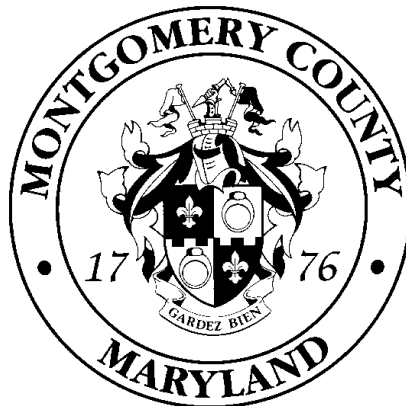


# MONTGOMERY COUNTY MARYLAND

## *Comprehensive Annual Financial Report*



*Fiscal Year 2000*

**July 1, 1999 - June 30, 2000**  
**Rockville, Maryland**

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**PART IV - INDEX**



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**FINANCIAL SECTION**

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2001 M Street, N.W.  
Washington, D.C. 20036

## Independent Auditors' Report

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, individual fund, and individual account group financial statements and schedules (identified as Exhibits B-1 through I-4 in the accompanying Table of Contents) of Montgomery County, Maryland (County) as of and for the year ended June 30, 2000. 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 County Public Schools, the Montgomery Community College, the Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, and the Bethesda Urban Partnership, Inc., the total assets and revenues of which represent 100 percent of the total assets and revenues of the County's discretely presented component units. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 at June 30, 2000, 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 accounting principles generally accepted in the United States of America. Also, in our opinion, the combining, individual fund, and individual 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, 2000, 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2000 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The introductory, statistical, and index sections of the report are presented for purposes of additional analysis and are not required parts of the financial statements of the County. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**KPMG LLP**

November 22, 2000



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

## **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, 2000  
**Exhibit A-1**

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Enterprise
<b>ASSETS AND OTHER DEBITS</b>					
Assets:					
Equity in pooled cash and investments	\$ 258,041,179	\$ 126,754,893	\$ 708,527	\$ 91,962,268	\$ 93,686,734
Cash with fiscal agents	-	-	30,556,976	-	-
Cash	153,375	39,750	-	-	32,425
Cash and cash equivalents - nonexpendable trust	-	-	-	-	-
Investments - cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Deferred compensation invested with fiscal agents	-	-	-	-	-
Receivables (net of allowances for uncollectibles):					
Income taxes	128,365,992	-	-	-	-
Property taxes	20,077,125	4,450,587	1,658	-	1,065,594
Accounts	9,991,573	2,890,660	-	852,614	10,410,475
Special assessments	-	-	191,037	-	-
Notes	-	2,684,761	-	-	-
Parking violations	1,570,065	-	-	-	2,542,459
Mortgages	233,120	40,354,552	-	-	-
Interest	-	-	-	-	-
Other	-	128,273	-	-	-
Due from other funds	55,250,765	1,466,384	-	500,000	3,106,570
Due from primary government	-	-	-	-	-
Due from component units	4,853,091	11,497,119	-	11,560,081	73,977
Due from other governments	16,363,904	10,727,441	-	10,051,413	828,484
Property liens acquired at tax sale	307,638	-	-	-	-
Inventory of supplies	2,249,958	-	-	895,797	23,891,846
Group annuity contract	-	-	-	-	-
Prepays	946,416	398,533	-	2,689	299,397
Unamortized bond costs	-	-	-	-	1,812,108
Restricted Assets:					
Equity in pooled cash and investments	-	-	-	-	31,370,478
Cash	-	-	-	-	-
Cash with fiscal agents	-	-	-	-	-
Investments - cash equivalents	-	-	-	-	-
Investments	-	-	-	-	4,325,060
Fixed assets (net of accumulated depreciation)	-	-	-	-	146,343,444
Other assets	-	-	-	-	114,000
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 notes	-	-	-	-	-
Other long-term debt	-	-	-	-	-
Total Assets and Other Debits	<u>\$ 498,404,201</u>	<u>\$ 201,392,953</u>	<u>\$ 31,458,198</u>	<u>\$ 115,824,862</u>	<u>\$ 319,903,051</u>

(Continued)

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	Component Units	Totals (Memorandum Only)
		General Fixed Assets	General Long- Term Debt			
\$ 94,708,555	\$ 91,571,697	\$ -	\$ -	\$ 757,433,853	\$ 48,148,601	\$ 805,582,454
-	-	-	-	30,556,976	11,731,430	42,288,406
300	39,763	-	-	265,613	9,965,339	10,230,952
-	412,844	-	-	412,844	-	412,844
-	-	-	-	-	35,516,073	35,516,073
376,316	2,087,873,500	-	-	2,088,249,816	821,755,334	2,910,005,150
-	213,519,779	-	-	213,519,779	-	213,519,779
-	-	-	-	128,365,992	-	128,365,992
-	4,823,880	-	-	30,418,844	-	30,418,844
137,465	3,609,379	-	-	27,892,166	8,145,955	36,038,121
-	-	-	-	191,037	-	191,037
-	-	-	-	2,684,761	1,682,058	4,366,819
-	-	-	-	4,112,524	-	4,112,524
-	-	-	-	40,587,672	326,693,587	367,281,259
-	105,227	-	-	105,227	5,413,603	5,518,830
-	1,171,242	-	-	1,299,515	10,743,480	12,042,995
1,641,837	2,191,795	-	-	64,157,351	47,664,639	111,821,990
-	-	-	-	-	54,749,690	54,749,690
215,753	80,056	-	-	28,280,077	-	28,280,077
610,596	315,048	-	-	38,896,886	44,122,811	83,019,697
-	-	-	-	307,638	-	307,638
1,275,555	-	-	-	28,313,156	7,489,859	35,803,015
-	67,209,405	-	-	67,209,405	-	67,209,405
166,109	1,354	-	-	1,814,498	1,111,417	2,925,915
-	-	-	-	1,812,108	363,647	2,175,755
-	-	-	-	31,370,478	7,158,109	38,528,587
-	-	-	-	-	79,426	79,426
-	-	-	-	-	10,534,123	10,534,123
-	-	-	-	-	148,623,727	148,623,727
-	-	-	-	4,325,060	92,835,053	97,160,113
19,109,691	-	1,782,658,934	-	1,948,112,069	2,135,472,624	4,083,584,693
-	-	-	-	114,000	24,280,132	24,394,132
-	-	-	1,130,321,123	1,130,321,123	-	1,130,321,123
-	-	-	160,000,000	160,000,000	-	160,000,000
-	-	-	-	-	3,154,131	3,154,131
-	-	-	36,473,376	36,473,376	59,826,326	96,299,702
-	-	-	300,000	300,000	-	300,000
-	-	-	-	-	23,410,909	23,410,909
-	-	-	137,971	137,971	-	137,971
-	-	-	5,296,123	5,296,123	4,462,861	9,758,984
<u>\$ 118,242,177</u>	<u>\$ 2,472,924,969</u>	<u>\$ 1,782,658,934</u>	<u>\$ 1,332,528,593</u>	<u>\$ 6,873,337,938</u>	<u>\$ 3,945,134,944</u>	<u>\$ 10,818,472,882</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND  
 DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED  
 JUNE 30, 2000  
**Exhibit A-1**

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Enterprise
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>					
Liabilities:					
Accounts/vouchers payable	\$ 18,459,162	\$ 7,673,429	\$ 101,877	\$ 15,503,449	\$ 16,280,105
Interest payable	-	-	-	-	410,225
Retainage payable	73,449	-	-	5,011,116	1,025,484
Accrued liabilities	16,341,879	3,959,107	-	293,460	10,362,765
Claims payable	-	-	-	-	-
Deposits	-	34,616	-	-	66,092
Due to other funds	2,434,843	3,062,968	30,556,976	23,164,975	1,247,168
Due to primary government	-	-	-	-	-
Due to component units	17,546,533	954,286	-	15,431	312,424
Due to other governments	2,821,012	3,635,329	-	3,524,000	3,459,032
Other liabilities	-	-	-	-	-
Deferred revenue	164,341,479	26,353,780	799,345	11,271,267	301,915
Property tax refunds due	-	-	-	-	-
Tax sale surplus and redemptions due	-	-	-	-	-
Notes payable	-	-	-	-	-
General obligation bonds payable	-	-	-	-	1,511,931
Bond anticipation notes payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	70,419,788
Compensated absences payable	-	-	-	-	-
Claims and judgments	-	-	-	-	-
Capital leases payable	-	-	-	-	-
Equipment notes payable	-	-	-	-	2,166,869
Mortgages payable	-	-	-	-	-
Landfill closure costs	-	-	-	-	28,111,900
Other long-term debt	-	-	-	-	-
<b>Total Liabilities</b>	<b>222,018,357</b>	<b>45,673,515</b>	<b>31,458,198</b>	<b>58,783,698</b>	<b>135,675,698</b>
Equity and Other Credits:					
Contributed capital	-	-	-	-	866,638
Investment in general fixed assets	-	-	-	-	-
Net assets of Public Schools' component unit	-	-	-	-	-
Retained Earnings:					
Reserved	-	-	-	-	13,037,025
Unreserved	-	-	-	-	170,323,690
Fund balances:					
Reserved	36,225,684	41,738,999	-	142,262,471	-
Unreserved:					
Designated	164,714,416	26,550,889	-	-	-
Undesignated (deficit)	75,445,744	87,429,550	-	(85,221,307)	-
<b>Total Equity and Other Credits</b>	<b>276,385,844</b>	<b>155,719,438</b>	<b>-</b>	<b>57,041,164</b>	<b>184,227,353</b>
<b>Total Liabilities, Equity, and Other Credits</b>	<b>\$ 498,404,201</b>	<b>\$ 201,392,953</b>	<b>\$ 31,458,198</b>	<b>\$ 115,824,862</b>	<b>\$ 319,903,051</b>

