciary Fund Types

Agency Funds - Deferred compensation investments held by fiscal agents are stated at fair value.

Pension Trust - Pension Trust Fund investments for Montgomery County, Maryland are comprised of an actively managed pool of equities, bonds, real estate commingled funds, and short-term securities managed by professional investment advisory firms under contract with the Board of Investment Trustees. The Pension Trust Fund invests in derivatives, in accordance with the policy of the Board of Investment Trustees, which can include asset-backed securities, collateralized mortgage obligations, bond index future contracts, forward currency contracts, and floating rate securities (see Note 17). However, the policy prohibits the investment in derivatives for the purpose of leveraging its investment portfolio. The Pension Trust Fund is also not prohibited from participating in securities lending transactions (see Note 3). Investments are stated at fair value.

Nonexpendable Trust - Investments of the Housing Opportunities Commission (HOC) Treasury Bonds Nonexpendable Trust Fund (a Primary Government fund) are stated at fair value.

MCPS - Investments include primarily Pension Trust Fund investments which consist of a group pension immediate participation contract carried at contract value and separate funds carried at fair value. Equity and bond securities are valued at closing sales prices as reported on national or international securities exchanges at current exchange rates, or at closing bid prices as reported by investment dealers. The fair value of mortgages and real estate investments are based on independent appraisals.

F) Inventories

Montgomery County, Maryland - Inventories are valued at lower of cost (principally first-in, first-out) or market in the Enterprise Funds (Liquor) and consist of goods held for sale. Inventories valued at cost (principally moving-average) are carried in the Internal Service Funds (Motor Pool) and the governmental type funds. All inventories are maintained by perpetual records and adjusted by annual physical counts. Inventories in the governmental funds and motor pool fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual items are withdrawn for use. In governmental funds, the reserve for inventory is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

MCPS - Inventories are valued at the lower of cost or market. Maintenance supplies, textbooks, and instructional materials are stated at cost determined by the average cost method. Transportation supplies, are stated at cost determined by the first-in, first-out method. Commodities received from the U.S. Department of Agriculture (USDA) are valued at fair market value and recorded as revenue when consumed. The cost of all inventories is recorded as an expenditure at the time the individual inventory items are consumed. The reserve for inventory in the MCPS General Fund is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

MCC - Inventories are valued at lower of cost (first-in, first-out) or market, and consist of supplies and bookstore items.

G) Prepays

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

H) Property Liens Acquired at Tax Sale

This asset account includes costs, such as delinquent taxes, interest, penalties, and advertising costs, paid at public auction which place the County in a position of primary lien-holder against the related property.

I) Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, generally the Capital Projects Fund, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized at cost and included in the General Fixed Assets Account Group.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of buildings, equipment, and vehicles in the Proprietary Fund Types of the primary government and component units is computed over the assets' estimated useful lives using the straight-line method.

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.

J) 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group along with the corresponding employer's share of social security and medicare taxes. No expenditure is reported for these amounts until they are actually paid. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

K) Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L) Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity which cannot be appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

MCPS - Net assets of component units represents the portion of MCPS's equity attributable to two component unit organizations, that are accounted for on the proprietary basis of accounting.

M) Property Taxes

Real and personal property taxes are levied at rates enacted by the Montgomery 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 decreased to below the constant yield rate for FY99. The County Charter requires an affirmative vote of seven members of the Council to increase the real property tax rate to a level that will produce total revenues exceeding the total revenue produced by the tax on real property in the preceding year, plus 100 percent of any increase in the Consumer Price Index with exemptions for revenue from newly constructed, rezoned property and development district tax to fund capital improvement projects. The tax rate did not exceed the Charter limit for FY99. 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. Tax liens 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.

The State, through the Closing Cost Reduction Act of 1995 (the Act), mandated that all counties must allow an option for the semi-annual payment of real property tax payments for owner-occupied residential property. The Act was subsequently amended to make semi-annual payments the standard for all eligible taxpayers. As a result of these amendments, effective July 2000, it is assumed eligible taxpayers will pay semi-annually, unless they opt to make both semi-annual payments on or before September 30.

Further, amendments to the Act changed the date of the second semi-annual payment from January 31 of the subsequent year to December 31 of the same year. Amendments also made the application of a service charge optional and capped the service charge amount for lost interest at the rate of 1.5%, for the three-month period.

N) Memorandum Only - Total Columns

Total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation.

O) Statement of Cash Flows

For Statement of Cash Flows reporting purposes, the County has defined "cash equivalents" as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. The balance sheet classification for "cash and cash equivalents" in the Statement of Cash Flows includes the following: "Equity in pooled cash and investments," "Cash," "Cash with fiscal agents," "Investments – cash equivalents," "Restricted Equity in pooled cash and investments," "Restricted Cash," "Restricted Cash with fiscal agents," and "Restricted Investments - cash equivalents," for proprietary fund types (enterprise and internal service funds) and "Cash and cash equivalents - nonexpendable trust" for fiduciary fund types (nonexpendable trust fund).

P) Accounting Changes

PRIMARY GOVERNMENT

The following changes in fund structure occurred during FY99:

- As of year-end, the Child Day Care Facility Loan Special Revenue Fund has been closed and the remaining undesignated fund balance transferred to the General Fund.
- During the year, principal and accumulated earnings in the Ford Foundation Health Activities Expendable Trust Fund were fully expended. The fund has therefore been closed at year-end.
- See Note 11E for accounting changes impacting beginning fund equities.

COMPONENT UNITS

Beginning in FY99, encumbrance accounting was established and employed in the MCC unrestricted current and unexpended plant funds. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the current year appropriation. The reserve for current year encumbrances is recorded as a reserve against fund balance.

See Note 11L for accounting changes impacting beginning fund equities.

NOTE 2. LEGAL COMPLIANCE

A) Budgetary 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 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, and provides the spending authority at the department level in three major categories (personnel costs, operating and capital outlay) for the operations of the County Government with the unencumbered appropriation authority expiring the following June 30. Encumbrances are carried forward to the subsequent fiscal year and are reserved as part of the current fiscal year's fund balance. The capital projects budget is approved 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 after holding a public hearing; however, supplemental appropriations enacted during the first half of the fiscal year must be either emergency in nature or to comply with, avail the County of, or put into effect the provisions of Federal, State or local legislation or regulation. During FY99, the County Council increased the operating budget through supplemental appropriations by \$39,762,774. In addition, supplemental appropriations increased the CIP budget by \$25,400,000.

B) Budgetary Presentation

The "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP Budgetary Basis) - General, Special Revenue, Debt Service, and Capital Projects Fund Types" is prepared on a basis consistent with the legally adopted budget. Under this method, encumbrances outstanding are charged to budgetary appropriations and considered as expenditures of the current period. The "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Unit" is prepared on a basis consistent with generally accepted accounting principles (GAAP) for local government entities where encumbrances are considered a reservation of fund balance and charged to expenditures in the period in which goods or services are received.

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

Reconciliation of Revenues, Expenditures, and Other Financing Sources (Uses):

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
General Fund:				
As reported - budgetary basis	\$ 1,554,837,940	\$ 482,216,520	\$ (1,025,306,229)	\$ 47,315,191
Reconciling items:				
Cancellation of prior year encumbrances	(2,492,577)	-	-	(2,492,577)
Elimination of encumbrances outstanding	-	(20,625,655)	-	20,625,655
Equipment purchase financing	-	985,572	985,572	-
Unrealized gains (losses)	(1,290,016)	-	-	(1,290,016)
As reported - GAAP basis	<u>\$ 1,551,055,347</u>	<u>\$ 462,576,437</u>	<u>\$ (1,024,320,657)</u>	<u>\$ 64,158,253</u>
Special Revenue Funds:				
As reported - budgetary basis - all funds	\$ 312,607,578	\$ 296,292,025	\$ (8,887,235)	\$ 7,428,318
Reconciling items:				
Cancellation of prior year encumbrances:				
Recreation	(26,144)	-	-	(26,144)
Mass Transit Facilities	(68,773)	-	-	(68,773)
Bethesda Urban District	(65)	-	-	(65)
Wheaton Urban District	(9,156)	-	-	(9,156)
Silver Spring Urban District	(6,197)	-	-	(6,197)
Landlord Tenant Affairs	(477)	-	-	(477)
Cable TV	(10,693)	-	-	(10,693)
Fire Tax District	(33,389)	-	-	(33,389)
Common Ownership Communities	(477)	-	-	(477)
Drug Enforcement Forfeitures	(8,209)	-	-	(8,209)
Total	<u>(163,580)</u>	<u>-</u>	<u>-</u>	<u>(163,580)</u>
Less encumbrances outstanding:				
Recreation	-	(483,074)	-	483,074
Mass Transit Facilities	-	(4,537,738)	-	4,537,738
Bethesda Urban District	-	(46,000)	-	46,000
Silver Spring Urban District	-	(207,219)	-	207,219
Wheaton Urban District	-	(49,377)	-	49,377
Landlord Tenant Affairs	-	(35,021)	-	35,021
Cable TV	-	(662,969)	-	662,969
Fire Tax District	-	(2,859,933)	-	2,859,933
Drug Enforcement Forfeitures	-	(81,568)	-	81,568
Grants	(8,118,111)	(8,463,111)	(345,000)	-
Total	<u>(8,118,111)</u>	<u>(17,426,010)</u>	<u>(345,000)</u>	<u>8,962,899</u>
Forest Conservation Fund not budgeted	211	-	-	211
Equipment purchase financing	-	73,500	73,500	-
Indirect costs	(654,712)	(654,712)	-	-
Change in mortgages receivable	3,700	1,087,228	4,046,714	2,963,186
Loan expenditures	(4,930,393)	(4,930,393)	-	-
Pass-through expenditures	3,006,292	3,035,508	29,216	-
As reported - GAAP basis	<u>\$ 301,750,985</u>	<u>\$ 277,477,146</u>	<u>\$ (5,082,805)</u>	<u>\$ 19,191,034</u>
Debt Service Fund:				
As reported - budgetary basis	\$ 2,650,472	\$ 151,356,155	\$ 148,705,683	\$ -
Reconciling item:				
Bond anticipation note repayment	-	120,000,000	120,000,000	-
As reported - GAAP basis	<u>\$ 2,650,472</u>	<u>\$ 271,356,155</u>	<u>\$ 268,705,683</u>	<u>\$ -</u>
Capital Projects Fund:				
As reported - budgetary basis	\$ 45,556,963	\$ 153,594,480	\$ 42,389,612	\$ (65,647,905)
Reconciling items:				
Elimination of encumbrances outstanding	-	(52,103,499)	-	52,103,499
Reclassification of mortgages and loans	-	(3,147,693)	(5,249,794)	(2,102,101)
Bond proceeds for projects budgeted by others	-	-	31,750,000	31,750,000
Transfers of bond proceeds to component units	-	-	(31,750,000)	(31,750,000)
Grants	(275,132)	(275,132)	-	-
As reported - GAAP basis	<u>\$ 45,281,831</u>	<u>\$ 98,068,156</u>	<u>\$ 37,139,818</u>	<u>\$ (15,646,507)</u>

NOTE 3. CASH AND INVESTMENTS

A) Authorization and Balances

Montgomery County's total cash and investments as of June 30, 1999, totaled \$2,830,611,948 as presented below and in the combined balance sheet. These funds are held in several pools, various non-pooled investments, and cash funds. The following is a schedule of total cash and investments:

<u>Balance Sheet Amounts:</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Equity in pooled cash and investments	\$ 618,813,089	\$ 26,742,927	\$ 645,556,016
Cash with fiscal agents	23,450,476	9,264,526	32,715,002
Cash	320,141	11,120,092	11,440,233
Cash and cash equivalents - nonexpendable trust	376,633	-	376,633
Investments - cash equivalents	-	31,981,380	31,981,380
Investments	1,975,107,397	743,001,500	2,718,108,897
Deferred compensation invested with fiscal agents	178,998,503	-	178,998,503
Restricted equity in pooled cash and investments	29,220,649	5,202,031	34,422,680
Restricted cash	-	23,995,771	23,995,771
Restricted cash with fiscal agents	-	7,969,837	7,969,837
Restricted investments - cash equivalents	-	117,578,596	117,578,596
Restricted investments	4,325,060	98,848,103	103,173,163
Total	<u>\$ 2,830,611,948</u>	<u>\$ 1,075,704,763</u>	<u>\$ 3,906,316,711</u>
 <u>Deposit and Investment Summary:</u>			
Deposits: Summary total as below	\$ 6,930,607	\$ 43,122,708	\$ 50,053,315
Investments: Summary total as below	2,799,953,656	917,183,256	3,717,136,912
Cash on hand, fiscal agents, safe deposit escrow	23,727,685	115,398,799	139,126,484
Total	<u>\$ 2,830,611,948</u>	<u>\$ 1,075,704,763</u>	<u>\$ 3,906,316,711</u>

Primary Government

External Investment Pool - The County, through its external investment pool, maintains an active and sophisticated cash and investment management program. The primary objectives of the program are the preservation of capital, providing liquidity to meet financial obligations, and maximization of the investment yield on short-term working capital. Working capital is managed pursuant to the Annotated Code of Maryland, the County Code, and the County's investment policies as approved by the County Council. 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 and in money market funds whose portfolio is operated consistent with the Securities and Exchange Commission rule 2a-7. The County requires that these money funds invest only in obligations that a federal agency or instrumentality issues in accordance with an act of Congress and repurchase agreements collateralized by an obligation of the United States, its agencies or instrumentalities. The average maturity of the County's working capital portfolio is generally less than six months.

These same statutes require that securities underlying certificates of deposit and repurchase agreements have a market value of at least 102 percent of the cost of the investment. A third party custodian holds the collateral underlying all repurchase agreements. 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 in a third party depository, in the trust department of pledging banks, or insured by a surety bond by a State approved insurance company.

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

The County's external investment pool is not subject to regulatory oversight by the SEC. However, the pool is subject to State review through semi-annual reporting, and is subject to oversight by the County's investment committee.

Participants in the pool include County funds, 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 sold and redeemed during the year are based on actual cost; participants' shares are then adjusted to fair value at year-end. The County has not provided or obtained any legally binding guarantees during the year to support the value of shares.