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)
		General Fixed Assets	General Long- Term Debt	Primary Government	Reporting Entity		
\$ 5,710,995	\$ 119,680,266	\$ -	\$ -	\$ 183,409,283	\$ 64,809,995	\$ 248,219,278	
-	-	-	-	410,225	18,076,113	18,486,338	
-	-	-	-	6,110,049	6,514,074	12,624,123	
2,498,645	132,437	-	-	33,588,293	51,436,413	85,024,706	
46,185,119	-	-	-	46,185,119	12,001,888	58,187,007	
-	1,033,144	-	-	1,133,852	4,500,557	5,634,409	
83,571	280	-	3,606,570	64,157,351	47,664,639	111,821,990	
-	-	-	-	-	28,280,077	28,280,077	
57,478	32,759,820	-	-	51,645,972	-	51,645,972	
10,473	9,189,105	-	1,689,553	24,328,504	-	24,328,504	
-	13,410,947	-	-	13,410,947	16,316,907	29,727,854	
94,375	3,906,146	-	-	207,068,307	15,738,008	222,806,315	
-	8,524,877	-	-	8,524,877	-	8,524,877	
-	1,585,708	-	-	1,585,708	-	1,585,708	
-	-	-	-	-	31,659,926	31,659,926	
-	-	-	1,130,321,123	1,131,833,054	-	1,131,833,054	
-	-	-	160,000,000	160,000,000	-	160,000,000	
-	-	-	-	70,419,788	692,062,438	762,482,226	
-	-	-	36,473,376	36,473,376	63,033,893	99,507,269	
-	-	-	300,000	300,000	-	300,000	
-	-	-	-	-	45,713,771	45,713,771	
-	-	-	137,971	2,304,840	-	2,304,840	
-	-	-	-	-	1,514,310	1,514,310	
-	-	-	-	28,111,900	-	28,111,900	
-	-	-	-	-	4,462,861	4,462,861	
54,640,656	190,222,730	-	1,332,528,593	2,071,001,445	1,103,785,870	3,174,787,315	
13,150,177	-	-	-	14,016,815	14,664,943	28,681,758	
-	-	1,782,658,934	-	1,782,658,934	1,816,812,700	3,599,471,634	
-	-	-	-	-	1,483,398	1,483,398	
-	-	-	-	13,037,025	38,313,963	51,350,988	
50,451,344	-	-	-	220,775,034	144,185,099	364,960,133	
-	2,052,728,763	-	-	2,272,955,917	828,721,907	3,101,677,824	
-	229,973,476	-	-	421,238,781	8,517,678	429,756,459	
-	-	-	-	77,653,987	(11,350,614)	66,303,373	
63,601,521	2,282,702,239	1,782,658,934	-	4,802,336,493	2,841,349,074	7,643,685,567	
\$ 118,242,177	\$ 2,472,924,969	\$ 1,782,658,934	\$ 1,332,528,593	\$ 6,873,337,938	\$ 3,945,134,944	\$ 10,818,472,882	

MONTGOMERY COUNTY, MARYLAND  
 COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS  
 JUNE 30, 2000  
**Exhibit A-2**

	<b>Montgomery County Public Schools</b>	<b>Montgomery Community College</b>
<b>ASSETS AND OTHER DEBITS</b>		
Assets:		
Equity in pooled cash and investments	\$ 25,355,522	\$ 15,198,700
Cash with fiscal agents	65,656	-
Cash	7,113,625	780,569
Investments - cash equivalents	26,621,383	-
Investments	780,649,322	31,847,583
Receivables (net of allowances for uncollectibles):		
Accounts	4,862,340	1,330,970
Notes	-	1,674,814
Mortgages	-	-
Interest	-	-
Other	1,643,434	2,206,195
Due from other funds	13,583,837	5,057,470
Due from primary government	44,074,084	9,692,372
Due from other governments	33,374,749	8,356,874
Inventory of supplies	5,896,268	1,151,882
Prepays and deposits	2,768	295,890
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)	1,713,567,163	110,648,443
Other assets	-	-
Other debits:		
Amounts to be provided for:		
Loans payable	3,154,131	-
Compensated absences	59,826,326	-
Capital leases	23,410,909	-
Other long-term debt	4,462,861	-
<b>Total Assets and Other Debits</b>	<b>\$ 2,747,664,378</b>	<b>\$ 188,241,762</b>

(Continued)

<b>Montgomery County Revenue Authority</b>	<b>Housing Opportunities Commission of Montgomery County</b>	<b>Bethesda Urban Partnership, Inc.</b>	<b>Totals</b>
\$ -	\$ 7,594,379	\$ -	\$ 48,148,601
-	11,665,774	-	11,731,430
1,677,868	12,939	380,338	9,965,339
1,865,669	7,029,021	-	35,516,073
-	9,258,429	-	821,755,334
18,494	1,900,219	33,932	8,145,955
-	7,244	-	1,682,058
-	326,693,587	-	326,693,587
-	5,413,603	-	5,413,603
542,305	6,351,546	-	10,743,480
-	29,023,332	-	47,664,639
-	967,193	16,041	54,749,690
6,096	2,365,104	19,988	44,122,811
225,775	215,934	-	7,489,859
70,556	736,409	5,794	1,111,417
363,647	-	-	363,647
-	7,158,109	-	7,158,109
79,426	-	-	79,426
-	10,534,123	-	10,534,123
4,869,054	143,754,673	-	148,623,727
-	92,835,053	-	92,835,053
57,679,679	253,378,630	198,709	2,135,472,624
-	24,279,082	1,050	24,280,132
-	-	-	3,154,131
-	-	-	59,826,326
-	-	-	23,410,909
-	-	-	4,462,861
<u>\$ 67,398,569</u>	<u>\$ 941,174,383</u>	<u>\$ 655,852</u>	<u>\$ 3,945,134,944</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED  
 JUNE 30, 2000  
**Exhibit A-2**

	<b>Montgomery County Public Schools</b>	<b>Montgomery Community College</b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>		
Liabilities:		
Accounts/vouchers payable	\$ 17,737,601	\$ 23,575,998
Interest payable	66,891	-
Retainage payable	6,241,919	272,155
Accrued liabilities	44,677,103	6,431,563
Claims payable	12,001,888	-
Deposits	-	-
Due to other funds	13,583,837	5,057,470
Due to primary government	2,786,672	271,669
Other liabilities	16,304,991	11,916
Deferred revenue	2,753,430	2,630,297
Notes payable	-	-
Revenue bonds payable	-	-
Compensated absences payable	63,033,893	-
Capital leases payable	24,758,485	-
Mortgages payable	-	-
Other long-term debt	4,462,861	-
	<u>208,409,571</u>	<u>38,251,068</u>
Equity and Other Credits:		
Contributed capital	5,793,624	-
Investment in general fixed assets	1,706,248,684	110,564,016
Net assets of Public Schools' component unit	1,483,398	-
Retained Earnings:		
Reserved	38,037,699	-
Unreserved	1,758,086	-
Fund Balances:		
Reserved	820,108,860	8,442,746
Unreserved:		
Designated	-	8,517,678
Undesignated (deficit)	(34,175,544)	22,466,254
	<u>2,539,254,807</u>	<u>149,990,694</u>
Total Equity and Other Credits	<u>2,539,254,807</u>	<u>149,990,694</u>
Total Liabilities, Equity, and Other Credits	<u>\$ 2,747,664,378</u>	<u>\$ 188,241,762</u>

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

<b>Montgomery County Revenue Authority</b>	<b>Housing Opportunities Commission of Montgomery County</b>	<b>Bethesda Urban Partnership, Inc.</b>	<b>Totals</b>
\$ 1,478,665	\$ 21,952,924	\$ 64,807	\$ 64,809,995
689,628	17,319,594	-	18,076,113
-	-	-	6,514,074
288,804	-	38,943	51,436,413
-	-	-	12,001,888
41,544	4,459,013	-	4,500,557
-	29,023,332	-	47,664,639
40,525	25,178,507	2,704	28,280,077
-	-	-	16,316,907
-	10,333,860	20,421	15,738,008
-	31,659,926	-	31,659,926
41,745,493	650,316,945	-	692,062,438
-	-	-	63,033,893
970,461	19,984,825	-	45,713,771
1,514,310	-	-	1,514,310
-	-	-	4,462,861
<u>46,769,430</u>	<u>810,228,926</u>	<u>126,875</u>	<u>1,103,785,870</u>
8,871,319	-	-	14,664,943
-	-	-	1,816,812,700
-	-	-	1,483,398
276,264	-	-	38,313,963
11,481,556	130,945,457	-	144,185,099
-	-	170,301	828,721,907
-	-	-	8,517,678
-	-	358,676	(11,350,614)
<u>20,629,139</u>	<u>130,945,457</u>	<u>528,977</u>	<u>2,841,349,074</u>
<u>\$ 67,398,569</u>	<u>\$ 941,174,383</u>	<u>\$ 655,852</u>	<u>\$ 3,945,134,944</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, 2000  
**Exhibit A-3**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>
<b>Revenues:</b>			
Taxes	\$ 1,514,636,310	\$ 149,723,593	\$ -
Licenses and permits	4,508,738	3,622,984	-
Intergovernmental	98,051,154	80,105,287	-
Charges for services	7,904,754	30,376,354	68,483
Fines and forfeitures	4,550,638	813,134	-
Investment income	23,001,092	7,805,680	6,700,869
Miscellaneous	5,919,733	1,868,809	196,218
Total Revenues	<u>1,658,572,419</u>	<u>274,315,841</u>	<u>6,965,570</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	135,461,936	7,655,746	-
Public safety	161,134,983	99,665,513	-
Public works and transportation	33,657,014	75,520,612	-
Health and human services	124,041,299	36,931,483	-
Culture and recreation	32,929,242	26,381,401	-
Community development and housing	3,372,761	3,822,080	-
Environment	3,100,667	5,805	-
Education	-	-	-
Capital Projects	-	-	-
<b>Debt Service:</b>			
General obligation bond principal retirement	-	-	88,790,765
General obligation bond interest	-	-	56,240,334
Bond anticipation note repayment	-	-	130,000,000
Bond anticipation note interest	-	-	5,300,113
Issuing costs	-	-	671,147
Long-term purchase lease costs	-	-	20,181
Long-term purchase leases	-	-	2,264,630
Other leases	-	-	1,250,000
Principal on long-term note	-	-	63,473
Interest on long-term note	-	-	48,267
Principal on long-term equipment notes	-	-	559,585
Interest on long-term equipment notes	-	-	32,685
Total Expenditures	<u>493,697,902</u>	<u>249,982,640</u>	<u>285,241,180</u>
Excess of Revenues over (under) Expenditures	<u>1,164,874,517</u>	<u>24,333,201</u>	<u>(278,275,610)</u>
<b>Other Financing Sources (Uses):</b>			
Capital lease financing	-	-	-
Operating transfers in	27,365,922	21,934,684	149,869,941
Operating transfers in - primary government	-	-	-
Operating transfers in - component units	192,696	-	-
Operating transfers (out)	(195,999,142)	(30,349,564)	(3,428,831)
Operating transfers (out) - component units	(950,305,484)	-	-
Sale of property	-	769,787	-
Proceeds of bond anticipation notes	-	-	-
Proceeds of general obligation bonds	-	-	131,834,500
Total Other Financing Sources (Uses)	<u>(1,118,746,008)</u>	<u>(7,645,093)</u>	<u>278,275,610</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	46,128,509	16,688,108	-
Fund Balances - Beginning of Year, as restated	230,257,335	139,031,330	-
Fund Balances - End of Year	<u>\$ 276,385,844</u>	<u>\$ 155,719,438</u>	<u>\$ -</u>