During the year, investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. Investments are marked-to-market at year-end, since the pool does not meet the strict definition of "2a-7 like". The fair value of U. S. Government securities and mutual funds are determined using quoted market prices. Fair value of investments in certificates of deposit, commercial paper, banker's acceptances, and repurchase agreements are estimated based on consideration of composite quoted market prices, and investments with comparable collateral or credit quality, as appropriate. For interest-bearing investments, market value quotations did not include accrued interest. However, for reporting purposes, immaterial amounts of accrued interest have been classified with the fair value of investments in the accompanying financial statements.

Investment income during the year, and the adjustment to fair value at year-end, is allocated to pool participants based upon their average equity in the pool. The adjustment to fair value for FY99 related to all County funds (exclusive of legally separate entities' accounts reflected in the Investment Trust Fund) has been recorded in the General Fund, since this amount is not material.

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

<u>Balance Sheet Amounts:</u>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Equity in pooled cash and investments	\$ 618,813,089	\$ 6,542,674	\$ 625,355,763
Cash and cash equivalents - nonexpendable trust	376,633	-	376,633
Restricted equity in pooled cash and investments	29,220,649	-	29,220,649
Total	<u>\$ 648,410,371</u>	<u>\$ 6,542,674</u>	<u>\$ 654,953,045</u>
 <u>Deposit and Investment Summary:</u>			
Deposits: Summary total as below	\$ 6,887,675	\$ -	\$ 6,887,675
Investments: Summary total as below	641,522,696	6,542,674	648,065,370
Total	<u>\$ 648,410,371</u>	<u>\$ 6,542,674</u>	<u>\$ 654,953,045</u>

A summary of investments is as follows:

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Maturity Range</u>	<u>Interest Rate Range</u>
Repurchase agreements	\$ 100,000,000	\$ 100,000,000	07/99	5.24%
U.S. Government securities	319,716,089	316,795,748	07/99 - 06/00	4.48 - 5.50%
Commercial paper	24,508,931	24,452,874	08/99 - 05/00	5.07 - 5.34%
Bankers' acceptances	175,736,715	173,796,556	07/99 - 05/00	4.89 - 5.58%
Mutual funds	28,103,635	28,103,635	N/A	4.70 - 4.80%
Total	<u>\$ 648,065,370</u>	<u>\$ 643,148,813</u>		

The County does not participate, voluntarily or involuntarily, in any other external investment pool, except for the pension trust securities lending transactions as described below.

Securities Lending Transactions – Montgomery County Code and Maryland State statutes allow the Employees' Retirement System of Montgomery County, Maryland (MCERS) to participate in securities lending transactions, and MCERS has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During FY99, State Street lent, at the direction of Board of Investment Trustees, MCERS' securities and received cash (both United States and foreign currency), United States government securities, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell those collateral securities delivered unless there was a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100% of the market value of the loaned securities. MCERS did not impose any restrictions during FY99 on the amount of the loans that State Street made on its behalf. State Street does not provide loss indemnification to MCERS. There were no failures by any borrowers to return loaned securities or pay distributions thereon during FY99. Moreover, there were no losses during FY99 resulting from a default of the borrowers or State Street. During FY99, MCERS and the borrowers maintained the right to terminate all securities lending transactions on demand.

The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the pool does not meet the requirements of Rule 2a-7, investments are reported at fair value, based upon quotations provided by a recognized pricing service. The pool is not registered with the SEC. However, State Street, and therefore the pool it sponsors, is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the MCERS position in the pool is not the same as the value of the pool's shares.

The average duration of such investment pool as of June 30, 1999, was 76 days and the average weighted maturity was 416 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 1999, MCERS had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for MCERS as of June 30, 1999, were \$128,939,910 and \$125,954,449, respectively.

Component Units

The Annotated Code of Maryland requires that MCPS funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority or municipal corporation in the State of Maryland. Deposits throughout the year were fully insured or

collateralized. The Annotated Code of Maryland authorizes MCPS to invest in obligations for which the United States has pledged its faith and credit for the payment of principal and interest, in obligations issued by a federal agency in accordance with an Act of Congress, in repurchase agreements collateralized at not less than 102 percent of the principal amount by obligations of the United States and its agencies, in money market mutual funds operated in accordance with SEC Rule 2a-7, or in any investment portfolio created under the Maryland Local Government Investment Pool. MCPS was in compliance with the above mentioned investment statutes throughout the fiscal year.

The MCPS Pension Trust Fund and the Employee Benefit Plan are authorized to invest in domestic and foreign equities, obligations of the United States and its agencies, securities issued or guaranteed by foreign government, marketable corporate bonds, collateralized obligations, commercial paper, bankers acceptances, money market funds and pooled real estate investments. Fixed income investments are to be made primarily in issues rated "A" or better by Moody's and "A" or better by Standards and Poor's rating agencies.

The Annotated Code of Maryland and MCC's adopted investment policy authorize MCC to invest surplus cash in U.S. Treasury obligations, U.S. Government agencies and instrumentalities securities, collateralized certificates of deposit, repurchase agreements, the Maryland Local Government Investment Pool, and bankers' acceptances. In the opinion of MCC management, MCC is in compliance with all provisions of the Annotated Code of Maryland and MCC's investment policy.

B) Credit and Market Risk

1) Deposit Collateral:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Total Collateral</u>
<u>Primary Government:</u>			
Montgomery County	\$ 6,930,607	\$ 16,665,434	\$ 16,665,434
<u>Component Units:</u>			
MCPS	(3,555,408)	4,711,008	4,711,008
MCC	185,782	1,437,384	1,437,384
MCRA	590,258	993,702	993,702
HOC	45,635,249	45,740,249	45,740,249
BUPI	266,827	311,921	311,921
Total Component Units	<u>43,122,708</u>	<u>53,194,264</u>	<u>53,194,264</u>
Total Reporting Entity	<u>\$ 50,053,315</u>	<u>\$ 69,859,698</u>	<u>\$ 69,859,698</u>

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Total Collateral</u>
External Investment Pool	<u>\$ 6,887,675</u>	<u>\$16,622,963</u>	<u>\$16,622,963</u>

Deposits include bank accounts and nonnegotiable certificates of deposit. Negative carrying amounts represent the excess of vendor checks written over amounts in the bank. All deposits were fully collateralized at year-end. The County's bank balances, and therefore the external investment pool's balances, were insured or collateralized with securities held by the County's agent in the County's name. Of the component unit bank balances, \$52,506,730 was insured or collateralized with securities held by the Component Units' agents in the Component Units' names, and \$687,534 was covered by collateral held by the pledging financial institution's trust department or agent in the component units' names.

2) Investments by Category of Risk:

<u>Primary Government:</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Government securities	\$ 7,475,693	\$ -	\$ -	\$ 7,475,693	\$ 7,475,693
Investment agreement	4,325,060	-	-	4,325,060	4,325,060
	<u>\$ 11,800,753</u>	<u>\$ -</u>	<u>\$ -</u>	11,800,753	11,800,753
Deferred compensation invested with fiscal agents				178,998,503	178,998,503
Pooled investments held in:					
Montgomery County external investment pool *				641,522,696	641,522,696
Pension investment funds				1,967,631,704	1,967,631,704
Total Investments				<u>\$ 2,799,953,656</u>	<u>\$ 2,799,953,656</u>

<u>Component Units:</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Repurchase agreements	\$ 50,399,925	\$ -	\$ 2,338,392	\$ 52,738,317	\$ 52,738,317
U.S. Government securities	68,853,770	19,082,045	6,874,965	94,810,780	95,025,038
Bankers' acceptances	-	12,838,886	-	12,838,886	12,903,907
Corporate stocks and bonds	-	348,004	-	348,004	348,004
	<u>\$ 119,253,695</u>	<u>\$ 32,268,935</u>	<u>\$ 9,213,357</u>	160,735,987	161,015,266

Pooled investments held in:					
Montgomery County external investment pool *				6,542,674	6,542,674
Maryland local government investment pool				18,944,354	18,944,354
Mutual funds				48,712,750	48,712,750
Pension investment funds				682,247,491	682,247,491
Total Investments				<u>\$ 917,183,256</u>	<u>\$ 917,462,535</u>

* The Primary Government and Component Units' participation in the Montgomery County external investment pool is presented as pooled investments and not categorized by credit risk because they are not evidenced by securities that exist in physical or book entry form. The County, as sponsor of the pool, has disclosed the risk categorization of external pool investments below.

<u>External Investment Pool:</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Repurchase agreements	\$ 100,000,000	\$ -	\$ -	\$ 100,000,000	\$ 100,000,000
U.S. Government securities	319,716,089	-	-	319,716,089	319,716,089
Commercial paper	24,508,931	-	-	24,508,931	24,508,931
Bankers' acceptances	175,736,715	-	-	175,736,715	175,736,715
	<u>\$ 619,961,735</u>	<u>\$ -</u>	<u>\$ -</u>	619,961,735	619,961,735
Pooled investments held in mutual funds				28,103,635	28,103,635
Total Investments				<u>\$ 648,065,370</u>	<u>\$ 648,065,370</u>

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category "1" includes investment securities that are insured or registered or held by the County (including its component units) or its agent in the County's name. Category "2" includes uninsured and unregistered investment securities held by the counterparty's trust department or agent in the County's name. Category "3" includes uninsured and unregistered investment securities held by a counterparty, or by its trust department or agent but not in the County's name. Investment amounts included as Category "3" did not significantly fluctuate during the fiscal year. There were no unusual variations in form or amounts of investments or deposits, including insurance and location of collateral, throughout the fiscal year.

3) Cash on hand, with fiscal agents, and in safe deposit escrow:

	Primary Government	Component Units	Total Reporting Entity
Cash with fiscal agents	\$ 23,450,476	\$ 115,341,733	\$ 138,792,209
Petty cash/safe deposit escrow	277,209	57,066	334,275
	<u>\$ 23,727,685</u>	<u>\$ 115,398,799</u>	<u>\$ 139,126,484</u>

Primary Government cash with fiscal agents is generally held for approximately one day in U.S. Government obligations that are not in the County's name or in bank accounts that are collateralized with U.S. Government obligations that are not in the County's name (Category 3). Component Units cash with fiscal agents is held in U.S. Government securities that are insured or registered or held by the Component Units or its agents in the Component Units' names (Category 1).

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C) External Investment Pool Condensed Financial Statements

Statement of Net Assets
Year Ended June 30, 1999

Assets	
Investment in securities, at fair value	\$ 648,065,370
Cash	6,887,675
Total Assets	<u>654,953,045</u>
Liabilities	
Net assets	<u>\$ 654,953,045</u>
Net assets consist of:	
Internal participants' units outstanding (\$1.00 par)	\$ 636,041,473
External participants' units outstanding (\$1.00 par)	<u>18,911,572</u>
Net assets	<u>\$ 654,953,045</u>
Participants net asset value, offering price and redemption price per share (\$654,953,045 / 654,953,045 units)	<u>\$ 1.00</u>

Statement of Changes in Net Assets
Year Ended June 30, 1999

Investment Income *	\$ 39,643,124
Distributions to participants:	
Distributions paid and payable	(1,403,975)
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	\$ 4,377,573,396
Redemption of units	<u>(4,367,631,159)</u>
Net increase in net assets and shares resulting from share transactions	<u>9,942,237</u>
Total increase in net assets	48,181,386
Net assets, July 1, 1998	<u>606,771,659</u>
Net assets, June 30, 1999	<u>\$ 654,953,045</u>

* The pool has no expenses.

NOTE 4. RECEIVABLES

A) Accounts Receivable

The County calculates its allowance for doubtful accounts based on historical collection data and, in some cases, specific account analysis. The total allowance amounted to \$1,169,842 at June 30, 1999. This amount is comprised of allowances in the Liquor Enterprise Fund (\$226,994 - claims and returned checks), the Solid Waste Disposal Enterprise Fund (\$78,748 - charges for services), and the Parking Lot District Enterprise Funds (\$864,100 - parking fines).

B) Due From Other Governments

The total amount due from other governments at June 30, 1999, was \$41,640,807. A summary of amounts due by fund type and source of receivable is listed below:

	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fiduciary	Total
Federal government	\$ 13,200	\$ 1,724,321	\$ -	\$ 8,268	\$ -	\$ -	\$ 1,745,789
State of Maryland	17,204,246	14,987,705	3,064,646	6,752	220,498	88,505	35,572,352
Other	1,509,575	18,000	79,849	2,706,380	7,715	1,147	4,322,666
Total	<u>\$ 18,727,021</u>	<u>\$ 16,730,026</u>	<u>\$ 3,144,495</u>	<u>\$ 2,721,400</u>	<u>\$ 228,213</u>	<u>\$ 89,652</u>	<u>\$ 41,640,807</u>

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

The balances at June 30, 1999, of interfund receivables and payables were:

	Interfund Receivable	Interfund Payable
General Fund	\$ 57,091,255	\$ 4,526,452
Special Revenue Funds:		
Recreation	-	137,530
Bethesda Urban District	-	99
Silver Spring Urban District	-	1,357
Wheaton Urban District	-	550
Storm Drainage Maintenance	-	3,362
Mass Transit Facilities	1,318,313	950,370
Landlord Tenant Affairs	-	24,245
Common Ownership Communities	-	1,034
Cable TV	-	6,549
Fire Tax District	459,274	1,202,908
Grants	-	217,301
Debt Service Fund	-	23,450,476
Capital Projects Fund	750,000	34,915,011
Enterprise Funds:		
Liquor	-	171,555
Solid Waste Disposal	-	54,074
Solid Waste Collection	-	9,190
Permitting Services	-	145,972
Community Use of Public Facilities	-	11,723
Parking Activities	3,106,570	38,470
Internal Service Funds:		
Motor Pool	-	121,890
Central Duplicating	-	22,284
Liability and Property Coverage Self Insurance	-	19,072
Employee Health Benefits Self Insurance	3,033,123	668
Pension Trust Funds:		
Employees' Retirement Savings Plan	268,087	210
Employees' Retirement System	3,862,835	535
General Long-Term Obligations Account Group	-	3,856,570
Total	<u>\$ 69,889,457</u>	<u>\$ 69,889,457</u>

NOTE 6. DUE FROM/TO COMPONENT UNITS

The balances at June 30, 1999, were:

Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due to Primary Government:						
General	\$ -	\$ 338,478	\$ -	\$ 591,240	\$ -	\$ 929,718
Housing Initiative Special Revenue	-	-	-	10,298,299	-	10,298,299
Capital Projects	-	-	-	6,140,834	-	6,140,834
Solid Waste Disposal Enterprise	65,579	1,074	-	1,020	1,964	69,637
Motor Pool Internal Service	4,937	3,257	19	12,206	-	20,419
Central Duplicating Internal Service	62	-	1,546	4,587	-	6,195
Employee Health Benefits Self Insurance Internal Service	-	-	13,110	362,207	-	375,317
Employees' Retirement System Pension Trust	-	-	14,839	26,507	-	41,346
Employees' Retirement Savings Plan Pension Trust	-	-	3,313	12,670	-	15,983
Total Due to Primary Government per Combined Balance Sheet	<u>\$ 70,578</u>	<u>\$ 342,809</u>	<u>\$ 32,827</u>	<u>\$ 17,449,570</u>	<u>\$ 1,964</u>	<u>\$ 17,897,748</u>

Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due from Primary Government:						
General	\$ 12,400,964	\$ -	\$ 20,515	\$ -	\$ -	\$ 12,421,479
Silver Spring Urban District Special Revenue	-	-	-	-	21,590	21,590
Grants Special Revenue	1,650,577	-	-	118,442	-	1,769,019
Solid Waste Disposal Enterprise	-	-	-	2,450	-	2,450
Community Use of Public Facilities Enterprise	286,307	-	-	-	-	286,307
Bethesda Parking Enterprise	-	-	-	-	11,233	11,233
MCPS Capital Agency	13,566,377	-	-	-	-	13,566,377
MCC Capital Agency	-	5,897,683	-	-	-	5,897,683
HOC Nonexpendable Trust	-	-	-	92,575	-	92,575
Totals	<u>\$ 27,904,225</u>	<u>\$ 5,897,683</u>	<u>\$ 20,515</u>	<u>\$ 213,467</u>	<u>\$ 32,823</u>	<u>34,068,713</u>
Reconciling Item *						<u>6,574,867</u>
Total Due from Primary Government per Combined Balance Sheet						<u>\$ 40,643,580</u>

* Represents Higher Education Fund (MCC) recognition of revenue and receivable from the County prior to the County's recognition of expenditures, due to different basis of accounting (see note 11).

The \$10,298,299 due from HOC to the Housing Initiative Special Revenue Fund represents mortgage loans, which are generally repayable based on project cash flows, specified future dates, or sales of the respective properties. Included in this amount is a loan of \$2,349,725, whose payments are based on cash flows. Terms of the note stipulate that the balance of the note will be forgiven at the termination of the ground lease in December 2035. To date the project has not generated cash flows. This loan is offset by deferred revenue. Fund balance has been reserved for the remaining loans.

BUPI charges for services include \$1,614,787 earned under contracts with the County. MCRA rentals, concessions, leases, subsidies, and commitment fees include \$2,026,718 in lease revenue from the County.

NOTE 7. FIXED ASSETS

PRIMARY GOVERNMENT

A) Changes In General Fixed Assets Account Group

A summary of changes in the General Fixed Assets Account Group during the fiscal year is as follows:

	Balance July 1, 1998	Additions	Transfers	Disposals	Balance June 30, 1999
Land	\$ 290,210,123	\$ 15,099,396	\$ -	\$ (1,009,477)	\$ 304,300,042
Buildings and improvements	461,043,839	-	29,591,377	(559,102)	490,076,114
Furniture, fixtures, equipment, and machinery	84,531,540	4,689,922	(22,202)	(9,067,158)	80,132,102
Other assets	704,411,383	-	30,112,573	(1,761,880)	732,762,076
Construction in progress	117,399,203	70,784,421	(59,681,748)	-	128,501,876
Total	<u>\$ 1,657,596,088</u>	<u>\$ 90,573,739</u>	<u>\$ -</u>	<u>\$ (12,397,617)</u>	<u>\$ 1,735,772,210</u>

	Commitments At June 30, 1999
General projects	\$ 26,467,466
Community development and housing	2,203,948
Road and storm drainage	22,672,035
Mass transit	1,035,181
Total	<u>\$ 52,378,630</u>

B) Summary of Proprietary and Fiduciary Fund Fixed Assets

Property, plant, and equipment included within the proprietary and fiduciary funds are stated at cost, which includes capitalized interest on certain proprietary fund fixed assets. Generally, depreciation is expensed over the estimated useful lives using the straight-line method. The estimated useful lives (in years) are as follows:

Description	Proprietary Funds	Fiduciary Funds
Buildings and structures	20-40	-
Improvements other than buildings	3-40	-
Parking garages	35 *	-
Machinery and equipment	3-20	-
Office furniture and fixtures	3-15	3-15
Automobiles and trucks	2-15	-

* During FY99, the estimated useful life of parking garages was changed to 35 years from 40 years.

A schedule of related fixed assets at June 30, 1999, follows:

	Proprietary Funds		Fiduciary Fund
	Enterprise	Internal	Pension
		Service	Trust
Land, improved and unimproved	\$ 44,059,213	\$ 291,070	\$ -
Buildings	119,917,877	315,732	-
Furniture, fixtures, equipment, and machinery	15,749,785	56,915,700	159,621
Other fixed assets	91,331,186	-	-
Construction in progress	4,256,962	-	-
Subtotal	275,315,023	57,522,502	159,621
Less accumulated depreciation and amortization	(129,492,316)	(36,792,319)	(159,621)
Total Fixed Assets	\$ 145,822,707	\$ 20,730,183	\$ -

COMPONENT UNITS

Fixed assets of MCPS, amounting to \$1,601,084,108 at June 30, 1999, are significant in relation to the total component unit fixed assets. The following presents the changes in the MCPS General Fixed Assets Account Group for the year ended June 30, 1999. A summary of MCPS proprietary fund type fixed assets at June 30, 1999 is also presented. Proprietary fund type furniture and equipment is stated at cost. Depreciation is computed over useful lives of 5 - 12 years using the straight-line method. Depreciation on assets acquired through capital grants is closed to contributed capital.

	General Fixed Assets Account Group				Proprietary Fund	
	Balance	Additions	Transfers	Disposals *	Balance	Enterprise
	July 1, 1998				June 30, 1999	
Land and site improvements	\$ 53,920,020	\$ 825,151	\$ -	\$ (58,261)	\$ 54,686,910	\$ -
Buildings and additions	1,069,561,143	-	177,335,219	(193,073)	1,246,703,289	-
Furniture and equipment	167,208,151	33,148,118	-	(7,151,151)	193,205,118	16,798,506
Construction in progress	194,755,622	118,576,313	(177,335,219)	(35,718,102)	100,278,614	-
Subtotal	1,485,444,936	152,549,582	-	(43,120,587)	1,594,873,931	16,798,506
Accumulated depreciation	-	-	-	-	-	(10,588,329)
Total	\$ 1,485,444,936	\$ 152,549,582	\$ -	\$ (43,120,587)	\$ 1,594,873,931	\$ 6,210,177

* Includes adjustments and construction in progress items not capitalized.

NOTE 8. LONG-TERM DEBT

PRIMARY GOVERNMENT

A) General Obligation Bonds Payable

General obligation bonds are authorized, issued, and outstanding for the following purposes: (1) General County Facilities, (2) Roads and Storm Drainage, (3) Parks, (4) Public Schools, (5) Community College, (6) Consolidated Fire Tax District, (7) Mass Transit Facilities, (8) Water and Sewer Facilities, (9) Public Housing Facilities, (10) Urban Renewal, and (11) Parking Facilities. All bonds are valid and legally binding general obligations of Montgomery County, and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. Such bonds are payable from ad valorem taxes, unlimited as to rate or amount, on all real, tangible personal, and certain intangible property that is subject to taxation at full rates for local purposes in the County.

General obligation bonds that are carried in the enterprise funds (Bethesda Parking, Silver Spring Parking, Liquor, and Solid Waste Disposal) are payable first from revenues of those funds.

Proceeds from general obligation bonds for parks, public schools, and community college are appropriated by and remitted to the M-NCPPC (a joint venture), MCPS, and MCC (component units), respectively. For GAAP purposes, proceeds from debt issuance for these purposes are reflected as other financing sources in the accompanying financial statements. Amounts remitted to the joint venture and component units are reflected as expenditures and other financing uses, respectively. These amounts, appropriated for use by the joint venture and component units, are shown as reconciling items between the budgetary and GAAP basis (see Note 2B).

In July 1992, \$242,500,000 in general obligation bonds, which mature in FY99 and beyond, were defeased. In August 1993, \$52,000,000 in general obligation bonds, which mature in FY04 and beyond, were defeased. In January 1998, \$64,500,000 in general obligation bonds, which mature FY07 and beyond, were defeased. These defeasances were effected by placing the proceeds of general obligation refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. As of June 30, 1999, \$112,500,000, \$52,000,000, and \$64,500,000, respectively, in general obligation bonds referred to above are considered to be defeased.

During FY99, no current or advance refundings of general obligation bonds by proprietary activities occurred.

General obligation bond issues outstanding as of June 30, 1999, are as follows:

	<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally Issued</u>	<u>Outstanding at June 30, 1999</u>
GO Bonds	05/01/70	1971-00	0.1 - 7.5 %	\$ 34,990,000	\$ 720,000
GO Bonds	02/01/71	1972-01	0.1 - 6.5	30,000,000	880,000
GO Bonds	11/01/71	1973-02	0.1 - 6.5	30,000,000	1,770,000
GO Bonds	06/15/80	1981-00	6.25 - 7.25	50,000,000	2,500,000
GO Bonds	05/01/83	1984-03	7.0 - 9.0	50,000,000	10,000,000
GO Bonds	06/01/84	1985-04	9.0 - 9.75	55,000,000	13,750,000
GO Bonds	05/01/85	1986-05	7.6 - 8.6	65,000,000	19,500,000
GO Bonds	04/01/86	1987-06	5.8 - 6.3	50,000,000	17,500,000
GO Bonds	11/01/89	1990-99	6.75 - 6.8	75,000,000	3,750,000
GO Bonds	04/01/90	1991-00	6.8 - 7.0	75,000,000	3,750,000
GO Bonds	10/01/90	1991-00	6.8 - 7.1	75,000,000	7,500,000
GO Bonds	04/01/91	1992-11	6.3 - 6.75	60,000,000	12,000,000
GO Bonds	10/01/91	1992-11	5.75 - 6.125	70,000,000	17,500,000
GO Refunding Bonds	07/01/92	1993-10	2.75 - 5.8	273,038,054	247,363,054
GO Bonds	10/01/92	1993-12	5.0 - 5.75	115,000,000	46,000,000
GO Refunding Bonds	08/15/93	1994-11	2.5 - 5.0	60,005,000	57,870,000
GO Bonds	10/01/93	1994-13	4.4 - 4.9	100,000,000	75,000,000
GO Bonds	10/01/94	1995-14	5.2 - 6.125	100,000,000	50,000,000
GO Bonds	03/15/96	1997-16	5.1 - 5.5	120,000,000	102,000,000
GO Bonds	04/15/97	1998-17	5.0 - 5.375	115,000,000	103,500,000
GO Refunding Bonds	01/01/98	2003-15	3.9 - 5.25	69,510,000	69,510,000
GO Bonds	04/01/98	1999-18	4.875	115,000,000	109,250,000
GO Bonds	04/01/99	2000-19	4.0 - 5.0	120,000,000	120,000,000
Total				<u>\$ 1,907,543,054</u>	<u>\$ 1,091,613,054</u>

Changes in general obligation bonds during FY99 are as follows:

	Balance July 1, 1998	Bonds Issued	Bonds Retired	Balance June 30, 1999
General Long-Term Debt Account Group:				
General County	\$ 124,830,836	\$ 22,250,000	\$ 11,581,602	\$ 135,499,234
Roads and Storm Drainage	306,951,868	26,000,000	23,990,355	308,961,513
Parks	34,845,689	3,050,000	3,657,537	34,238,152
Public Schools	510,297,961	66,200,000	37,447,114	539,050,847
Community College	28,954,853	800,000	2,211,620	27,543,233
Consolidated Fire Tax District	12,897,200	800,000	977,474	12,719,726
Mass Transit	32,576,928	900,000	4,665,263	28,811,665
Public Housing	2,484,078	-	196,560	2,287,518
	<u>1,053,839,413</u>	<u>120,000,000</u>	<u>84,727,525</u>	<u>1,089,111,888</u>
Enterprise Funds:				
Solid Waste Activities:				
General County	1,313,230	-	482,064	831,166
Liquor:				
General County	411	-	411	-
Parking Lot Districts:				
Bethesda Parking Lot District	1,650,000	-	460,000	1,190,000
Silver Spring Parking Lot District	660,000	-	180,000	480,000
	<u>3,623,641</u>	<u>-</u>	<u>1,122,475</u>	<u>2,501,166</u>
Total	<u>\$ 1,057,463,054</u>	<u>\$ 120,000,000</u>	<u>\$ 85,850,000</u>	<u>\$ 1,091,613,054</u>

For the general obligation bonds carried in the enterprise funds, a total of \$989,235 is classified as current liabilities. This total is comprised of \$369,235 in the Solid Waste Disposal Fund, \$440,000 in the Bethesda Parking Lot District Fund, and \$180,000 in the Silver Spring Parking Lot District Fund.

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

Fiscal Year Ending June 30	General Obligation Bond Requirements		
	Principal	Interest	Total
2000	\$ 89,780,000	\$ 56,414,089	\$ 146,194,089
2001	86,625,000	50,889,044	137,514,044
2002	86,030,000	46,172,065	132,202,065
2003	85,605,000	41,464,908	127,069,908
2004	83,120,000	36,646,440	119,766,440
2005-2019	<u>660,453,054</u>	<u>204,005,364</u>	<u>864,458,418</u>
Total	<u>\$1,091,613,054</u>	<u>\$435,591,910</u>	<u>\$1,527,204,964</u>

Article 25A, Section 5(P), of the Annotated Code of Maryland (1994 Montgomery County Code, as amended), authorizes borrowing of funds and issuance of bonds to a maximum of 15 percent of assessed value of all real and personal property within the County. The legal debt margin as of June 30, 1999, is \$3,576,327,904.