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

Capital Projects	Fiduciary	Totals	Component	Totals
	Fund Type	(Memorandum Only)	Unit	(Memorandum Only)
	Expendable	Primary	Montgomery	Reporting
	Trust	Government	County	Entity
			Public Schools	
\$ 991,424	\$ 3,795,149	\$ 1,669,146,476	\$ -	\$ 1,669,146,476
-	-	8,131,722	-	8,131,722
11,440,184	-	189,596,625	303,544,058	493,140,683
3,789,488	-	42,139,079	-	42,139,079
-	-	5,363,772	-	5,363,772
6,638	21,045,952	58,560,231	-	58,560,231
2,530,135	22,584,623	33,099,518	5,475,382	38,574,900
18,757,869	47,425,724	2,006,037,423	309,019,440	2,315,056,863
-	8,345,343	151,463,025	-	151,463,025
-	69,523	260,870,019	-	260,870,019
-	-	109,177,626	-	109,177,626
-	39,024	161,011,806	-	161,011,806
-	250,000	59,560,643	-	59,560,643
-	-	7,194,841	-	7,194,841
-	-	3,106,472	-	3,106,472
-	-	-	1,157,164,813	1,157,164,813
126,641,823	-	126,641,823	117,047,191	243,689,014
-	-	88,790,765	-	88,790,765
-	-	56,240,334	-	56,240,334
-	-	130,000,000	-	130,000,000
-	-	5,300,113	-	5,300,113
-	-	671,147	-	671,147
-	-	20,181	-	20,181
-	-	2,264,630	-	2,264,630
-	-	1,250,000	-	1,250,000
-	-	63,473	-	63,473
-	-	48,267	-	48,267
-	-	559,585	-	559,585
-	-	32,685	-	32,685
126,641,823	8,703,890	1,164,267,435	1,274,212,004	2,438,479,439
(107,883,954)	38,721,834	841,769,988	(965,192,564)	(123,422,576)
-	-	-	8,558,368	8,558,368
47,880,232	-	247,050,779	44,453	247,095,232
-	-	-	981,417,834	981,417,834
-	-	192,696	-	192,696
(2,098,288)	(1,785,889)	(233,661,714)	-	(233,661,714)
(98,000,000)	-	(1,048,305,484)	-	(1,048,305,484)
3,503,102	-	4,272,889	-	4,272,889
210,000,000	-	210,000,000	-	210,000,000
-	-	131,834,500	-	131,834,500
161,285,046	(1,785,889)	(688,616,334)	990,020,655	301,404,321
53,401,092	36,935,945	153,153,654	24,828,091	177,981,745
3,640,072	185,904,177	558,832,914	10,231,929	569,064,843
\$ 57,041,164	\$ 222,840,122	\$ 711,986,568	\$ 35,060,020	\$ 747,046,588

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, 2000  
**Exhibit A-4**

	General Fund			Special Revenue Funds		
	Total Budget	Actual	Variance Favorable (Unfavorable)	Total Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 1,382,076,670	\$ 1,514,636,310	\$ 132,559,640	\$ 149,023,090	\$ 152,332,183	\$ 3,309,093
Licenses and permits	4,401,580	4,508,738	107,158	812,320	1,014,394	202,074
Intergovernmental	94,891,670	98,051,154	3,159,484	164,613,488	85,286,412	(79,327,076)
Charges for services	8,804,820	7,904,754	(900,066)	30,431,610	30,376,354	(55,256)
Fines and forfeitures	2,900,100	4,550,638	1,650,538	56,150	813,134	756,984
Investment income	16,900,000	21,831,424	4,931,424	7,052,584	7,805,465	752,881
Miscellaneous	7,289,770	8,300,775	1,011,005	1,026,544	3,220,638	2,194,094
Total Revenues	<u>1,517,264,610</u>	<u>1,659,783,793</u>	<u>142,519,183</u>	<u>353,015,786</u>	<u>280,848,580</u>	<u>(72,167,206)</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	156,502,043	152,711,792	3,790,251	15,279,256	8,366,276	6,912,980
Public safety	163,978,163	163,575,547	402,616	105,166,802	102,085,916	3,080,886
Public works and transportation	35,579,961	35,155,518	424,443	135,222,545	76,468,052	58,754,493
Health and human services	131,483,281	130,598,688	884,593	40,344,108	35,028,546	5,315,562
Culture and recreation	37,102,268	37,032,110	70,158	31,584,695	29,668,408	1,916,287
Community development and housing	4,104,526	4,104,510	16	20,374,914	10,949,644	9,425,270
Environment	3,576,887	3,549,047	27,840	38,688	5,805	32,883
Capital Projects	-	-	-	-	-	-
<b>Debt Service:</b>						
General obligation bond principal retirement	-	-	-	-	-	-
General obligation bond interest	-	-	-	-	-	-
Bond anticipation note interest	-	-	-	-	-	-
Issuing costs	-	-	-	-	-	-
Principal and interest on long-term equipment notes	-	-	-	-	-	-
Principal and interest on long-term note	-	-	-	-	-	-
Other leases	-	-	-	-	-	-
Long-term leases	-	-	-	-	-	-
Total Expenditures	<u>532,327,129</u>	<u>526,727,212</u>	<u>5,599,917</u>	<u>348,011,008</u>	<u>262,572,647</u>	<u>85,438,361</u>
Excess of Revenues over (under) Expenditures	<u>984,937,481</u>	<u>1,133,056,581</u>	<u>148,119,100</u>	<u>5,004,778</u>	<u>18,275,933</u>	<u>13,271,155</u>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	27,308,170	27,365,922	57,752	12,179,691	19,837,541	7,657,850
Operating transfers (out)	(227,292,211)	(195,999,142)	31,293,069	(40,677,918)	(32,128,209)	8,549,709
Operating transfers in - component units	88,950	192,696	103,746	-	-	-
Operating transfers (out) - component units	(950,793,215)	(950,305,484)	487,731	-	-	-
Mortgage/loan disbursement/repayment	-	-	-	(493,588)	435,203	928,791
Sale of land	-	-	-	-	769,787	769,787
Proceeds of bond anticipation notes	-	-	-	-	-	-
Proceeds of general obligation refunding bonds	-	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,150,688,306)</u>	<u>(1,118,746,008)</u>	<u>31,942,298</u>	<u>(28,991,815)</u>	<u>(11,085,678)</u>	<u>17,906,137</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>(165,750,825)</u>	<u>14,310,573</u>	<u>180,061,398</u>	<u>(23,987,037)</u>	<u>7,190,255</u>	<u>31,177,292</u>
Fund Balances - Beginning of Year	229,511,575	229,511,575	-	108,721,144	108,721,144	-
Fund Balances (Deficit) - End of Year	<u>\$ 63,760,750</u>	<u>\$ 243,822,148</u>	<u>\$ 180,061,398</u>	<u>\$ 84,734,107</u>	<u>\$ 115,911,399</u>	<u>\$ 31,177,292</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)
\$ -	\$ -	\$ -	\$ 15,964,248	\$ 991,424	\$ (14,972,824)	\$ 1,547,064,008	\$ 1,667,959,917	\$ 120,895,909
-	-	-	-	-	-	5,213,900	5,523,132	309,232
-	-	-	158,749,593	11,884,872	(146,864,721)	418,254,751	195,222,438	(223,032,313)
120,000	68,483	(51,517)	4,428,818	3,789,488	(639,330)	43,785,248	42,139,079	(1,646,169)
-	-	-	-	-	-	2,956,250	5,363,772	2,407,522
4,639,640	6,700,869	2,061,229	-	6,638	6,638	28,592,224	36,344,396	7,752,172
-	196,218	196,218	17,094,701	2,530,135	(14,564,566)	25,411,015	14,247,766	(11,163,249)
4,759,640	6,965,570	2,205,930	196,237,360	19,202,557	(177,034,803)	2,071,277,396	1,966,800,500	(104,476,896)
-	-	-	-	-	-	171,781,299	161,078,068	10,703,231
-	-	-	-	-	-	269,144,965	265,661,463	3,483,502
-	-	-	-	-	-	170,802,506	111,623,570	59,178,936
-	-	-	-	-	-	171,827,389	165,627,234	6,200,155
-	-	-	-	-	-	68,686,963	66,700,518	1,986,445
-	-	-	-	-	-	24,479,440	15,054,154	9,425,286
-	-	-	-	-	-	3,615,575	3,554,852	60,723
-	-	-	552,809,381	261,111,203	291,698,178	552,809,381	261,111,203	291,698,178
88,896,015	88,790,765	105,250	-	-	-	88,896,015	88,790,765	105,250
56,452,730	56,240,334	212,396	-	-	-	56,452,730	56,240,334	212,396
6,657,710	5,300,113	1,357,597	-	-	-	6,657,710	5,300,113	1,357,597
889,300	671,147	218,153	-	-	-	889,300	671,147	218,153
592,270	592,270	-	-	-	-	592,270	592,270	-
111,740	111,740	-	-	-	-	111,740	111,740	-
1,250,000	1,250,000	-	-	-	-	1,250,000	1,250,000	-
2,294,140	2,284,811	9,329	-	-	-	2,294,140	2,284,811	9,329
157,143,905	155,241,180	1,902,725	552,809,381	261,111,203	291,698,178	1,590,291,423	1,205,652,242	384,639,181
(152,384,265)	(148,275,610)	4,108,655	(356,572,021)	(241,908,646)	114,663,375	480,985,973	761,148,258	280,162,285
153,978,596	149,869,941	(4,108,655)	94,429,078	52,084,212	(42,344,866)	287,895,535	249,157,616	(38,737,919)
(3,428,831)	(3,428,831)	-	-	(2,081,480)	(2,081,480)	(271,398,960)	(233,637,662)	37,761,298
-	-	-	-	(5,572,733)	(5,572,733)	88,950	(5,380,037)	(5,468,987)
-	-	-	-	-	-	(950,793,215)	(950,305,484)	487,731
-	-	-	-	-	-	(493,588)	435,203	928,791
-	-	-	10,534,851	3,503,103	(7,031,748)	10,534,851	4,272,890	(6,261,961)
-	-	-	-	112,000,000	112,000,000	-	112,000,000	112,000,000
-	-	-	247,495,107	-	(247,495,107)	247,495,107	-	(247,495,107)
1,834,500	1,834,500	-	-	-	-	1,834,500	1,834,500	-
152,384,265	148,275,610	(4,108,655)	352,459,036	159,933,102	(192,525,934)	(674,836,820)	(821,622,974)	(146,786,154)
-	-	-	(4,112,985)	(81,975,544)	(77,862,559)	(193,850,847)	(60,474,716)	133,376,131
-	-	-	55,743,571	55,743,571	-	393,976,290	393,976,290	-
\$ -	\$ -	\$ -	\$ 51,630,586	\$ (26,231,973)	\$ (77,862,559)	\$ 200,125,443	\$ 333,501,574	\$ 133,376,131