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General obligation bonds authorized and unissued as of June 30, 1999, are as follows:

Purpose	Authority			Amount Unissued
	Chapter	Act	Amount	
General County, Parks, and Consolidated Fire Tax District	8	1997	\$ 3,800,000	\$ 1,085,000
	32	1997	13,300,000	13,300,000
	19	1998	113,400,000	113,400,000
			<u>130,500,000</u>	<u>127,785,000</u>
Roads and Storm Drainage	8	1997	19,300,000	2,215,000
	32	1997	22,200,000	22,200,000
	19	1998	77,000,000	77,000,000
			<u>118,500,000</u>	<u>101,415,000</u>
Public Schools and Community College	8	1997	99,400,000	11,963,000
	32	1997	80,800,000	80,800,000
	19	1998	3,800,000	3,800,000
			<u>184,000,000</u>	<u>96,563,000</u>
Mass Transit	34	1991	2,160,000	2,055,000
	19	1998	500,000	500,000
			<u>2,660,000</u>	<u>2,555,000</u>
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
		<u>5,630,000</u>	<u>5,570,000</u>	
Parking Districts: Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
			<u>4,165,000</u>	<u>3,265,000</u>
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts			<u>13,315,000</u>	<u>8,130,000</u>
Total General Obligation Bonds			<u>\$454,605,000</u>	<u>\$342,018,000</u>

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.

B) Revenue Bonds Payable

Revenue bonds are authorized, issued, and outstanding to provide funds for the Bethesda Parking Lot District Fund, the Silver Spring Parking Lot District Fund, and the Solid Waste Disposal Fund. These revenue bonds are secured by pledges of the respective funds.

Revenue bond issues outstanding as of June 30, 1999, are as follows:

	Dated			Originally	Balance	Unamortized	Carrying Value
	Date	Maturity	Interest Rate	Issued	at June 30, 1999	Discount	at June 30, 1999
Parking Revenue Refunding 1992 Series A:							
Bethesda Parking Lot District	04/15/92	1992-09	2.75 - 6.25 %	\$ 27,975,000	\$ 19,050,000	\$ (82,212)	\$ 18,967,788
Silver Spring Parking Lot District	04/15/92	1992-09	2.75 - 6.25	24,755,000	16,410,000	(65,507)	16,344,493
Solid Waste System 1993 Series A	03/15/93	1994-13	3.5 - 5.875	50,680,000	40,440,000	(307,323)	40,132,677
Total				<u>\$ 103,410,000</u>	<u>\$ 75,900,000</u>	<u>\$ (455,042)</u>	<u>\$ 75,444,958</u>

Changes in revenue bonds during FY99 are as follows:

	Balance			Balance	Unamortized	Carrying Value
	July 1, 1998	Bonds Issued	Bonds Retired	June 30, 1999	Discount	at June 30, 1999
Bethesda Parking Lot District	\$ 20,545,000	\$ -	\$ 1,495,000	\$ 19,050,000	\$ (82,212)	\$ 18,967,788
Silver Spring Parking Lot District	17,805,000	-	1,395,000	16,410,000	(65,507)	16,344,493
Solid Waste Disposal	42,340,000	-	1,900,000	40,440,000	(307,323)	40,132,677
Total	<u>\$ 80,690,000</u>	<u>\$ -</u>	<u>\$ 4,790,000</u>	<u>\$ 75,900,000</u>	<u>\$ (455,042)</u>	<u>\$ 75,444,958</u>

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Bethesda Parking Lot District		Silver Spring Parking Lot District	
	Principal	Interest	Principal	Interest
2000	\$ 1,585,000	\$ 1,155,112	\$ 1,480,000	\$ 992,578
2001	1,670,000	1,064,768	1,570,000	908,217
2002	1,785,000	967,907	1,650,000	817,158
2003	1,895,000	862,593	1,760,000	719,808
2004	2,025,000	748,892	1,870,000	614,208
2005-2013	10,090,000	1,776,453	8,080,000	1,291,072
Total	<u>\$ 19,050,000</u>	<u>\$ 6,575,725</u>	<u>\$ 16,410,000</u>	<u>\$ 5,343,041</u>

Fiscal Year Ending June 30	Solid Waste Disposal		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2000	\$ 1,995,000	\$ 2,299,521	\$ 5,060,000	\$ 4,447,211	\$ 9,507,211
2001	2,095,000	2,199,772	5,335,000	4,172,757	9,507,757
2002	2,205,000	2,090,831	5,640,000	3,875,896	9,515,896
2003	2,320,000	1,973,966	5,975,000	3,556,367	9,531,367
2004	2,445,000	1,848,686	6,340,000	3,211,786	9,551,786
2005-2013	29,380,000	9,263,517	47,550,000	12,331,042	59,881,042
Total	<u>\$ 40,440,000</u>	<u>\$ 19,676,293</u>	<u>\$ 75,900,000</u>	<u>\$ 31,595,059</u>	<u>\$ 107,495,059</u>

Revenue bonds authorized and unissued as of June 30, 1999, are as follows:

Purpose	Resolution Number	Year	Amount Authorized	Amount Unissued
Parking Lot Districts	11-1383	1989	\$ 51,163,000	\$ 42,088,000
Solid Waste Disposal	12-1010	1993	<u>56,935,000</u>	<u>6,255,000</u>
Total			<u>\$ 108,098,000</u>	<u>\$ 48,343,000</u>

Restricted assets related to these revenue bonds, classified as Investments or Equity in Pooled Cash and Investments for balance sheet purposes, include the following:

Purpose	Bethesda	Silver Spring	Solid
	Parking Lot District	Parking Lot District	Waste Disposal
Operation and Maintenance Account - Available to pay current expenses	\$ 705,440	\$ 864,893	\$ -
Debt Service Account - Used to pay debt service on bonds	271,832	223,798	3,226
Debt Service Reserve Account (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available in the Debt Service Account	-	-	4,325,060
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,393,990</u>
Total	<u>\$ 2,477,272</u>	<u>\$ 2,588,691</u>	<u>\$ 5,722,276</u>

In lieu of Debt Service Reserve Accounts, the 1992 Series A Parking Refunding Bonds are being secured with a municipal bond insurance policy. The one-time payment for this policy was \$125,887 and \$111,397 for the Bethesda Parking Lot District and the Silver Spring Parking Lot District, respectively. The County government is in compliance with all significant financial bond covenants relative to the Parking Revenue Refunding Bonds (Bethesda Parking Lot District and Silver Spring Parking Lot District) 1992 Series A.

C) 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 FY99 are as follows:

	Balance	BANs Issued	BANs Retired	Balance
	July 1, 1998			June 30, 1999
BAN Series 1995 -B	\$ 35,000,000	\$ -	\$ 35,000,000	\$ -
BAN Series 1995 -C	50,000,000	-	46,000,000	4,000,000
BAN Series 1995 -D	65,000,000	-	39,000,000	26,000,000
BAN Series 1995 -E	-	50,000,000	-	50,000,000
Total	<u>\$150,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ 120,000,000</u>	<u>\$ 80,000,000</u>

BAN Notes, Series 1995-B, totaling \$35,000,000, BAN Notes, Series 1995-C, totaling \$46,000,000 and BAN Notes, Series 1995-D, totaling \$39,000,000, were retired on May 5, 1999, with proceeds from general obligation bonds dated April 1, 1999. The interest rate changes based on market conditions. During FY99, the rate of interest varied from 2.65 to 4.30 percent. The maximum rate of interest under the terms of the issue is 15 percent per annum.

Interest earned on BANs totaled \$3,804,941 during FY99, of which \$1,540,688 is accounted for in the Debt Service Fund.

BANs amounting to \$50 million at June 30, 1999, were issued during FY99 at varying maturities to a maximum of 270 days, under a program which originally matured on November 2, 1998, and has been extended to June 30, 2002. The County has reissued the notes upon maturity and will continue to do so, until they are replaced with long-term bonds. The County intends to issue long-term general obligation bonds in FY00, and intends to use the proceeds first to replace a portion of the \$80 million in BANs

outstanding at June 30, 1999. In connection with these BANs, the County entered into a line of credit agreement on June 1, 1999, with Westdeutsche Landesbank Girozentrale, New York Branch, (the Bank) in which the County may borrow, on a revolving basis, up to \$200 million to pay the principal on the notes, and up to \$14.8 million to pay the interest. Any principal advances under the line of credit must be repaid by July 31, 2002. Because the County has entered into a financing agreement that ensures the BANs can be refinanced on a long-term basis, these BANs are classified as long-term debt in the accompanying financial statements.

The amount of BANs authorized and unissued as of June 30, 1999, is \$262,018,000 per Resolution No. 13-294 dated October 10, 1995, as amended.

D) Other General Long-Term Debt

Changes in general long-term debt other than bonds, notes, and mortgages payable during FY99 are as follows:

	Balance <u>July 1, 1998</u>	Earned/ <u>Additions</u>	Used/ <u>Payments *</u>	Balance <u>June 30, 1999</u>
Compensated Absences	\$ 33,911,298	\$ 23,958,067	\$ 22,633,045	\$ 35,236,320
Claims and Judgments	250,000	990,000	-	1,240,000
Equipment Purchase Contracts	527,314	1,059,072	888,831	697,555
Due to Other Governments	-	1,800,000	46,975	1,753,025
Due to Other Funds	-	4,106,570	250,000	3,856,570

* Includes nonmonetary settlements and adjustments

E) 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 1A). From time to time, the County has issued Industrial Revenue Bonds and Economic Development Revenue Bonds for the purposes of financing or refinancing any costs of acquiring facilities for third party facility users or of refunding outstanding bonds. Facility users may be individuals, public or private corporations, or other entities. The bonds are secured by the facilities financed and are payable from the revenues or moneys to be received by the County under loan agreements with the facility users and from other moneys 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, 1999, there were forty-two issues of Economic Development Revenue Bonds outstanding. Of these, thirty-seven were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 1999, for bonds issued prior to July 1, 1996 could not be determined; however, their original issue amounts totaled \$231 million. The principal amount payable at June 30, 1999, for bonds issued after July 1, 1996, totaled \$34 million.

F) Other Debt Obligations

In September 1998, the County entered into a \$1,800,000 long-term loan agreement with the Maryland Industrial and Commercial Redevelopment Fund (MICRF). In accordance with terms of the loan, the proceeds have been reloaned to a private corporation, for purposes of renovation and relocation of facilities to the County. If certain conditions are met, \$150,000 of the loan may be converted to a State grant. Although it is expected that the loan will be repaid by payments made by the private user, the loan is a full faith and credit obligation of the County. The principal amount payable at June 30, 1999, for this loan is \$1,753,025.

In March 1999, the County entered into a long-term loan agreement with Strathmore Hall in the amount of \$1,000,000 payable to the Capital Projects Fund in four installments of \$250,000 due during FY99 and on June 30, 2000, June 30, 2001, and June 30, 2002. The remaining liability of \$750,000 constitutes a long-term obligation of the Strathmore Hall Expendable Trust Fund, and is therefore reflected as a liability in the General Long-Term Obligations Account Group.

On June 25, 1999, the County disposed of land owned by the Silver Spring Parking Lot District Enterprise Fund, through a lease with a third party, whose plans for this Urban Renewal Area (URA) met the County's specific development objectives, and also specific objectives of the URA. The lease provides for annual rent payments of one dollar per year for fifty-five years, with a bargain purchase option of one dollar at the end of ten years. If the bargain purchase option is not exercised by the tenth year of the lease, the property will convey outright to the lessee. If assets constructed on the leased land are sold or refinanced within the first ten years of the lease, the County is entitled to a portion of the sale or refinancing proceeds.

As a result of this lease, and pursuant to Section 60-2 of the Montgomery County Code, at the date of the transfer the County incurred an obligation to reimburse the Silver Spring Parking Lot District Enterprise Fund for the fair market value of the property, which was valued at \$3,200,000. This obligation was not satisfied with current expendable FY99 resources, rather the County will fulfill this obligation by future transfers of property and/or assets owned by the County. This obligation is therefore reflected as a receivable and liability by the Silver Spring Parking Lot District Enterprise Fund and the General Long-Term Obligation Account Group, respectively.

G) Special Taxing Districts

Two development districts have been created in accordance with Chapter 14 of the County Code, the Montgomery County Development District Act enacted in 1994. The creation of these districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas with high priority for new development or redevelopment.

Pursuant to the Development District Act, special taxes and/or assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective district. The County is authorized to issue \$24.5 million in special obligation bonds for the development districts. No related debt has been issued as of June 30, 1999.

COMPONENT UNITS

At June 30, 1999, the HOC revenue bonds, which are significant in relation to the total component unit long-term debt, are outstanding by type of bond as follows:

<u>Purpose</u>	
Multi-Family Mortgage Purchase Program Fund	\$ 285,679,723
Single Family Mortgage Purchase Program Fund	<u>333,699,835</u>
Total	<u>\$ 619,379,558</u>

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 4.20 to 8.7 percent and 2.85 to 8.375 percent, respectively, as of June 30, 1999.