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, 2000  
**Exhibit A-5**

	Proprietary Fund Types		Fiduciary	Totals	Component Units	Totals
	Enterprise	Internal	Nonexpendable	(Memorandum Only)		(Memorandum Only)
		Service	Trust	Primary		Reporting
	Enterprise	Service	Trust	Government		Entity
<b>Operating Revenues:</b>						
Sales - net	\$ 131,294,070	\$ -	\$ -	\$ 131,294,070	\$ 21,223,975	\$ 152,518,045
Charges for services	107,680,030	109,554,891	-	217,234,921	15,238,086	232,473,007
Licenses and permits	16,249,287	-	-	16,249,287	-	16,249,287
Fines and penalties	4,437,057	-	-	4,437,057	-	4,437,057
Rentals, concessions, leases, subsidies, and commitment fees	-	-	-	-	44,301,900	44,301,900
Contributions	-	-	-	-	112,680,283	112,680,283
Investment income	-	-	353,726	353,726	-	353,726
Other	-	691,649	-	691,649	29,907	721,556
<b>Total Operating Revenues</b>	<b>259,660,444</b>	<b>110,246,540</b>	<b>353,726</b>	<b>370,260,710</b>	<b>193,474,151</b>	<b>563,734,861</b>
<b>Operating Expenses:</b>						
Cost of goods sold	93,775,494	-	-	93,775,494	10,421,159	104,196,653
Personnel costs	34,699,031	11,392,018	-	46,091,049	39,186,606	85,277,655
Housing assistance payments	-	-	-	-	29,763,434	29,763,434
Postage	-	1,360,183	-	1,360,183	200,380	1,560,563
Self-insurance incurred and estimated claims	-	52,601,792	-	52,601,792	78,583,407	131,185,199
Insurance	322,745	23,991,875	-	24,314,620	37,599,696	61,914,316
Supplies and materials	1,582,209	3,654,739	-	5,236,948	3,762,588	8,999,536
Contractual services	77,858,551	10,116,387	-	87,974,938	6,322,134	94,297,072
Communications	644,615	97,050	-	741,665	606,647	1,348,312
Transportation	1,640,231	75,640	-	1,715,871	342,570	2,058,441
Public utility services	1,734,414	437,257	-	2,171,671	3,819,746	5,991,417
Rentals	4,098,961	315,810	-	4,414,771	321,358	4,736,129
Maintenance	2,381,388	6,997,349	-	9,378,737	10,535,584	19,914,321
Return of contributions	-	2,400,000	-	2,400,000	-	2,400,000
Benefits	-	-	-	-	2,717,543	2,717,543
Lease activities	-	-	-	-	3,622,548	3,622,548
Depreciation and amortization	11,448,200	5,268,891	-	16,717,091	11,964,373	28,681,464
Landfill closure costs	1,232,000	-	-	1,232,000	-	1,232,000
Miscellaneous	3,011,256	1,131,039	-	4,142,295	9,886,992	14,029,287
<b>Total Operating Expenses</b>	<b>234,429,095</b>	<b>119,840,030</b>	<b>-</b>	<b>354,269,125</b>	<b>249,656,765</b>	<b>603,925,890</b>
<b>Operating Income (Loss)</b>	<b>25,231,349</b>	<b>(9,593,490)</b>	<b>353,726</b>	<b>15,991,585</b>	<b>(56,182,614)</b>	<b>(40,191,029)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Property taxes	6,364,816	-	-	6,364,816	-	6,364,816
Intergovernmental	993,724	566,209	-	1,559,933	48,745,426	50,305,359
Gain (loss) on sale of fixed assets	515,489	277,478	-	792,967	-	792,967
Investment income	7,262,011	5,884,249	-	13,146,260	41,178,458	54,324,718
Investment expense	(4,784,423)	-	-	(4,784,423)	(39,610,575)	(44,394,998)
Other revenue	88,516	32,250	-	120,766	43,569	164,335
<b>Total Nonoperating Revenues (Expenses)</b>	<b>10,440,133</b>	<b>6,760,186</b>	<b>-</b>	<b>17,200,319</b>	<b>50,356,878</b>	<b>67,557,197</b>
<b>Income (Loss) before Operating Transfers</b>	<b>35,671,482</b>	<b>(2,833,304)</b>	<b>353,726</b>	<b>33,191,904</b>	<b>(5,825,736)</b>	<b>27,366,168</b>
<b>Operating Transfers In (Out):</b>						
Operating transfers in	5,988,835	1,163,051	-	7,151,886	-	7,151,886
Operating transfers in - primary government	-	-	-	-	4,764,654	4,764,654
Operating transfers (out)	(20,540,951)	-	-	(20,540,951)	(620,149)	(21,161,100)
Operating transfers (out) - primary government	-	-	-	-	(103,750)	(103,750)
Operating transfers (out) - component units	-	-	(601,194)	(601,194)	-	(601,194)
<b>Total Operating Transfers In (Out)</b>	<b>(14,552,116)</b>	<b>1,163,051</b>	<b>(601,194)</b>	<b>(13,990,259)</b>	<b>4,040,755</b>	<b>(9,949,504)</b>
<b>Net Income (Loss)/ Change in Retained Earnings</b>	<b>21,119,366</b>	<b>(1,670,253)</b>	<b>(247,468)</b>	<b>19,201,645</b>	<b>(1,784,981)</b>	<b>17,416,664</b>
<b>Other Changes in Fund Equity:</b>						
Capital contributions	-	-	-	-	3,536,871	3,536,871
Depreciation on fixed assets acquired with contributed capital	-	-	-	-	1,140,111	1,140,111
<b>Total Other Changes in Fund Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,676,982</b>	<b>4,676,982</b>
<b>Net Change in Fund Equity</b>	<b>21,119,366</b>	<b>(1,670,253)</b>	<b>(247,468)</b>	<b>19,201,645</b>	<b>2,892,001</b>	<b>22,093,646</b>
Fund Equity - Beginning of Year, as restated	163,107,987	65,271,774	7,381,143	235,760,904	190,490,755	426,251,659
<b>Fund Equity - End of Year</b>	<b>\$ 184,227,353</b>	<b>\$ 63,601,521</b>	<b>\$ 7,133,675</b>	<b>\$ 254,962,549</b>	<b>\$ 193,382,756</b>	<b>\$ 448,345,305</b>

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, 2000  
**Exhibit A-6**

	Montgomery County Public Schools	Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Inc.	Totals
<b>Operating Revenues:</b>					
Sales - net	\$ 15,573,833	\$ 5,650,142	\$ -	\$ -	\$ 21,223,975
Charges for services	5,982,797	-	7,173,268	2,082,021	15,238,086
Rentals, concessions, leases, subsidies, and commitment fees	-	5,497,607	38,804,293	-	44,301,900
Contributions	112,651,783	-	-	28,500	112,680,283
Other	-	-	-	29,907	29,907
Total Operating Revenues	<u>134,208,413</u>	<u>11,147,749</u>	<u>45,977,561</u>	<u>2,140,428</u>	<u>193,474,151</u>
<b>Operating Expenses:</b>					
Cost of goods sold	9,561,020	860,139	-	-	10,421,159
Personnel costs	20,363,999	2,822,366	15,202,070	798,171	39,186,606
Housing assistance payments	-	-	29,763,434	-	29,763,434
Postage	-	-	142,524	57,856	200,380
Self-insurance incurred and estimated claims	78,583,407	-	-	-	78,583,407
Insurance	36,844,681	45,283	631,558	78,174	37,599,696
Supplies and materials	2,408,127	509,941	389,940	454,580	3,762,588
Contractual services	2,027,768	263,449	3,742,161	288,756	6,322,134
Communications	-	52,832	527,372	26,443	606,647
Transportation	96,140	534	245,896	-	342,570
Public utility services	-	432,899	3,378,047	8,800	3,819,746
Rentals	-	103,120	136,710	81,528	321,358
Maintenance	-	417,506	9,964,740	153,338	10,535,584
Benefits	-	-	2,717,543	-	2,717,543
Lease activities	633,883	1,639,511	1,349,154	-	3,622,548
Depreciation and amortization	1,327,532	2,681,735	7,891,334	63,772	11,964,373
Miscellaneous	799,464	481,189	8,606,339	-	9,886,992
Total Operating Expenses	<u>152,646,021</u>	<u>10,310,504</u>	<u>84,688,822</u>	<u>2,011,418</u>	<u>249,656,765</u>
Operating Income (Loss)	<u>(18,437,608)</u>	<u>837,245</u>	<u>(38,711,261)</u>	<u>129,010</u>	<u>(56,182,614)</u>
<b>Nonoperating Revenues (Expenses):</b>					
Intergovernmental	12,272,829	-	36,472,597	-	48,745,426
Interest income	7,865,842	341,965	32,970,651	-	41,178,458
Interest expense	(66,891)	(988,820)	(38,554,864)	-	(39,610,575)
Miscellaneous	178,569	(135,000)	-	-	43,569
Total Nonoperating Revenues (Expenses)	<u>20,250,349</u>	<u>(781,855)</u>	<u>30,888,384</u>	<u>-</u>	<u>50,356,878</u>
Income (Loss) Before Operating Transfers	<u>1,812,741</u>	<u>55,390</u>	<u>(7,822,877)</u>	<u>129,010</u>	<u>(5,825,736)</u>
<b>Operating Transfers In (Out):</b>					
Operating transfers in - primary government	300,000	-	4,464,654	-	4,764,654
Operating transfers (out)	(620,149)	-	-	-	(620,149)
Operating transfers (out) - primary government	-	-	(103,750)	-	(103,750)
Total Operating Transfers In (Out)	<u>(320,149)</u>	<u>-</u>	<u>4,360,904</u>	<u>-</u>	<u>4,040,755</u>
Net Income (Loss)/Change in Retained Earnings	<u>1,492,592</u>	<u>55,390</u>	<u>(3,461,973)</u>	<u>129,010</u>	<u>(1,784,981)</u>
<b>Other Changes in Fund Equity:</b>					
Capital contributions	-	1,901,853	1,635,018	-	3,536,871
Depreciation on fixed assets acquired with contributed capital	916,197	223,914	-	-	1,140,111
Total Other Changes in Fund Equity	<u>916,197</u>	<u>2,125,767</u>	<u>1,635,018</u>	<u>-</u>	<u>4,676,982</u>
Net Change in Fund Equity	<u>2,408,789</u>	<u>2,181,157</u>	<u>(1,826,955)</u>	<u>129,010</u>	<u>2,892,001</u>
Fund Equity - Beginning of Year, as restated	<u>38,870,394</u>	<u>18,447,982</u>	<u>132,772,412</u>	<u>399,967</u>	<u>190,490,755</u>
Fund Equity - End of Year	<u>\$ 41,279,183</u>	<u>\$ 20,629,139</u>	<u>\$ 130,945,457</u>	<u>\$ 528,977</u>	<u>\$ 193,382,756</u>

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

<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>	<b>Component Units</b>	<b>Totals (Memorandum Only)</b>
<b>Nonexpendable Trust</b>	<b>Primary Government</b>		<b>Reporting Entity</b>
\$ -	\$ 6,879,984	\$ -	\$ 6,879,984
-	3,140,084	47,378,520	50,518,604
-	79,501	-	79,501
-	-	86,999,600	86,999,600
-	-	(58,134,337)	(58,134,337)
-	-	(432,545)	(432,545)
-	5,988,835	-	5,988,835
-	-	4,764,654	4,764,654
-	(20,540,951)	(620,149)	(21,161,100)
(601,194)	(601,194)	-	(601,194)
-	-	(103,750)	(103,750)
-	-	313,563	313,563
<u>(601,194)</u>	<u>(5,053,741)</u>	<u>80,165,556</u>	<u>75,111,815</u>
-	-	14,937,634	14,937,634
-	-	(1,349,717)	(1,349,717)
-	838,091	6,871,791	7,709,882
-	(15,447,932)	(20,905,928)	(36,353,860)
-	1,163,051	-	1,163,051
-	(989,235)	-	(989,235)
-	(5,060,000)	(1,845,628)	(6,905,628)
-	-	(3,442,508)	(3,442,508)
-	(675,875)	(517,223)	(1,193,098)
-	(6,386,000)	-	(6,386,000)
-	(4,775,645)	(40,878,295)	(45,653,940)
<u>-</u>	<u>(31,333,545)</u>	<u>(47,129,874)</u>	<u>(78,463,419)</u>
-	-	240,357,116	240,357,116
-	-	(244,221,302)	(244,221,302)
-	12,902,090	34,117,353	47,019,443
<u>610,057</u>	<u>962,659</u>	<u>3,811,845</u>	<u>4,774,504</u>
<u>610,057</u>	<u>13,864,749</u>	<u>34,065,012</u>	<u>47,929,761</u>
36,211	11,941,668	20,006,672	31,948,340
<u>376,633</u>	<u>208,269,668</u>	<u>208,487,152</u>	<u>416,756,820</u>
\$ 412,844	\$ 220,211,336	\$ 228,493,824	\$ 448,705,160

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, 2000  
**Exhibit A-7**

	<b>Proprietary Fund Types</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
Cash Flows from Operating Activities:		
Operating income (loss)	\$ 25,231,349	\$ (9,593,490)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	11,448,200	5,266,044
Bond discount, interest amortization	-	-
Accretion of capital appreciation bonds	-	-
Net adjustment for interest and lease payments included in financing and lease activities	-	-
USDA commodities	-	-
Landfill closure costs	1,232,000	-
Interest on delinquent accounts	45,221	-
Investment (income) loss	-	-
Payments received on operating leases	-	-
Changes in assets and liabilities:		
(Increase) decrease in investments	-	-
(Increase) decrease in accounts receivable	(1,996,869)	8,919
(Increase) decrease in mortgages and notes receivable	-	-
(Increase) decrease in parking violations receivable	4,353	-
(Increase) decrease in due from other funds	-	1,391,286
(Increase) decrease in due from component units	(4,340)	186,178
(Increase) decrease in due from other governments	312,765	(375,514)
(Increase) decrease in inventory of supplies	(3,410,315)	(356,537)
(Increase) decrease in prepaids	(72,862)	86,650
(Increase) decrease in deposits	66,092	-
(Increase) decrease in other assets	7,972	-
Increase (decrease) in accounts/vouchers payable	(497,862)	3,011,320
Increase (decrease) in interest payable	-	-
Increase (decrease) in retainage payable	176,364	-
Increase (decrease) in accrued liabilities	(257,048)	(1,408,240)
Increase (decrease) in claims payable	-	946,433
Increase (decrease) in due to other funds	816,184	(80,344)
Increase (decrease) in due to primary government	-	-
Increase (decrease) in due to component units	12,434	57,478
Increase (decrease) in due to other governments	1,875,851	10,473
Increase (decrease) in deferred revenue	301,915	(5,203)
Net Cash Provided (Used) by Operating Activities	<u>35,291,404</u>	<u>(854,547)</u>

(Continued)



<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>	<u>Component Units</u>	<u>Totals (Memorandum Only)</u>
Nonexpendable Trust	Primary Government		Reporting Entity
\$ 353,726	\$ 15,991,585	\$ (56,182,614)	\$ (40,191,029)
-	16,714,244	11,964,373	28,678,617
-	-	1,022,392	1,022,392
-	-	1,783,044	1,783,044
-	-	(1,605,807)	(1,605,807)
-	-	1,139,378	1,139,378
-	1,232,000	-	1,232,000
-	45,221	-	45,221
(353,726)	(353,726)	-	(353,726)
-	-	3,909,622	3,909,622
33,517	33,517	-	33,517
-	(1,987,950)	2,231,640	243,690
-	-	(11,659,746)	(11,659,746)
-	4,353	-	4,353
-	1,391,286	815,885	2,207,171
-	181,838	-	181,838
-	(62,749)	-	(62,749)
-	(3,766,852)	4,008	(3,762,844)
-	13,788	(38,217)	(24,429)
-	66,092	1,178,290	1,244,382
-	7,972	(1,081,337)	(1,073,365)
-	2,513,458	(1,778,076)	735,382
-	-	(1,236,430)	(1,236,430)
-	176,364	-	176,364
-	(1,665,288)	148,992	(1,516,296)
-	946,433	1,312,551	2,258,984
-	735,840	446,913	1,182,753
-	-	115,173	115,173
(1,073)	68,839	-	68,839
-	1,886,324	-	1,886,324
(5,096)	291,616	415,944	707,560
<u>27,348</u>	<u>34,464,205</u>	<u>(47,094,022)</u>	<u>(12,629,817)</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, 2000  
**Exhibit A-7**