Pursuant to Section 2-103 of Article 44A of the Annotated Code of Maryland, the County may, by local law, provide its full faith and credit as guarantee of bonds issued by HOC in principal amount not exceeding \$50,000,000. Section 20-32 of the Montgomery County Code provides the method by which the County has implemented the guarantee. The debt service requirements by fiscal year for the HOC debt guaranteed by the Primary Government are as follows:

Fiscal Year Ending June 30	Guaranteed Revenue Bond Requirements		
	Principal	Interest	Total
2000	\$ 455,000	\$ 1,352,319	\$ 1,807,319
2001	480,000	1,330,135	1,810,135
2002	500,000	1,306,372	1,806,372
2003	530,000	1,281,014	1,811,014
2004	560,000	1,050,017	1,610,017
2005 and thereafter	22,005,000	16,686,869	38,691,869
Total	\$ 24,530,000	\$ 23,006,726	\$ 47,536,726

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
2000	\$ 9,705,680	\$ 35,073,274	\$ 44,778,954
2001	10,416,753	34,465,322	44,882,075
2002	12,086,132	33,814,882	45,901,014
2003	12,951,644	33,104,909	46,056,553
2004	13,051,429	32,973,848	46,025,277
2005 and thereafter	561,167,920	476,566,736	1,037,734,656
Total	\$ 619,379,558	\$ 645,998,971	\$ 1,265,378,529

* Includes discounts

Changes in the HOC revenue bonds during FY99 are as follows:

Purpose	Balance	Bonds	Bonds	Balance
	July 1, 1998	Issued *	Retired **	June 30, 1999
Multi-Family Mortgage Purchase Program Fund	\$ 256,516,630	\$ 61,463,019	\$ 32,299,926	\$ 285,679,723
Single Family Mortgage Purchase Program Fund	339,800,202	30,345,180	36,445,547	333,699,835
Total	\$ 596,316,832	\$ 91,808,199	\$ 68,745,473	\$ 619,379,558

* Includes accretions

** Includes bond discounts

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

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

Bonds outstanding, July 1, 1998	\$ 392,746,943
Redemptions during the year	(1,044,823)
New issuances during the year	2,319,000
Bonds outstanding, June 30, 1999	<u>\$ 394,021,120</u>

NOTE 9. LEASE AND EQUIPMENT PURCHASE CONTRACT OBLIGATIONS

- A) **Operating Leases** - Commitments for FY00 under lease agreements for facilities and equipment provide for annual rental payments of approximately \$10,410,000. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated.
- B) **Equipment Purchase Contracts** - The following is a schedule by year of future minimum payments and the present value of net minimum payments as of June 30, 1999, for equipment purchase contracts:

Fiscal Year	General	Special Revenue	
<u>Ending June 30</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
2000	\$ 550,983	\$ 41,287	\$ 592,270
2001	92,845	19,681	112,526
2002	13,758	19,681	33,439
Total minimum payments	<u>657,586</u>	<u>80,649</u>	<u>738,235</u>
Less: Amount representing interest	<u>(34,395)</u>	<u>(6,285)</u>	<u>(40,680)</u>
Present value of net minimum contract payments	<u>\$ 623,191</u>	<u>\$ 74,364</u>	<u>\$ 697,555</u>

NOTE 10. SEGMENTS OF ENTERPRISE ACTIVITIES

There are nine enterprise activities of the Primary Government which are financed primarily from user charges and product sales. Segment information for the fiscal year ended June 30, 1999, for these activities is as follows:

	Liquor	Solid Waste Disposal	Solid Waste Collection	Permitting Services	Community Use of Public Facilities
Operating Revenues:					
Sales - net of discounts	\$ 120,492,375	\$ -	\$ -	\$ -	\$ -
Charges for services	11,640	82,768,469	4,668,288	1,455,464	3,704,289
Licenses and permits	-	-	-	15,841,168	-
Fines and forfeits	-	-	-	110,530	-
Total Operating Revenues	<u>120,504,015</u>	<u>82,768,469</u>	<u>4,668,288</u>	<u>17,407,162</u>	<u>3,704,289</u>
Operating Expenses:					
Cost of goods sold	86,476,346	-	-	-	-
Depreciation and amortization	535,494	2,335,095	8,782	585,954	38,402
Other	17,805,337	74,918,714	4,903,326	13,183,689	3,552,986
Total Operating Expenses	<u>104,817,177</u>	<u>77,253,809</u>	<u>4,912,108</u>	<u>13,769,643</u>	<u>3,591,388</u>
Operating Income (Loss)	<u>15,686,838</u>	<u>5,514,660</u>	<u>(243,820)</u>	<u>3,637,519</u>	<u>112,901</u>
Non Operating Items:					
Property taxes	-	-	-	-	-
Intergovernmental	-	3,198,869	-	-	66,209
Gain (loss) on sale of fixed assets	11,940	8,870	-	-	-
Investment income	-	5,207,687	172,078	356,347	252,586
Investment expense	(17)	(2,540,616)	-	(49,306)	-
Miscellaneous	-	4,990,000	-	-	-
Total Non Operating Revenues (Expenses)	<u>11,923</u>	<u>10,864,810</u>	<u>172,078</u>	<u>307,041</u>	<u>318,795</u>
Operating Transfers In	-	1,261,984	-	2,414,000	227,090
Operating Transfers Out	<u>(14,328,000)</u>	<u>(868,364)</u>	<u>(96,080)</u>	<u>(1,500,000)</u>	<u>(114,800)</u>
Total Operating Transfers In (Out)	<u>(14,328,000)</u>	<u>393,620</u>	<u>(96,080)</u>	<u>914,000</u>	<u>112,290</u>
Net Income (Loss) / Change in Retained Earnings	<u>\$ 1,370,761</u>	<u>\$ 16,773,090</u>	<u>\$ (167,822)</u>	<u>\$ 4,858,560</u>	<u>\$ 543,986</u>
Current Capital Contributions	-	-	-	-	-
Equity Transfers In (Out)	-	-	-	-	-
Property, Plant, and Equipment:					
Additions	1,692,405	1,983,041	-	1,763,670	41,755
(Deductions)	<u>(175,704)</u>	<u>(597,702)</u>	<u>-</u>	<u>-</u>	<u>(18,131)</u>
Net Working Capital	<u>12,165,119</u>	<u>36,239,014</u>	<u>1,355,315</u>	<u>4,244,660</u>	<u>4,483,548</u>
Total Assets	<u>31,048,732</u>	<u>121,336,807</u>	<u>1,814,532</u>	<u>12,936,245</u>	<u>4,972,475</u>
Total Fund Equity	<u>18,327,447</u>	<u>38,653,357</u>	<u>1,355,315</u>	<u>4,243,045</u>	<u>4,520,843</u>
Bonds and Other Long Term Liabilities					
Payable from Operating Revenues	-	66,246,562	-	1,179,331	-

(Continued)

Segments of Enterprise Activities, concluded:

	Silver Spring Parking	Bethesda Parking	Wheaton Parking	Montgomery Hills Parking	Total
Operating Revenues:					
Sales - net of discounts	\$ -	\$ -	\$ -	\$ -	\$ 120,492,375
Charges for services	3,934,216	5,315,735	431,687	21,294	102,311,082
Licenses and permits	-	-	-	-	15,841,168
Fines and forfeits	1,853,753	2,263,119	398,404	25,138	4,650,944
Total Operating Revenues	<u>5,787,969</u>	<u>7,578,854</u>	<u>830,091</u>	<u>46,432</u>	<u>243,295,569</u>
Operating Expenses:					
Cost of goods sold	-	-	-	-	86,476,346
Depreciation and amortization	2,112,592	2,656,618	202,811	-	8,475,748
Other	5,552,587	4,243,424	599,213	92,540	124,851,816
Total Operating Expenses	<u>7,665,179</u>	<u>6,900,042</u>	<u>802,024</u>	<u>92,540</u>	<u>219,803,910</u>
Operating Income (Loss)	<u>(1,877,210)</u>	<u>678,812</u>	<u>28,067</u>	<u>(46,108)</u>	<u>23,491,659</u>
Non Operating Items:					
Property taxes	2,809,311	2,868,985	337,693	49,620	6,065,609
Intergovernmental	-	300,000	-	-	3,565,078
Gain (loss) on sale of fixed assets	1,363,582	-	-	-	1,384,392
Investment income	374,105	794,294	440,554	33,331	7,630,982
Investment expense	(1,112,935)	(1,347,692)	-	-	(5,050,566)
Miscellaneous	2,604,325	-	-	-	7,594,325
Total Non Operating Revenues (Expenses)	<u>6,038,388</u>	<u>2,615,587</u>	<u>778,247</u>	<u>82,951</u>	<u>21,189,820</u>
Operating Transfers In	-	-	-	-	3,903,074
Operating Transfers Out	(552,731)	(2,200,012)	(799,944)	(20,370)	(20,480,301)
Total Operating Transfers In (Out)	<u>(552,731)</u>	<u>(2,200,012)</u>	<u>(799,944)</u>	<u>(20,370)</u>	<u>(16,577,227)</u>
Net Income (Loss) / Change in Retained Earnings	<u>\$ 3,608,447</u>	<u>\$ 1,094,387</u>	<u>\$ 6,370</u>	<u>\$ 16,473</u>	<u>\$ 28,104,252</u>
Current Capital Contributions	-	-	-	-	-
Equity Transfers In (Out)	-	-	-	-	-
Property, Plant, and Equipment:					
Additions	4,327,977	1,511,970	382,283	-	11,703,101
(Deductions)	(989,179)	(116,747)	(16,026)	-	(1,913,489)
Net Working Capital	<u>3,354,534</u>	<u>9,477,237</u>	<u>8,205,416</u>	<u>644,162</u>	<u>80,169,005</u>
Total Assets	<u>50,971,580</u>	<u>69,929,110</u>	<u>13,113,321</u>	<u>670,230</u>	<u>306,793,032</u>
Total Fund Equity	<u>33,333,990</u>	<u>48,971,474</u>	<u>13,037,368</u>	<u>665,148</u>	<u>163,107,987</u>
Bonds and Other Long Term Liabilities					
Payable from Operating Revenues	<u>16,824,493</u>	<u>20,157,787</u>	<u>-</u>	<u>-</u>	<u>104,408,173</u>

NOTE 11. FUND EQUITY

PRIMARY GOVERNMENT

A) Contributed Capital

Enterprise and Internal Service Funds record the following as contributed capital: Cash transfers of equity from other funds, grants awarded for the acquisition of land, buildings, and equipment, and such assets contributed from other funds. The following schedule shows changes in contributed capital during the fiscal year:

	Balance July 1, 1998	Asset Donations	Balance June 30, 1999
Liquor	\$ 861,657	\$ -	\$ 861,657
Community Use of Public Facilities	4,981	-	4,981
Motor Pool	12,879,526	-	12,879,526
Liability and Property Coverage Self Insurance	270,651	-	270,651
Total Contributed Capital	<u>\$ 14,016,815</u>	<u>\$ -</u>	<u>\$ 14,016,815</u>

B) Reservation of Retained Earnings

Retained earnings reserved at year end for purchase/construction commitments relating to the future acquisition or construction of capital assets are as follows:

<u>Enterprise Funds</u>	<u>Total</u>
Liquor	\$ 5,268
Solid Waste Disposal	25,525,048
Silver Spring Parking Lot District	5,177,047
Bethesda Parking Lot District	2,481,626
Wheaton Parking Lot District	2,529,981
Total Reservation of Retained Earnings	<u>\$ 35,718,970</u>

C) Reservation of Fund Balance

Fund Balance reserves, representing those resources that are for a specific purpose and that are, therefore, not available for appropriation for other purposes, are as follows:

<u>Purpose of Reservation</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust</u>	<u>Total</u>
Encumbrances	\$ 20,625,655	\$ 8,962,899	\$ 52,103,499	\$ -	\$ 81,692,053
Long-term receivables *	-	28,450,902	6,140,834	-	34,591,736
Inventories	2,070,390	-	2,617,046	-	4,687,436
Prepays	251,278	130,993	-	1,190	383,461
Unspent Fire-Rescue grant	-	585,834	-	-	585,834
Employees' pension benefits	-	-	-	1,913,490,485	1,913,490,485
External investment pool participants	-	-	-	18,911,572	18,911,572
Total Reserved Fund Balance	<u>\$ 22,947,323</u>	<u>\$ 38,130,628</u>	<u>\$ 60,861,379</u>	<u>\$ 1,932,403,247</u>	<u>\$ 2,054,342,577</u>

* Long-term receivables in the Grants Special Revenue Fund have not resulted in revenue recognition, and are, therefore, offset by deferred revenue rather than reserved fund balance.

D) Unreserved Fund Balance Designations

Unreserved fund balance designations are as follows:

Purpose of Designation	General	Special		Total
		Revenue	Trust	
Transfers to Capital Projects Fund	\$ 31,294,410	\$ 8,336,990	\$ 2,043,971	\$ 41,675,371
Trust activities	-	-	191,240,159	191,240,159
Subsequent years' expenditures	74,748,747	9,309,534	-	84,058,281
Other activities	10,779,225	-	-	10,779,225
Total	<u>\$ 116,822,382</u>	<u>\$ 17,646,524</u>	<u>\$ 193,284,130</u>	<u>\$ 327,753,036</u>

E) Reconciliation of Beginning Fund Equities

The Strathmore Hall Fund, previously accounted for as a nonexpendable trust fund, has been reclassified to an expendable trust fund beginning in FY99, since both principal and income of the fund may be expended.

The Deferred Compensation Fund, previously accounted for as an agency fund, is accounted for as an expendable trust fund beginning in FY99. The Deferred Compensation Expendable Trust Fund fund balance at July 1, 1998 has been restated by \$143,438,009, representing the ending FY98 balance due to participants, to account for the cumulative effect of implementation of GASB statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" (see Note 15).

F) Operating Transfers In (Out)

The following table reconciles the difference between Operating Transfers In and Operating Transfers (Out) as reflected in the Combined Financial Statements:

"Operating transfers in" on Exhibit A-3	\$ 213,585,552
"Operating transfers (out)" on Exhibit A-3	(198,418,825)
"Operating transfers in" on Exhibit A-5	5,313,574
"Operating transfers (out)" on Exhibit A-5	(20,480,301)
Difference	<u>\$ -</u>

G) Operating Transfers In (Out) - Between Component Units and Primary Government

The following table reconciles the difference between the Primary Government's Operating Transfers (Out) to Component Units and the Component Units' Operating Transfers In from the Primary Government as reflected in the Combined Financial Statements:

"Operating transfers (out) - component units" on Exhibit A-3	\$ (915,693,201)
"Operating transfers in - component units" on Exhibit A-3	110,000
"Operating transfers in - primary government" on Exhibit A-3	859,866,454
"Operating transfers (out) - component units" on Exhibit A-5	(601,194)
"Operating transfers in - primary government" on Exhibit A-5	4,557,204
"Transfers in - primary government" on Exhibit A-9	<u>59,581,049</u>
Difference	<u>\$ 7,820,312</u> *

* The financial data of MCC is presented in accordance with generally accepted accounting principles (GAAP) for colleges and universities under the "AICPA College Guide Model." Under this model, MCC recognizes as revenue and other additions to its unexpended plant fund balance, the appropriations of governmental agencies, at the time of appropriation. MCC capital appropriations funded by the County are not recorded as Operating Transfers Out to Component Units until expenditures are incurred by MCC. Because the measurement focus under the AICPA model differs from GAAP for governmental entities, the amounts shown as Due to Component Units and Due from Primary Government do not agree (see Note 6) and operating transfers between the primary government and component units do not agree. Both differences relate to revenue recognition by MCC prior to expenditure recognition by the County.