	Proprietary Fund Types		Fiduciary
	Enterprise	Internal Service	Fund Type Nonexpendable Trust
Cash Flows from Noncapital Financing Activities:			
Property tax collections	\$ 6,879,984	\$ -	\$ -
Intergovernmental revenue	2,573,875	566,209	-
Other revenue	79,501	-	-
Proceeds from sale of bonds	-	-	-
Retirement of bonds	-	-	-
Bond issue costs net of early redemption reduction	-	-	-
Operating transfers in	5,988,835	-	-
Operating transfers in - primary government	-	-	-
Operating transfers (out)	(20,540,951)	-	-
Operating transfers (out) - component units	-	-	(601,194)
Operating transfers (out) - primary government	-	-	-
Miscellaneous nonoperating revenue	-	-	-
Net Cash Flows from Noncapital Financing Activities	<u>(5,018,756)</u>	<u>566,209</u>	<u>(601,194)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital financing/reimbursements	-	-	-
Contributed capital received	-	-	-
Proceeds from sale of fixed assets	515,489	322,602	-
Acquisition of fixed assets	(10,551,837)	(4,896,095)	-
Operating transfers in	-	1,163,051	-
Principal paid on general obligation bonds	(989,235)	-	-
Principal paid on revenue bonds	(5,060,000)	-	-
Principal paid on mortgages	-	-	-
Principal paid on equipment notes	(675,875)	-	-
Payments of landfill closure costs	(6,386,000)	-	-
Interest paid on bonds, leases, and equipment notes	(4,775,645)	-	-
Net Cash Flows from Capital and Related Financing Activities	<u>(27,923,103)</u>	<u>(3,410,442)</u>	<u>-</u>
Cash Flows from Investing Activities:			
Proceeds from sale of investments	-	-	-
Purchase of investments	-	-	-
Interest income from pooled investments	6,975,387	5,926,703	-
Interest income from nonpooled investments	352,602	-	610,057
Net Cash Flows from Investing Activities	<u>7,327,989</u>	<u>5,926,703</u>	<u>610,057</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,677,534	2,227,923	36,211
Cash and Cash Equivalents - Beginning of Year	<u>115,412,103</u>	<u>92,480,932</u>	<u>376,633</u>
Cash and Cash Equivalents - End of Year	<u>\$ 125,089,637</u>	<u>\$ 94,708,855</u>	<u>\$ 412,844</u>

Noncash investing, capital, and financing activities:

The Permitting Services Enterprise Fund used debt financing to acquire \$1,255,856 in computer and telecommunications equipment during the year. In the Liability and Property Coverage Self-Insurance Internal Service Fund and Employee Health Benefits Self-Insurance Internal Service Fund, the fair value of investments that are not cash and cash equivalents decreased by \$5,739 and \$1,618, respectively, during the year. In the HOC Treasury Bonds Nonexpendable Trust Fund, the fair value of investments that are not cash and cash equivalents decreased by \$256,331 during the year.

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

<b>Totals (Memorandum Only)</b>	<b>Component Units</b>	<b>Totals (Memorandum Only)</b>
<b>Primary Government</b>		<b>Reporting Entity</b>
\$ 6,879,984	\$ -	\$ 6,879,984
3,140,084	47,378,520	50,518,604
79,501	-	79,501
-	86,999,600	86,999,600
-	(58,134,337)	(58,134,337)
-	(432,545)	(432,545)
5,988,835	-	5,988,835
-	4,764,654	4,764,654
(20,540,951)	(620,149)	(21,161,100)
(601,194)	-	(601,194)
-	(103,750)	(103,750)
-	313,563	313,563
<u>(5,053,741)</u>	<u>80,165,556</u>	<u>75,111,815</u>
-	14,937,634	14,937,634
-	(1,349,717)	(1,349,717)
838,091	6,871,791	7,709,882
(15,447,932)	(20,905,928)	(36,353,860)
1,163,051	-	1,163,051
(989,235)	-	(989,235)
(5,060,000)	(1,845,628)	(6,905,628)
-	(3,442,508)	(3,442,508)
(675,875)	(517,223)	(1,193,098)
(6,386,000)	-	(6,386,000)
(4,775,645)	(40,878,295)	(45,653,940)
<u>(31,333,545)</u>	<u>(47,129,874)</u>	<u>(78,463,419)</u>
-	240,357,116	240,357,116
-	(244,221,302)	(244,221,302)
12,902,090	34,117,353	47,019,443
<u>962,659</u>	<u>3,811,845</u>	<u>4,774,504</u>
<u>13,864,749</u>	<u>34,065,012</u>	<u>47,929,761</u>
11,941,668	20,006,672	31,948,340
<u>208,269,668</u>	<u>208,487,152</u>	<u>416,756,820</u>
\$ <u>220,211,336</u>	\$ <u>228,493,824</u>	\$ <u>448,705,160</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
**Exhibit A-8**

	Montgomery County Public Schools	Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Inc.	Totals
<b>Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$ (18,437,608)	\$ 837,245	\$ (38,711,261)	\$ 129,010	\$ (56,182,614)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,327,532	2,681,735	7,891,334	63,772	11,964,373
Bond discount, interest amortization	-	-	1,022,392	-	1,022,392
Accretion of capital appreciation bonds	-	-	1,783,044	-	1,783,044
Net adjustment for interest and lease payments included in financing and lease activities	-	(1,605,807)	-	-	(1,605,807)
USDA commodities	1,139,378	-	-	-	1,139,378
Payments received on operating leases	-	3,909,622	-	-	3,909,622
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(207,648)	396,841	2,047,371	(4,924)	2,231,640
(Increase) decrease in mortgages and notes receivable	-	-	(11,659,746)	-	(11,659,746)
(Increase) decrease in due from other funds	815,885	-	-	-	815,885
(Increase) decrease in inventory of supplies	107,727	(103,719)	-	-	4,008
(Increase) decrease in prepaids	-	(39,011)	-	794	(38,217)
(Increase) decrease in deposits	-	-	1,178,290	-	1,178,290
(Increase) decrease in other assets	-	-	(1,080,287)	(1,050)	(1,081,337)
Increase (decrease) in accounts/vouchers payable	(2,389,212)	(2,493,153)	3,106,407	(2,118)	(1,778,076)
Increase (decrease) in interest payable	(66,891)	-	(1,171,768)	2,229	(1,236,430)
Increase (decrease) in accrued liabilities	226,856	(42,895)	-	(34,969)	148,992
Increase (decrease) in claims payable	1,312,551	-	-	-	1,312,551
Increase (decrease) in due to other funds	446,913	-	-	-	446,913
Increase (decrease) in due to primary government	115,173	-	-	-	115,173
Increase (decrease) in deferred revenue	(187,594)	-	583,117	20,421	415,944
Net Cash Provided (Used) by Operating Activities	<u>(15,796,938)</u>	<u>3,540,858</u>	<u>(35,011,107)</u>	<u>173,165</u>	<u>(47,094,022)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Intergovernmental revenue	10,905,923	-	36,472,597	-	47,378,520
Proceeds from sale of bonds	-	-	86,999,600	-	86,999,600
Retirement of bonds	-	-	(58,134,337)	-	(58,134,337)
Bond issue costs net of early redemption reduction	-	-	(432,545)	-	(432,545)
Operating transfers in - primary government	300,000	-	4,464,654	-	4,764,654
Operating transfers (out)	(620,149)	-	-	-	(620,149)
Operating transfers (out) - primary government	-	-	(103,750)	-	(103,750)
Miscellaneous nonoperating revenue	313,563	-	-	-	313,563
Net Cash Flows from Noncapital Financing Activities	<u>10,899,337</u>	<u>-</u>	<u>69,266,219</u>	<u>-</u>	<u>80,165,556</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from capital financing	757,179	-	14,180,455	-	14,937,634
Contributed capital received	-	-	(1,349,717)	-	(1,349,717)
Proceeds from sale of fixed assets	-	-	6,871,791	-	6,871,791
Acquisition of fixed assets	(824,173)	(960,647)	(19,061,454)	(59,654)	(20,905,928)
Principal paid on revenue bonds	-	(1,845,628)	-	-	(1,845,628)
Principal paid on mortgages	-	(49,998)	(3,392,510)	-	(3,442,508)
Principal paid on equipment notes and capital leases	(400,447)	(116,776)	-	-	(517,223)
Interest paid on bonds, leases, and equipment notes	(43,796)	(2,422,936)	(38,411,563)	-	(40,878,295)
Net Cash Flows from Capital and Related Financing Activities	<u>(511,237)</u>	<u>(5,395,985)</u>	<u>(41,162,998)</u>	<u>(59,654)</u>	<u>(47,129,874)</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, 2000  
**Exhibit A-8**

	Montgomery County Public Schools	Montgomery County Revenue Authority	Housing Opportunities Commission of Montgomery County	Bethesda Urban Partnership, Inc.	Totals
Cash Flows from Investing Activities:					
Proceeds from sale of investments	\$ -	\$ -	\$ 240,357,116	\$ -	\$ 240,357,116
Net (purchase) disposition of investments	3,360,430	-	(247,581,732)	-	(244,221,302)
Interest income from pooled investments	-	-	34,117,353	-	34,117,353
Interest income from nonpooled investments	3,270,229	541,616	-	-	3,811,845
Net Cash Flows from Investing Activities	<u>6,630,659</u>	<u>541,616</u>	<u>26,892,737</u>	<u>-</u>	<u>34,065,012</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,221,821	(1,313,511)	19,984,851	113,511	20,006,672
Cash and Cash Equivalents - Beginning of Year	<u>30,650,630</u>	<u>9,805,528</u>	<u>167,764,167</u>	<u>266,827</u>	<u>208,487,152</u>
Cash and Cash Equivalents - End of Year	<u>\$ 31,872,451</u>	<u>\$ 8,492,017</u>	<u>\$ 187,749,018</u>	<u>\$ 380,338</u>	<u>\$ 228,493,824</u>

Noncash investing, capital, and financing activities:

Capital grants were used to purchase furniture and equipment of \$1,474,839 for the MCPS Enterprise (Food Services) Fund during FY00, which was recorded by Food Services as contributed capital. The MCPS Food Services fund received USDA commodities valued at \$1,291,813 of which \$1,139,378 was used and expensed, and \$152,435 remained in inventory at year end. The MCPS Employee Benefit Plan recognized as revenue net appreciation in the fair value of investments of \$1,206,197. MCRA incurred \$1,087,237 in capital lease obligations for the purchase of property and equipment. MCRA also recognized \$2,125,767 in contributed capital from lease revenues which had been deferred in prior years.