H) Federal and State Grant Programs

Included in the financial statements are expenditures and revenues related to Federal and State grant programs for which the County is the grantee. The reserve for encumbrances in the governmental fund types does not include \$8,463,111 of encumbrances related to these grants. When the expenditure occurs in the subsequent year, revenue will be earned based on the grant agreements, and resources will then be made available. The County believes that inclusion of such encumbrances as reserved fund balance would distort the unreserved fund balance.

COMPONENT UNITS

I) Reclassifications

The following reclassifications have been made to the component units' financial data for inclusion in the Montgomery County, Maryland Comprehensive Annual Financial Report to conform with the reporting entity concept. MCPS recognized in its Capital Projects Fund revenue of \$82,785,170 from the County. Certain financial information for the MCPS Capital Projects Fund is reclassified as follows for financial reporting purposes at the reporting entity level: \$39,033,031 is reclassified as Transfers In; and \$2,896,429 is reclassified as Fund Balance.

J) Reservation of Retained Earnings

MCPS retained earnings reserved at June 30, 1999, of \$35,431,778 represent amounts established for the payment of employee benefit claims. MCRA reserved retained earnings of \$430,740 represents commitments to spend financial resources in future periods.

K) Reservation and Designation of Fund Balance

Component unit reservations of fund balance, and the purpose of such reservations at June 30, 1999, are as follows:

<u>Purpose of Reservation</u>	<u>MCPS</u>	<u>MCC</u>	<u>BUPI</u>	<u>Total</u>
Encumbrances	\$ 30,232,335	\$ 3,957,236	\$ 88,484	\$ 34,278,055
Inventories	4,015,112	-	-	4,015,112
Prepays	12,879	-	-	12,879
Employees' pension benefits	681,904,456	-	-	681,904,456
Commitments for specified programs and emergency plant repairs and maintenance	-	630,998	-	630,998
Total Reserved Fund Balances	<u>\$ 716,164,782</u>	<u>\$ 4,588,234</u>	<u>\$ 88,484</u>	<u>\$ 720,841,500</u>

MCC designated fund balance of \$8,557,511 represents amounts designated for subsequent years' expenditures, including Y2K related expenditures, amounts allocated for auxiliary enterprises and continuing education, and quasi-endowment funds.

L) Reconciliation of Beginning Fund Equities

In FY99, MCPS elected, in the proprietary funds, to close depreciation on assets acquired through capital grants to contributed capital. Previously, all depreciation was closed to retained earnings. The MCPS Enterprise Fund's beginning retained earnings and contributed capital have been restated by \$11,139,799 to reflect the cumulative effect of closing depreciation on assets acquired through capital grants to contributed capital. MCPS believes that this is a more accurate presentation of the activity within the Enterprise Fund.

NOTE 12. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

A) Risk Management

Montgomery County, for itself and certain component and governmental units, maintains two self-insurance internal service funds. Montgomery 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, fire and theft, the liability for errors, omissions, and other selected areas which require coverage. Commercial insurance is purchased for claims in excess of coverage by the self-insurance fund and for other risks not covered by the fund. In addition to all funds of Montgomery County, participants in this program include the Montgomery County Public Schools, the Montgomery Community College, the Maryland-National Capital Park and Planning Commission, the City of Rockville, the Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, the independent fire/rescue corporations, the Bethesda Chevy Chase Rescue Squad, the Housing Authority of the City of Rockville, the Town of Somerset, the Village of Martin's Addition, and the City of Gaithersburg. The liability for claims with respect to all participants transfers to the self-insurance fund, except for the Maryland-National Capital Park and Planning Commission which retains ultimate liability for its own claims.

The second fund is maintained for Employee Health Benefits under which participants share medical, dental, and life insurance. The Washington Suburban Transit Commission, the Bethesda Urban Partnership, Inc., Montgomery Community Television, the Strathmore Hall Foundation, Inc., 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 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. Because actual claims liabilities depend on such complex factors 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 fiscal year, there were no significant reductions in insurance coverage in either fund from the prior year. For the past four years, no insurance settlements exceeded insurance coverage in either fund. Changes in the balances of Claims Payable for both self-insurance funds and for litigation claims in the General Long-Term Obligations Account (see Litigation Section below) for FY99 and FY98 are as follows:

	<u>Liability and Property Coverage</u>	<u>Employee Health Benefits</u>
Balance July 1, 1997	\$ 39,514,784	\$ 8,977,012
Claims and changes in estimates	10,650,721	36,406,991
Claim payments *	<u>(11,709,505)</u>	<u>(38,254,851)</u>
Balance June 30, 1998	38,456,000	7,129,152
Claims and changes in estimates	12,681,533	51,895,306
Claim payments *	<u>(11,637,533)</u>	<u>(53,285,772)</u>
Balance June 30, 1999 **	<u>\$ 39,500,000</u>	<u>\$ 5,738,686</u>

* Includes non-monetary settlements and therefore write-offs of previously recorded litigation claims.

** Includes incurred but not reported claims of \$17,950,000 and \$5,738,686, for the Liability and Property Coverage and the Employee Health Benefits Self Insurance Funds, respectively.

B) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, Montgomery County, Maryland is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed \$6,390,000. In accordance with generally accepted accounting principles, \$1,240,000 of this amount has been reflected as a liability in the General Long-Term Obligations Account Group, as the County's liability on certain claims appears to be probable.

C) Grants, Entitlements, and Shared Revenues

The County participates in a number of Federal and State assisted grant and/or entitlement 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, 1999, have not yet been completed. In accordance with the provisions of the Single Audit Act of 1984 and Circular A-133, issued by the U.S. Office of Management and Budget, the County participates in single audits of federally assisted programs. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe disallowed amounts, if any, would be material.

D) Landfill

The County, in its effort to provide for estimated capping and post closure maintenance costs for its landfill, which closed in October 1997, accrued such costs, and recognized those costs as expenses as the landfill was 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 Governmental Accounting Standards Board Statement No. 18, issued in August 1993, expanded the items considered in the original EPA calculation of closure costs. The expanded requirements include post closure care for thirty years for landfills accepting refuse materials after October 1991. The total closure and post closure costs are estimated at \$48,750,000, which has been fully accrued through June 30, 1999. Of this total amount accrued, \$11,165,100 in actual costs has been paid out in prior years, and \$4,319,000 was paid in FY99, resulting in a net liability of \$33,265,900 at June 30, 1999. The current and non-current portions of this liability at year-end are \$8,000,000 and \$25,265,900 respectively. These costs are subject to change based on inflation, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and post closure costs as they are incurred in the future. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons.

E) Other Commitments

County internal service funds have entered into contract commitments that remain uncompleted as of year-end. The amount of outstanding commitments at June 30, 1999, not reflected in the accompanying financial statements, is as follows:

Motor Pool	\$2,773,255
Central Duplicating	44,165
Liability and Property Coverage Self Insurance	72,508
Employee Health Benefits Self Insurance	86,840
Total	<u><u>\$2,976,768</u></u>

NOTE 13. SUBSEQUENT EVENTS

On July 27, 1999, the County Council introduced, and subsequently approved, legislation to increase the level of authorized general obligation bond principal by an additional \$121,700,000, effective November 4, 1999.

Commercial paper bond anticipation notes (BANs) amounting to \$80,000,000 and \$40,000,000 were issued in July and November 1999, respectively.

NOTE 14. JOINT VENTURES

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

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

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

At June 30, 1999, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$175,443,848, of which \$19,313,848 was self-supporting. Of the total amount payable, \$2,048,372 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, 1999, is \$34,545,000, 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, 1999, WSSC had outstanding notes payable and bonds payable in the amount of \$1,784,854,593, of which \$1,766,959,593 was self-supporting. Of the total amount payable, \$189,534,000 represented debt due within one year. Pursuant to Section 4-101 of Article 29 of the Annotated Code of Maryland (1997 Replacement Volume and 1998 Cumulative Supplement), the County must guarantee payment of principal and interest on WSSC bonds, unless the 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, 1999, all WSSC debt relating to the County is self-supporting.

Washington Suburban Transit Commission (WSTC)

The Washington Suburban Transit District (WSTD), encompassing Prince George's and Montgomery Counties, Maryland, was chartered by the State of Maryland in 1965 to, among other things, coordinate and participate in the formulation of the transit plan of the Washington Metropolitan Area Transit Authority for WSTD. The WSTD is governed by the WSTC, which is composed of three representatives each from Prince George's and Montgomery Counties and one representative from the Maryland Department of Transportation. One commissioner from each county is appointed by the Governor of the State of Maryland, and the other two commissioners are appointed by the chief executive officer of the organizations they represent. The two participating counties have equal budgetary authority and financial responsibility for WSTC; however, both are required to act in consultation with the State Department of Transportation. WSTC's liabilities are limited to funds payable from the participating counties and the State under outstanding grant agreements and State legislation. Montgomery County made an operating contribution totaling \$43,725 to WSTC during FY99. The FY99 WSTC Annual Financial Report was not available when this report was published.

Washington Metropolitan Area Transit Authority (WMATA)

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

Montgomery County is committed to participation in the WMATA and its regional Metro Rapid Rail and Metro Bus programs. As a result of State legislation, the State of Maryland is required to fund 100 percent of the County's share of rail and bus operating expenses, less any Federal grant monies provided under Section 9 of the Urban Mass Transportation Act. In addition, the State is required to fund 75 percent (100 percent beginning in FY00) of the annual debt service on revenue bonds issued by WMATA in connection with the construction of the Metro Rapid Rail System. The County's share of the cost of construction of the Metro Rapid Rail System has been totally assumed by the State. In addition, State legislation mandates, effective in FY00, that the State provides 100 percent of the County's share of WMATA capital equipment replacement costs.

A summary reflecting the funding of Montgomery County's share of WMATA's activities for FY99 is as follows:

Bus operating subsidy	\$ 23,036,435
Rail operating subsidy	20,542,480
Construction management subsidy	486,112
ADA Service	1,814,256
Metrobus and Metrorail capital replacement	4,921,666
Debt service on WMATA revenue bonds	4,867,449
Total	<u>55,668,398</u>
Less: Current State aid	<u>(52,556,718)</u>
Net subsidy	<u>\$ 3,111,680</u>

At June 30, 1999, WMATA had outstanding debt of \$272,259,000, of which \$13,440,000 represented debt due within one year. All of this debt is payable from resources of WMATA.

Metropolitan Washington Council of Governments (COG)

COG is a multi-governmental organization in which local governments unite to solve area-wide problems. Montgomery County is a participant in COG along with other Washington metropolitan governments. The governing body of COG is a Board of Directors. Each participating governmental unit is allotted chairs on the Board in accordance with a specified population formula. Budgetary authority rests with the Board. Member dues finance approximately 20 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, Montgomery County paid FY99 membership dues amounting to \$580,897.

The FY99 COG Annual Financial Report was not available when this report was published.

Northeast Maryland Waste Disposal Authority (NEMWDA)

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

NEMWDA issued bonds to fund the construction of the Montgomery County Resource Recovery Project (Project). At June 30, 1999, NEMWDA had outstanding bonds payable in the amount of \$340,440,000. All of these outstanding bonds are related to this Project and are limited obligations of NEMWDA, payable solely from the Project revenues and other amounts. Since the Project is owned and will be operated by NEMWDA, the bonds and related activities are included in the financial statements of NEMWDA.

This Project became operational in August of 1995. NEMWDA has entered into a service contract with Montgomery County under which the County pays a waste disposal fee calculated in accordance with the agreement. The waste disposal fee is comprised of an amount equal to debt service, facility fees, alternative disposal costs, NEMWDA administrative costs, operating costs, and NEMWDA component revenue.

Summary Financial Information

A summary of financial information of the six joint ventures at June 30 follows (\$000's):

	MNCPPC (a)	WSSC (a)	WMATA (a)	WSTC (f)	COG (f)	NEMWDA (a)
Total Assets	\$ 1,554,251	\$ 3,625,723	\$ 8,880,346	\$ 6,265	\$ 10,966	\$ 354,594
Total Liabilities	324,373	1,911,203	2,191,766	5,994	6,670	361,510
Total Equity (Deficit)	1,229,878	1,714,520	6,688,580	271	4,296	(6,916)
Total Revenue/Resources	297,793	444,259	372,111	178,051 (c)	27,514	63,803
Total Expenditures/Expenses	279,701	271,231	675,115	178,578 (d)	27,733	64,158
Other Financing Sources	56,055	37,672	356,019	-	639	-
Other Financing Uses	(49,676)	(104,387)	(53,015)	(2)	-	-
Capital Contributions	(233)	68,934	74,759	-	-	-
Other Changes in Fund Equity	73,432	-	247,696	(11)	-	(4,925)
Net Increase (Decrease) in						
Fund Balance/Retained Earnings	97,670	175,247	-	(540)	420	(5,280)
Total County Contributions						
During Year	-	-	55,668	55,712 (a,e)	581 (a)	44,468
Year-end Net Liability of County	-	68 (b)	-	-	-	-

NOTE: All fiscal years end on June 30

a) FY99 data

b) Unremitted front foot benefit charges and prior period sanitary tax as of June 30, 1999, collected through the County's property tax billings

c) Revenues of the General and Mass Transit Funds and cash receipts of the Metro Capital and Operating Fund

d) Expenditures of the General and Mass Transit Funds and cash disbursements of the Metro Capital and Operating Fund

e) Pass through to WMATA except operating contribution of \$43,725

f) FY98 data

NOTE 15. DEFERRED COMPENSATION

The employees of Montgomery County, Maryland may participate in the Montgomery County Deferred Compensation Plan (the Plan). The purpose of the Plan is to extend to employees a deferred compensation plan pursuant to Section 457 of the Internal Revenue Code of 1954, as amended. During FY99, in accordance with Federal legislation, the assets of the Plan were placed in trust for the sole benefit of participants and their beneficiaries. Trust responsibilities were assigned to the Board of Investment Trustees. This Plan is therefore accounted for and is included in the Combined Financial Statements as an expendable trust fund (see Note 11E). The County has contracts with Hartford Variable Annuity Life Insurance Company (HVA) and Fidelity Investments (FI). Under the Plan, contributions are sent to HVA and FI for different types of investments as selected by the employees. A separate account, which reflects the monies deferred, the investment of the monies, and related investment earnings, is maintained for each participant. Withdrawals are made upon retirement, termination of employment, death, and/or in unforeseeable emergencies. Total contributions to the Plan during FY99, including rollovers from other plans of \$436,518, amounted to \$15,304,028 and total expenditures amounted to \$3,859,058. Current year investment earnings amounted to \$24,115,524.