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

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	\$ 31,872,451	\$ 8,492,017	\$ 187,749,018	\$ 380,338	\$ 228,493,824
Reconciling item - Cash and cash equivalents for governmental fund types not presented on "Statement of Cash Flows."	<u>27,283,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,283,735</u>
Cash and cash equivalents on "Combining Balance Sheet - Discretely Presented Component Units"	<u>\$ 59,156,186</u>	<u>\$ 8,492,017</u>	<u>\$ 187,749,018</u>	<u>\$ 380,338</u>	<u>\$ 255,777,559</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, 2000  
**Exhibit A-9**

	<u>Current Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
Revenues:		
Educational and General:		
Student tuition and fees	\$ 40,532,110	\$ -
Federal, State, and private gifts, grants, and contributions	-	7,493,388
Governmental appropriations	19,465,257	1,941,728
Investment income	1,670,464	-
Other	417,428	-
Expended for plant facilities	-	-
Sales and services of auxiliary enterprises	7,668,322	-
State appropriations	5,062,300	-
<b>Total Revenues</b>	<u>74,815,881</u>	<u>9,435,116</u>
Expenditures:		
Educational and general	108,986,911	9,783,425
Auxiliary enterprises	7,806,516	-
State appropriations	5,062,300	-
Loan cancellations and collection costs	-	-
Disposal of plant facilities	-	-
Depreciation of plant assets	-	-
Capitalized plant expenditures	-	-
Noncapitalized plant expenditures	-	-
<b>Total Expenditures</b>	<u>121,855,727</u>	<u>9,783,425</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(47,039,846)</u>	<u>(348,309)</u>
Other Financing Sources (Uses):		
Transfers In (Out):		
Primary government	51,116,929	-
Mandatory transfers	(366,872)	348,309
Non-Mandatory transfers	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>50,750,057</u>	<u>348,309</u>
<b>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</b>	<u>3,710,211</u>	<u>-</u>
Fund Balances - Beginning of Year	<u>13,709,973</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 17,420,184</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	
\$ -	\$ -	\$ -	\$ 427,587	\$ -	\$ 40,959,697
-	-	-	-	-	7,493,388
55,690	-	1,197,500	-	-	22,660,175
28,399	33,472	-	201,651	-	1,933,986
4,117	-	-	-	-	421,545
-	-	-	-	16,200,158	16,200,158
-	-	-	-	-	7,668,322
-	-	-	-	-	5,062,300
<u>88,206</u>	<u>33,472</u>	<u>1,197,500</u>	<u>629,238</u>	<u>16,200,158</u>	<u>102,399,571</u>
-	-	-	-	-	118,770,336
-	-	-	-	-	7,806,516
-	-	-	-	-	5,062,300
24,872	-	-	-	-	24,872
-	-	-	-	124,155	124,155
-	-	-	-	7,085,999	7,085,999
-	-	10,200,538	-	-	10,200,538
-	-	750,690	-	-	750,690
<u>24,872</u>	<u>-</u>	<u>10,951,228</u>	<u>-</u>	<u>7,210,154</u>	<u>149,825,406</u>
<u>63,334</u>	<u>33,472</u>	<u>(9,753,728)</u>	<u>629,238</u>	<u>8,990,004</u>	<u>(47,425,835)</u>
-	-	8,061,500	-	-	59,178,429
18,563	-	-	-	-	-
-	-	309,022	(309,022)	-	-
<u>18,563</u>	<u>-</u>	<u>8,370,522</u>	<u>(309,022)</u>	<u>-</u>	<u>59,178,429</u>
81,897	33,472	(1,383,206)	320,216	8,990,004	11,752,594
<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>
<u>\$ 1,989,813</u>	<u>\$ 621,406</u>	<u>\$ 15,706,330</u>	<u>\$ 3,688,945</u>	<u>\$ 110,564,016</u>	<u>\$ 149,990,694</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, 2000

**Exhibit A-10**

	Unrestricted	Restricted	Totals
Revenues:			
Educational and General:			
Student tuition and fees	\$ 40,532,110	\$ -	\$ 40,532,110
Federal, State, and private gifts, grants, and contributions	-	7,493,388	7,493,388
Governmental appropriations	19,465,257	1,941,728	21,406,985
Investment income	1,670,464	-	1,670,464
Other	417,428	-	417,428
Sales and services of auxiliary enterprises	7,668,322	-	7,668,322
State appropriations	5,062,300	-	5,062,300
<b>Total Revenues</b>	<b>74,815,881</b>	<b>9,435,116</b>	<b>84,250,997</b>
Expenditures:			
Educational and General:			
Instruction	48,766,601	1,317,831	50,084,432
Academic support	12,259,656	149,187	12,408,843
Student services	13,001,856	1,061,614	14,063,470
Operation and maintenance of physical plant	12,876,237	5,115	12,881,352
Institutional support	20,552,400	-	20,552,400
Scholarships and fellowships	1,530,161	7,249,678	8,779,839
Auxiliary enterprises	7,806,516	-	7,806,516
State appropriations	5,062,300	-	5,062,300
<b>Total Expenditures</b>	<b>121,855,727</b>	<b>9,783,425</b>	<b>131,639,152</b>
Transfers In (Out):			
Primary government	51,116,929	-	51,116,929
Mandatory transfers	(366,872)	348,309	(18,563)
<b>Total Transfers In (Out)</b>	<b>50,750,057</b>	<b>348,309</b>	<b>51,098,366</b>
<b>Net Increase in Fund Balance</b>	<b>\$ 3,710,211</b>	<b>\$ -</b>	<b>\$ 3,710,211</b>

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



MONTGOMERY COUNTY, MARYLAND  
 COMBINED STATEMENT OF PLAN NET ASSETS -  
 ALL PENSION TRUST FUNDS AND  
 DISCRETELY PRESENTED COMPONENT UNIT  
 JUNE 30, 2000  
**Exhibit A-11**

	Employees' Retirement System	Employees' Retirement Savings Plan	Totals Primary Government	Component Unit Montgomery County Public Schools	Totals (Memorandum Only) Reporting Entity
<b>ASSETS</b>					
Current Assets:					
Equity in pooled cash and investments	\$ 1,352,072	\$ 1,123,400	\$ 2,475,472	\$ -	\$ 2,475,472
Investments	2,062,184,214	18,887,114	2,081,071,328	751,041,767	2,832,113,095
Receivables:					
Accounts	3,430	848	4,278	-	4,278
Other	-	164,399	164,399	-	164,399
Due from other funds	1,990,547	201,248	2,191,795	-	2,191,795
Due from component units	42,658	23,673	66,331	-	66,331
Due from other governments	28,375	340	28,715	-	28,715
Current portion of group annuity contract	4,832,306	-	4,832,306	-	4,832,306
Prepays	1,033	-	1,033	-	1,033
Total Current Assets	<u>2,070,434,635</u>	<u>20,401,022</u>	<u>2,090,835,657</u>	<u>751,041,767</u>	<u>2,841,877,424</u>
Group annuity contract	62,377,099	-	62,377,099	-	62,377,099
Fixed Assets, at Cost:					
Office equipment	111,375	-	111,375	-	111,375
Less: Accumulated depreciation	<u>111,375</u>	<u>-</u>	<u>111,375</u>	<u>-</u>	<u>111,375</u>
Net Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>2,132,811,734</u>	<u>20,401,022</u>	<u>2,153,212,756</u>	<u>751,041,767</u>	<u>2,904,254,523</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts/vouchers payable:					
Refunds	227,474	-	227,474	-	227,474
Other	<u>119,420,324</u>	<u>13,261</u>	<u>119,433,585</u>	<u>-</u>	<u>119,433,585</u>
Total accounts/vouchers payable	<u>119,647,798</u>	<u>13,261</u>	<u>119,661,059</u>	<u>-</u>	<u>119,661,059</u>
Accrued liabilities	131,355	1,082	132,437	-	132,437
Due to other funds	76	204	280	168,471	168,751
Deferred revenue	<u>213,717</u>	<u>-</u>	<u>213,717</u>	<u>-</u>	<u>213,717</u>
Total Liabilities	<u>119,992,946</u>	<u>14,547</u>	<u>120,007,493</u>	<u>168,471</u>	<u>120,175,964</u>
Net Assets Held in Trust for Pension Benefits (A schedule of funding progress is presented in Note 16.)	<u>\$ 2,012,818,788</u>	<u>\$ 20,386,475</u>	<u>\$ 2,033,205,263</u>	<u>\$ 750,873,296</u>	<u>\$ 2,784,078,559</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 AND  
 DISCRETELY PRESENTED COMPONENT UNIT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
**Exhibit A-12**

	<b>Employees' Retirement System</b>	<b>Employees' Retirement Savings Plan</b>
Additions:		
Contributions:		
Employers	\$ 44,347,078	\$ 3,654,243
Members	10,924,466	2,082,800
Share purchases	-	-
Total Contributions	<u>55,271,544</u>	<u>5,737,043</u>
Investment income	147,607,469	2,543,540
Less: investment expenses	<u>12,269,901</u>	<u>141,437</u>
Net Investment Income	<u>135,337,568</u>	<u>2,402,103</u>
Other income - forfeitures	-	<u>338,310</u>
Total Additions	<u>190,609,112</u>	<u>8,477,456</u>
Deductions:		
Benefits:		
Annuities:		
Retirees	53,463,287	-
Survivors	3,188,218	-
Disability	14,716,815	-
Amortization of group annuity contract	<u>5,019,171</u>	-
Total Benefits	<u>76,387,491</u>	-
Share redemptions	-	-
Member refunds	860,699	861,932
Administrative expenses	<u>1,219,552</u>	<u>42,116</u>
Total Deductions	<u>78,467,742</u>	<u>904,048</u>
Net Increase	112,141,370	7,573,408
Net Assets Held in Trust - Beginning of Year	<u>1,900,677,418</u>	<u>12,813,067</u>
Net Assets Held in Trust - End of Year	<u>\$ 2,012,818,788</u>	<u>\$ 20,386,475</u>