NOTE 16. OTHER EMPLOYEE BENEFITS

A) Vacation, Sick Leave, and Other Compensated Absences

Employees of Montgomery County, Maryland earn vacation, compensatory, and sick leave in varying amounts. In the event of termination, employees are reimbursed for accumulated vacation and compensatory leave. Employees are given credited service toward retirement benefits for accumulated sick leave at retirement. Earned but unused vacation and compensatory leave is accounted for in the proprietary funds as a current accrued liability. The liability for unused vacation and compensatory leave payable from governmental fund types is recorded in the Long-Term Obligations Account Group because it will be paid from future periods' resources. Current portions applicable to governmental funds have been determined to be immaterial. Sick leave earned but not taken by June 30, 1999, totaling 4,884,144 hours approximates \$133,716,795 based on the salary scale in effect at that date. Earned but unused sick leave is not recorded as a liability in these Combined Financial Statements because upon termination, sick leave is not paid. Sick leave is paid only in the event of employee illness - in which case the payments will be made from current resources at that time.

B) Postemployment Benefits

In addition to the pension benefits described in Note 17, the County, by authority of various Montgomery County Council resolutions, provides certain postemployment health care and life insurance benefits to all employees who retire under the Employees' Retirement System of Montgomery County, Maryland and have a minimum of five years membership in a health plan offered by the County. Under the plan, retirees and employees contribute 20 percent toward the cost of medical, dental, and life insurance, with the County contributing up to 80 percent of the insured amounts. Retirees may participate in the plan for a length of time equal to the time the retiree worked for the County. After that, the individual is required to pay the full cost of the insurance. All employees hired after January 1, 1987 are covered by a new plan. Under this plan, the retiree and County pay an equal share (50/50) of the insurance expense starting with five years of County service. This changes by two percent for each year of credited service up to a 70 percent County, 30 percent retiree contribution after the fifteenth year. Under this plan, employees have a lifetime insurance benefit. Currently, 3,035 retirees meet those eligibility requirements.

The plan is funded with the contributions from the Group Insurance Reserve Expendable Trust Fund, an appropriation in a non-departmental account of the General Fund, dividends, and pre-funded contributions from active employees. Expenses are recognized as retirees report claims, with an amount included to provide for incurred but not reported claims. The employer contributions were \$16,497,880 for FY99; retired employee contributions were \$4,169,522. The Employee Health Benefits Self Insurance Internal Service Fund accounts for this fiscal activity.

C) Other Employee Benefits

Montgomery County, Maryland provides comprehensive insurance programs to its employees. These benefits include but are not limited to medical and dental 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 FY99, the County and its employees contributed \$29,472,624 and \$7,675,895, respectively. Employees of the Montgomery County Revenue Authority, Housing Opportunities Commission and Bethesda Urban Partnership, Inc. participate in the comprehensive insurance program of the County. Employer contributions totaled \$98,386, \$987,712, and \$47,334 for these component units, respectively, for FY99.

NOTE 17. PENSION PLAN OBLIGATIONS

PRIMARY GOVERNMENT

A) Defined Benefit Pension Plan

Plan Description - The Employees' Retirement System of Montgomery County (System) is a single-employer defined benefit pension plan sponsored by Montgomery County. Other agencies or political subdivisions have the right to elect participation. This Plan is closed to the employees hired on or after October 1, 1994 except public safety bargaining unit employees. Substantially all employees hired prior to October 1, 1994 of Montgomery County, the Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, the independent fire/rescue corporations, the Town of Chevy Chase, The Strathmore Hall Foundation, Inc., the Washington Suburban Transit Commission, 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 Chapter 33 of Montgomery County Code, 1994, 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. The System does not separately issue a stand-alone financial report.

The Board of Investment Trustees (Board) has the exclusive authority to manage the assets of the System. The Board consists of nine trustees and functions as part of Montgomery County. Effective in FY95, the County established a Defined Contribution Plan under which employees covered under the Defined Benefit Plan may make an irrevocable decision to move into the Defined Contribution Plan. Members who transfer into the new Plan will have their credited service frozen in the Defined Benefit Plan and their accumulated balances will remain there.

All covered full-time employees of the County and participating agencies must become members of the System as a condition of employment. All covered career part-time employees of the County and participating agencies may become a member on an individual basis.

Number of retirees and beneficiaries currently receiving benefits	3,735
Number of terminated employees entitled to benefits but not yet receiving them	297
Number of current active employees	6,225

Effective July 1, 1978, the System was divided into two groups: the Integrated Retirement Group and the Optional Retirement Group. The System, or plan, is operated under one trust where assets accumulated for the payment of benefits may legally be used to pay benefits or refunds of all members of the trust, without regard to the different groups. The Integrated Retirement Group which provides full retirement benefits until the member reaches age 65, with supplemental benefits to Social Security thereafter, and the Optional Retirement Group which provides full retirement benefits for life. Employees hired after July 1, 1978 may only participate in the Integrated Retirement Group; however, employees hired prior to July 1, 1978 participate in the Optional Retirement Group, if not electing to convert to the Integrated Retirement Group. Under the provisions of the Integrated Retirement Group the annual contribution of all members is 3 percent to 3.75 percent of regular annual earnings up to the maximum Social Security base, and 6 percent to 7.5 percent of regular annual earnings in excess thereof. Upon election to participate in the Integrated Retirement Group, Optional Retirement Group members are refunded their annual contribution which exceeded the amount that would have been paid had the contribution under the Integrated Retirement Group been in effect from date of their enrollment in the System to date of election, plus credited interest thereon. For those members who elect to remain in the System under the Optional Retirement Group, the contribution rate remains at 6 percent to 7.5 percent of their base annual salary.

Employees' contributions are credited to each member's reserve account, which earns interest at the rate of 4 percent per annum based on the balance accumulated in the member's account at the beginning of the year. Also, members may purchase prior service credits under certain conditions. Normal retirement benefits are 2 percent of the final 12 months' regular basic earnings for members enrolled prior to July 1, 1978, or 2 percent of the final 36 month average for members enrolled after June 30, 1978 multiplied by years of credited service (maximum 36 years) adjusted for cost of living. Benefit provisions are established under section 33-42 of the Montgomery County Code of 1994, as amended. For almost all members, normal retirement is age 60 with five years of service or age 55 with thirty years of service in Groups A and H (nonpublic safety employees), age 55 with fifteen years of service or age 46 with twenty five years of service in Groups E and F (police and corrections public safety employees), or age 55 with fifteen years of service or age 46 with twenty five years of service or twenty five years of actual service regardless of age in Group G (firefighters public safety employees).

Members who retire early receive normal retirement benefits reduced by a minimum of 2 percent to a maximum of 60 percent depending on the number of years early retirement precedes normal retirement. Disability benefits are contingent upon service-connected or nonservice-connected occurrences and total or partial permanent disablement. Death benefits are contingent upon service-connected or nonservice-connected occurrences. Effective July 1, 1989, when a member terminates employment before his retirement date and after completion of five years of credited service, he may elect to leave his member contributions in the System and receive a pension upon reaching his normal retirement date, based on the amount of his normal retirement pension that has accrued to the date of termination. Vested benefits and eligibility requirements are described under section 33-45 of the Montgomery County Code of 1994, as amended. A member who terminates employment prior to five years of credited service is refunded his accumulated contributions with interest.

Legislation enacted by the County Council in November 1999 requires the Chief Administrative Officer to establish Deferred Retirement Option Plans, or DROP plans, that allow any employee who is a member of a specified membership group or bargaining unit, and who meets certain eligibility requirements, to elect to "retire" but continue to work for 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. These DROP plans are to be effective March 1, 2000.

Summary of Significant Accounting Policies - The accrual basis of accounting is used for the System. Under this method, revenues including contributions are recorded when earned, expenses including benefits and refunds paid are recorded at the time liabilities are incurred, and allocation of depreciation is recorded for the fiscal period. Investments are stated at fair value or cost plus accrued interest. The group annuity contract is stated at book value. The System invests in derivatives in accordance with the policy of the Board of Investment Trustees. During FY99 the System invested directly in various derivatives including asset-backed securities, collateralized mortgage obligations, bond index future contracts, forward currency contracts, and floating rate securities. The System entered into these investments either to increase earnings or to hedge against potential losses, but these investments were not used to leverage the portfolio. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts.

Concentrations - At June 30, 1999, \$261,364,978 (13.75%) of the Pension Trust Fund's net assets available for benefits are invested in the State Street Bank and Trust Company Flagship S & P 500 Index Fund, which invests in the 500 stocks of the S & P Index.

Funding Policy, Contributions, and Reserves - Required employee contribution rates varying from 3 percent to 7.5 percent of regular earnings are fixed and specified under section 33-39 (a) of the Montgomery County Code of 1994, as amended. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System, using the actuarial basis as specified in section 33-40 of the Montgomery County Code of 1994, as amended. Under the current procedures, an actuarial valuation is performed to determine the employer contribution rate for the System. The contribution rate developed is a percentage of active member payroll. The dollar amount of each year's employer contribution is determined by applying the contribution rate to the actual payroll for each year. Funding of the System during the period is the sum of the normal costs and amortization of the unfunded accrued liability over a forty-year period.

Annual Pension Cost and Net Pension Obligation – The annual pension cost and the net pension obligation of the Montgomery County, Maryland and the participating agencies for FY99 were as follows:

	<u>Amount</u>
Annual required employer contributions (ARC)	\$ 47,462,625
Contributions made (100% of ARC)	<u>47,462,625</u>
Net Pension Obligation	<u>\$ -</u>

The annual required contributions for FY99 were based on an actuarial valuation as of June 30, 1997, the latest valuation available on the date the County Council was required to approve the appropriation resolution.

The actuarial valuation for the fiscal year ended June 30, 1999 is based upon the projected unit credit actuarial cost method and includes these significant assumptions, which have not changed from the prior year:

- Investment return: 8 percent compounded annually
- Salary increase: 4.5 percent compounded annually plus merit and promotional increases based on age
- Social Security wage base: 5 percent annual increases
- Consumer Price Index: approximately 4.5 percent annual increases
- Retirement age: ages varying from 41 years to 65 and over
- Turnover: rates varying from no turnover to 23 percent depending on gender
- Mortality: the 1983 Group Annuity Mortality Table with two-year setback in age for both males and females
- Disability: statistics published in the Social Security Administration's Actuarial Study No. 75 adjusted for County experience
- Actuarial Value of Assets: incorporates a five year phase-in of market gains and losses
- Amortization method: level percentage of projected payroll
- Amortization Period: 40 year period based on a separate closed period for each base

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	\$ 49,762,655	100 %	\$ -
1998	51,097,622	100	-
1999	47,462,625	100	-

Other - On August 1, 1986, Montgomery County entered into an agreement with the Aetna Life Insurance Company (Aetna). Under the terms of this agreement, Aetna agreed to accept future responsibility for making the monthly payments being paid to members retired prior to January 1, 1986, and other amounts previously guaranteed by Aetna under the group annuity contract, including cost of living increases effective prior to January 1, 1986, with respect to such annuity payments in exchange for a lump sum payment of \$154,168,890. Aetna agreed that by virtue of its acceptance of this amount, Montgomery County has no further obligation whatsoever with respect to supporting the payments described above. As a result, pensions paid by Aetna under this agreement have not been recognized as expenses. The group annuity contract originally valued at \$154,168,890 is being amortized over a period of 45 years using a ratio of yearly projected annuities to total projected annuities and the value of the group annuity contract. The unamortized value at June 30, 1999 is \$72,228,576.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (Unaudited)

Fiscal Year *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	Annual Required Employer Contributions **	Percentage Contributed
1994	\$ 1,001,693,615	\$ 1,331,224,697	\$ 329,531,082	75.2 %	\$ 258,959,079	127.3 %	\$ 41,428,002	100 %
1995	1,107,039,322	1,452,486,671	345,447,349	76.2	265,118,933	130.3	43,619,963	100
1996	1,252,913,221	1,530,349,100	277,435,879	81.9	267,547,924	103.7	38,862,333	100
1997	1,317,475,134 (1)	1,582,565,673	265,090,539	83.2	272,262,031	97.4	49,762,655	100
1998	1,496,651,390	1,660,034,038	163,382,648	90.2	278,364,575	58.7	51,097,622	100
1999	1,707,450,187	1,818,990,623	111,540,436	93.9	282,220,066	39.5	47,462,625	100

(1) Restated

* Actuarial valuation is performed as of June 30 of each fiscal year.

** Annual required employer contributions and actual employer contributions made are the same.

Notes to Required Supplementary Information (Unaudited) - The actuarial method and significant assumptions used for the most recent year reported in the required schedules are described earlier in this Note. The AAL as of June 30, 1999, includes \$55 million relating to the establishment of DROP plans described earlier in this Note and changes to retirement formulas resulting from labor negotiations.

B) Defined Contribution Plan

Plan Description - Employees' Retirement Savings Plan (Plan) is a single-employer defined contribution plan established by Montgomery County under Chapter 33 of the Montgomery County Code. Other agencies or political subdivisions have the right to elect participation. All non-public safety and certain public safety (not in bargaining unit) employees hired on or after October 1, 1994 are covered under this Plan. In addition to Montgomery County, other participant agencies include the Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, the independent fire/rescue corporations, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc. and the Washington Suburban Transit Commission. Employees covered under the defined benefit plan may make

an irrevocable decision to move into this Plan. At the end of FY99, there were 1,510 employees who were covered under this Plan.

Under this Plan, employees contribute 3 percent of regular earnings up to Social Security wage rate and 6 percent above Social Security wage rate. The employer contributes 6 percent and 10 percent of regular earnings for non-public safety and public safety employees respectively. The employer also contributes additional .50 percent of regular earnings to defray expenses of the Plan. Employee contributions are always vested under this Plan and employer contributions are vested after 3 years of service or upon death, disability, or retirement age of the employee. The Board of Investment Trustees monitors the Plan and offers investment options to the participating employees. Required employer and employee contributions made to this Plan for FY99 were \$2,570,110 and \$1,422,354, respectively.

Summary of Significant Accounting Policies - The accrual basis of accounting is used for this Plan.

Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Investments are stated at fair value or cost plus accrued interest and are valued primarily on the basis of market quotations. If the quotations are not readily available then investments may be valued by another method which reflects fair value.

C) Other

In addition, Montgomery County contributed \$575,408 during FY99 for pension costs for a few employees/retirees who elected to remain in the State plan. This amount includes the current service costs plus an amount sufficient to amortize the prior service cost over a forty year period ending June 30, 2020.

COMPONENT UNITS

The Montgomery County Revenue Authority and the Housing Opportunities Commission participate in the Employees' Retirement System of Montgomery County. The employer and employee contributions of these component units are reflected in the disclosure noted above. Montgomery County Public Schools and Montgomery Community College participate in various Maryland State Teachers and Employees Pension and Retirement Plans in addition to maintaining their own plans. Detailed disclosures of these plans are available in the audited financial statements of these component units. The Bethesda Urban Partnership, Inc. maintains a simplified employee pension plan.

Summary Data - Combined Actuarial Accrued Liability and Actuarial Value of Assets

	Montgomery County	MCPS Plan *	MCC State Plans *	MCC Aetna **	Total
Actuarial Accrued Liability	\$ 1,818,990,623	\$ 597,701,000	\$ 27,416,934,921	\$ 9,068,347	\$ 29,842,694,891
Actuarial Value of Assets	(1,707,450,187)	(586,842,000)	(24,850,355,227)	(12,636,551)	(27,157,283,965)
Unfunded (Net Assets in Excess of)					
Actuarial Accrued Liability	\$ 111,540,436	\$ 10,859,000	\$ 2,566,579,694	\$ (3,568,204)	\$ 2,685,410,926

* As of July 1, 1998

** As of July 1, 1999

Note 18. YEAR 2000 READINESS DISCLOSURE (Required Supplementary Information-Unaudited)

A) Year 2000 Mission

The County's Year 2000 mission is to manage its Year 2000 Program (the Program) in such a way as to ensure that no mission-critical services failure will occur as a result of the Year 2000 date problem.

B) Program Structure and Organization

The County formally initiated the Program in August 1996 to ensure that all mission-critical systems with a Year 2000 date problem were identified and corrected prior to January 1, 2000. The Program oversight is provided by the Interagency Technology Policy Coordination Committee (ITPCC). The ITPCC is made up of the County's Chief Administrative Officer (CAO), as the Year 2000 Program Sponsor, and the heads of the following governmental agencies:

Component Units:

- Montgomery County Public Schools
- Montgomery College
- Housing Opportunities Commission
- Montgomery County Revenue Authority

Joint Venture:

- Maryland-National Capital Park and Planning Commission

The Washington Suburban Sanitary Commission is also part of the ITPCC. However, it is excluded from the detailed disclosures below because it has operated fairly independently of the County Program.

The County established the Year 2000 Project Office and designated a senior official as the Year 2000 Program Executive. The ITPCC established a Year 2000 Subcommittee to coordinate efforts on an interagency basis. The County also established an Executive Branch Year 2000 Policy Group which is comprised of the CAO and six key department heads. The Policy Group is responsible for reviewing progress and resolving issues on a regular basis. Each agency has also organized its own Project Committee and Year 2000 Project Coordinator.

The primary objectives of the Program are to:

- Ensure compliance of all mission-critical systems by the Year 2000;
- Provide streamlined administrative processes for prompt and timely decision making commensurate with the priority and triage requirements of the Program;
- Make each agency and department accountable for the success of its Year 2000 program;
- Assure inter-operation testing of systems and business partners, contingency plan/business continuity plan preparation and testing, where possible;
- Facilitate efforts of municipal governments, regional entities, and the Federal government in order to minimize impact to the County; and
- Share information and serve as a model for other organizations.

C) Program Approach – Systems Compliance

The Year 2000 Program systems compliance process involves four principal stages: assessment, remediation, testing, and implementation. Year 2000 best practices and metrics (i.e., forms for system profiles, risk ratings, project timelines, and funding estimates) are used Program-wide to facilitate the compliance process. Year 2000 issues addressed during the process include internal, external, and mechanical issues. Internal issues may arise from a government's own operations and may materially affect its creditworthiness and ability to make timely payment of its obligations. External issues may arise from parties, other than the government, that provide payments/revenues that support the debt service on a government's municipal securities. Mechanical issues may arise if Year 2000 problems disrupt the actual mechanical process used to send payments to bondholders.

During the assessment stage, systems were identified and classified into the following categories: enterprise, departmental, infrastructure and facilities. Total systems projects addressed across all agencies as of October 1999 totaled 305.

The Year 2000 remediation solution for each system was initially identified as replacement, repair, validation of existing compliance, or retirement. Each project in the Program was classified in one of four risk categories (from highest risk to lowest): mission-imperative, mission-critical, mission-essential, and mission-enabling. The progress of each project is monitored and reported on an ongoing basis. Progress reports are provided regularly to the Executive Branch Year 2000 Policy Group, the ITPCC, and the County Council. Triage is continually applied.

The number of projects, and examples of systems, in each category as of October 1999, are as follows:

<u>Risk Category</u>	<u>Number</u>	<u>Examples of Systems</u>
Mission-imperative	66	E-911 CAD emergency dispatch, advanced traffic management system, public schools student information system, and tax assessment and receivable systems.
Mission-critical	73	Financial system, personnel/payroll system, operating budget/capital improvement process, building permits, PA/bell/fire alarms.
Mission-essential	137	Security systems, inventory control, fuel tracking.
Mission-enabling	29	Road inventory, elevators, air quality.

The County tests all Year 2000 fixes first as stand alone and subsequently with other inter-operating systems. Testing is estimated to constitute more than 50% of the total effort, and is required to validate and certify the compliance status of each system before it is implemented.

The stages of completion of systems, by risk category, are as follows as of October 1999:

Risk Category	Stages		
	Remediation	Completion	Total
Imperative	0	66	66
Critical	0	73	73
Essential	1	136	137
Enabling	0	29	29
Total #	1	304	305
Total %	0.3%	99.7%	100%

Broad definitions of each stage in accordance with generally accepted accounting standards are:

Awareness – Establishing a budget and project plan.

Assessment – Inventorying/reviewing systems for compliance and identifying critical systems.

Remediation – Deciding how to make systems compliant, and making required program changes.

Validation/Testing – Developing and running test scripts and reviewing results until complete.

Completion – The County has included this stage to reflect implementation of compliant systems and signing of a compliance certificate.

The County recognizes that it has considerable dependence on systems' manufacturers who must provide Year 2000 solutions to the County in a timely manner. The County is making every effort to keep up with these changes as they are continually being announced by the industry.

D) Business Continuity Assurance

In addition to the County's system compliance plans, the Program includes the compliance assessment of its business partners (e.g., contractors, vendors, customers, and other external stakeholders). The failure of certain business partners and suppliers/customers to function could impact the County's ability to

deliver critical public services. The Business Continuity Assurance Program (BCAP) provides a template for departmental and agency use in identifying the most critical business processes and associated business partners. It also initiates contact with business partners, continually assesses the business risk, appraises management of the findings, and plans risk reduction strategies prudently.

As of October 1999, 2,601 external entities had been contacted. Of those, 1,365 active goods and service providers provided documentation as to their Year 2000 plans and preparations. Of these, 260 responses scored low enough to warrant them to be considered for contingency plans along with those not responding. As a result, 124 business continuity contingency plans have been put in place for the County's important suppliers.

E) Contingency Planning

A critical part of the Program is the development of contingency plans to assure continued operation in the event of critical automated systems failure or unforeseen supply chain interruptions. The Program has provided agencies with contingency plan preparation guidelines, which include awareness, definitions, responsibilities, metrics, methodologies, and templates. Contingency plans describe the steps to be taken, including the activation of manual or outsourced processes, to ensure the continuity of business processes in the event of a Year 2000-induced system failure. Over 100 agency and departmental systems contingency plans have been received by the Year 2000 Project Office to date. Maintenance and testing of plans will continue through December 1999.

Since there are no guarantees that current internal or external (business partners and environmental) remediation efforts will be totally successful, crisis management scenarios must be developed and rehearsed. The County conducted a large-scale, public Year 2000 exercise on December 21, 1998. During this event, select critical systems (including the E-911 and Traffic Management Systems) were successfully rolled forward to the Year 2000. Subsequent tests were conducted in cooperation with the State of Maryland and the Metropolitan Washington Council of Governments (COG). The County also undertook an independent third party assessment of its multi-agency Year 2000 Program in December 1998 and made certain corrective actions based on the findings of the contractor.

F) Significant Resource Commitments

Total estimated cumulative funding information for Year 2000 solutions, including contract amounts for hardware, software, and consulting services specifically to make systems compliant, and including dedicated personnel costs in the County's Year 2000 Project Office, through June 30, 1999, is as follows:

<u>Organization(s)</u>	<u>Total Amounts Appropriated</u>	<u>Expended as of June 30, 1999</u>	<u>Encumbered at June 30, 1999</u>
County	\$ 14,651,000	\$ 9,104,000	\$ 997,000
Other entities	26,441,000	24,352,000	1,729,000
Total	<u>\$ 41,092,000</u>	<u>\$ 33,456,000</u>	<u>\$ 2,726,000</u>

For FY00, the Council approved \$7,481,868 (\$2,270,290 for the County and \$5,211,578 for other agencies) in additional Year 2000 related funding.

G) Intergovernmental and Community Outreach

The County continues to work in a leadership role with the Metropolitan Washington Council of Governments (COG) to heighten awareness, foster cooperation, and provide guidance to other regional governments. The County's CAO and Chief Information Officer chair their respective committees of the COG. County Emergency Management Group (EMG) officials are intimately involved with the region's and the State's EMGs.

The County also continues to actively participate in Y2K awareness and planning forums jointly with community groups (e.g. civic organizations, Chambers of Commerce) and other local governments (e.g. municipalities, regional neighbors and the State) to ensure emergency preparedness in a coordinated and pragmatic manner. The County has hosted and provided consultancy to over 40 countries at the request of the U.S. State Department. At the Federal level, County Officials have testified before the Senate Special Committee on the Year 2000 Technology Problem and at the House Committee on Transportation and Infrastructure. The testimony shared the issues faced by local governments, summarized the County's approach to the issue, and suggested certain key initiatives the Federal government could undertake to significantly assist local governments in their efforts.

H) Summary

Although minor problems will undoubtedly remain, the County expects to resolve all of its critical Year 2000 problems before January 1, 2000. The County does not expect Year 2000 problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. Nevertheless, the County has no control over the Year 2000 remediation efforts of external third parties. It is possible, therefore, that even if the County were fully Year 2000 compliant, and even if the County were to pay all of its obligations on time, the noncompliance of external third parties involved in the transfer of principal and interest payments could adversely affect the timeliness or amount of payments to bondholders.

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<u>Fund Titles/Account Groups</u>	<u>Page</u>			
	<u>Balance Sheet</u>	<u>Operating Statement</u>	<u>Cash Flows</u>	<u>Budgetary Schedule</u>
Landlord Tenant Affairs Special Revenue	106	107	-	116
Liability and Property Coverage Self Insurance Internal Service	146	147	148	149
Liquor Enterprise	136	138	140	143
Mass Transit Facilities Special Revenue	104	105	-	114
Miscellaneous Agency	159	-	-	-
M-NCPPC Risk Management Agency	158	-	-	-
Montgomery Community College Capital Agency	158	-	-	-
Montgomery County Public Schools Capital Agency	158	-	-	-
Montgomery Hills Parking Enterprise	136	138	140	142
Motor Pool Internal Service	146	147	148	-
New Home Warranty Security Special Revenue	106	107	-	120
Permitting Services Enterprise	136	138	140	142
Private Contributions Expendable Trust	154	156	-	-
Property Tax Agency	159	-	-	-
Recreation Activities Agency	159	-	-	-
Recreation Special Revenue	98	100	-	108
Rehabilitation Loan Special Revenue	106	107	-	117
Revenue Stabilization Special Revenue	102	103	-	112
Silver Spring Parking Enterprise	136	138	140	142
Silver Spring Urban District Special Revenue	102	103	-	110
Solid Waste Collection Enterprise	136	138	140	143
Solid Waste Disposal Enterprise	136	138	140	143
Storm Drainage Maintenance Special Revenue	104	105	-	113
Strathmore Hall Expendable Trust	154	156	-	-
Tri-centennial Expendable Trust	154	156	-	-
Wheaton Parking Enterprise	136	138	140	142
Wheaton Urban District Special Revenue	102	103	-	111
Component Units:				
Bethesda Urban Partnership, Inc.	8	17	22	-
Housing Opportunities Commission of Montgomery County	8	17	22	-
Montgomery Community College	8	24, 26	-	-
Montgomery County Public Schools	8	12, 17	22	-
Montgomery County Revenue Authority	8	17	22	-