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

<b>Investment Trust</b>	<b>Totals (Memorandum Only) Primary Government</b>	<b>Component Unit Montgomery County Public Schools</b>	<b>Totals (Memorandum Only) Reporting Entity</b>
\$ -	\$ 48,001,321	\$ 15,679,468	\$ 63,680,789
-	13,007,266	3,345,269	16,352,535
12,355,275	12,355,275	-	12,355,275
<u>12,355,275</u>	<u>73,363,862</u>	<u>19,024,737</u>	<u>92,388,599</u>
1,121,332	151,272,341	81,947,110	233,219,451
-	12,411,338	-	12,411,338
<u>1,121,332</u>	<u>138,861,003</u>	<u>81,947,110</u>	<u>220,808,113</u>
-	338,310	-	338,310
<u>13,476,607</u>	<u>212,563,175</u>	<u>100,971,847</u>	<u>313,535,022</u>
-	53,463,287	26,688,928	80,152,215
-	3,188,218	341,526	3,529,744
-	14,716,815	1,263,535	15,980,350
-	5,019,171	-	5,019,171
<u>-</u>	<u>76,387,491</u>	<u>28,293,989</u>	<u>104,681,480</u>
12,865,000	12,865,000	-	12,865,000
-	1,722,631	-	1,722,631
<u>-</u>	<u>1,261,668</u>	<u>3,709,018</u>	<u>4,970,686</u>
<u>12,865,000</u>	<u>92,236,790</u>	<u>32,003,007</u>	<u>124,239,797</u>
611,607	120,326,385	68,968,840	189,295,225
<u>18,911,572</u>	<u>1,932,402,057</u>	<u>681,904,456</u>	<u>2,614,306,513</u>
<u>\$ 19,523,179</u>	<u>\$ 2,052,728,442</u>	<u>\$ 750,873,296</u>	<u>\$ 2,803,601,738</u>

MONTGOMERY COUNTY, MARYLAND

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2000

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\* 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 GAAP, these financial statements present the primary government and its component units, which are entities for which the primary government is considered financially accountable. The 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, Inc. (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 provides public education in kindergarten through twelfth grade to children residing within Montgomery County. Members of the Board of Education are elected by the voters. (One nonvoting student member is elected by secondary students.) However, MCPS is fiscally dependent upon the Primary Government because the Primary Government approves the budget, levies taxes to provide the majority of the fiscal support, and issues debt for construction of school facilities.

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. 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 <sup>th</sup> 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 are used as a partial source of funding for debt service on all outstanding general obligation road and storm drainage bonds. The remaining debt service requirement is financed from current governmental revenues and transfers, generally from the General Fund.

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

**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, investment trust, and agency funds. The pension trust, investment 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 Debt 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 related to compensated absences, claims and judgments, and equipment notes.

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, the County 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 service receivables at the time services are rendered. At year-end, deferred revenue is reflected in governmental funds if collections from billings do not meet the "available" criteria. 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, investment trust, and nonexpendable trust funds. Proprietary, pension trust, investment 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 a biennial basis. All unencumbered appropriations except for those related to Federal and State grants and those related to the Capital Projects Fund lapse at year-end.

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

Expendable Trust - Deferred compensation investments held by fiscal agents are stated at fair value.

Pension Trust - Pension Trust Fund investments for the County 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 16). 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**

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 Internal Service Fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual items are withdrawn for use. In governmental funds, the reserve for inventory is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

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 Debt 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 Debt 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 are legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

MCPS - Net assets of Public Schools' component unit represents the portion of MCPS's equity attributable to its component unit organization, that is accounted for on the proprietary basis of accounting.

**M) Property Taxes**

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was increased above the constant yield rate for FY00. 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 FY00.

Generally, property taxes are levied as of July 1 and become delinquent on October 1. Interest and penalty amounts are assessed annually at 20 percent on delinquent tax bills. Effective July 2000, owner-occupied residential property owners will pay their tax on a semi-annual schedule; the first and second installments are due September 30, 2000 and December 31, 2000, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30, 2000. For FY01, there is no service charge associated with participation in the semi-annual payment program.

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

In order to make real property tax bills simpler and easier to understand, the General Assembly, under Chapter 80 of the Acts of 2000, requires that property tax rates on real property be based on a full cash value assessment, instead of the current 40 percent value. As a result, on October 1, 2000, real property tax rates will be reduced to 40 percent of the rate effective July 1, 2000. The property taxes owed will remain the same unless changed by some other State or local legislative action.

**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 GAAP. 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 FY00:

- As of year-end, the Storm Drainage Maintenance Special Revenue Fund has been closed to the General Fund. However, there was no fund balance to be transferred to the General Fund, and therefore no related transfer has been reflected in the accompanying financial statements.
- See Note 11E for accounting changes and/or corrections of errors impacting beginning fund equities.

**COMPONENT UNITS**

See Note 11M 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 FY00, the County Council increased the operating budget through supplemental appropriations by \$36,315,270. In addition, supplemental appropriations increased the CIP budget by \$46,274,000.

MCPS - During FY00, supplemental appropriations increased the operating budget by \$2,176,048 and increased the capital budget by \$15,687,000.

**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 GAAP where encumbrances are considered a reservation of fund balance and charged to expenditures in the period in which goods or services are received.

*(The remainder of this page has been left blank intentionally.)*

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
<b>General Fund:</b>				
As reported - budgetary basis	\$ 1,659,783,793	\$ 526,727,212	\$ (1,118,746,008)	\$ 14,310,573
Reconciling items:				
Cancellation of prior year encumbrances	(2,381,042)	-	-	(2,381,042)
Elimination of encumbrances outstanding	-	(33,029,310)	-	33,029,310
Unrealized gains (losses)	1,169,668	-	-	1,169,668
As reported - GAAP basis	<u>\$ 1,658,572,419</u>	<u>\$ 493,697,902</u>	<u>\$ (1,118,746,008)</u>	<u>\$ 46,128,509</u>
<b>Special Revenue Funds:</b>				
As reported - budgetary basis - all funds	\$ 280,848,580	\$ 262,572,647	\$ (11,085,678)	\$ 7,190,255
Reconciling items:				
Cancellation of prior year encumbrances:				
Recreation	(40,408)	-	-	(40,408)
Mass Transit Facilities	(156,309)	-	-	(156,309)
Bethesda Urban District	(26,000)	-	-	(26,000)
Wheaton Urban District	(100)	-	-	(100)
Silver Spring Urban District	(24,472)	-	-	(24,472)
Landlord Tenant Affairs	(10,022)	-	-	(10,022)
Cable TV	(381,970)	-	-	(381,970)
Fire Tax District	(292,227)	-	-	(292,227)
Drug Enforcement Forfeitures	(14,926)	-	-	(14,926)
Total	<u>(946,434)</u>	<u>-</u>	<u>-</u>	<u>(946,434)</u>
Less encumbrances outstanding:				
Recreation	-	(1,709,719)	-	1,709,719
Mass Transit Facilities	-	(931,690)	-	931,690
Bethesda Urban District	-	(41,755)	-	41,755
Silver Spring Urban District	-	(317,790)	-	317,790
Wheaton Urban District	-	(135,612)	-	135,612
Landlord Tenant Affairs	-	(50,777)	-	50,777
Common Ownership Communities	-	(5,500)	-	5,500
Cable TV	-	(1,575,579)	-	1,575,579
Fire Tax District	-	(2,206,184)	-	2,206,184
Drug Enforcement Forfeitures	-	(32,989)	-	32,989
Grants	(4,105,671)	(4,106,816)	(1,145)	-
Total	<u>(4,105,671)</u>	<u>(11,114,411)</u>	<u>(1,145)</u>	<u>7,007,595</u>
Forest Conservation Fund not budgeted	215	-	-	215
Indirect costs	(768,496)	(768,496)	-	-
Change in mortgages receivable	20,544	25,797	3,441,730	3,436,477
Loan expenditures	(3,837,345)	(3,837,345)	-	-
Pass-through expenditures	3,104,448	3,104,448	-	-
As reported - GAAP basis	<u>\$ 274,315,841</u>	<u>\$ 249,982,640</u>	<u>\$ (7,645,093)</u>	<u>\$ 16,688,108</u>
<b>Debt Service Fund:</b>				
As reported - budgetary basis	\$ 6,965,570	\$ 155,241,180	\$ 148,275,610	\$ -
Reconciling item:				
Bond anticipation note repayment	-	130,000,000	130,000,000	-
As reported - GAAP basis	<u>\$ 6,965,570</u>	<u>\$ 285,241,180</u>	<u>\$ 278,275,610</u>	<u>\$ -</u>
<b>Capital Projects Fund:</b>				
As reported - budgetary basis	\$ 19,202,557	\$ 261,111,203	\$ 159,933,102	\$ (81,975,544)
Reconciling items:				
Elimination of encumbrances outstanding	-	(129,803,904)	-	129,803,904
Reclassification of mortgages and loans	-	(4,220,788)	1,351,944	5,572,732
Bond proceeds for projects budgeted by others	-	-	98,000,000	98,000,000
Transfers of bond proceeds to component units	-	-	(98,000,000)	(98,000,000)
Grants	(444,688)	(444,688)	-	-
As reported - GAAP basis	<u>\$ 18,757,869</u>	<u>\$ 126,641,823</u>	<u>\$ 161,285,046</u>	<u>\$ 53,401,092</u>

**NOTE 3. CASH AND INVESTMENTS**

**A) Authorization and Balances**

The Montgomery County reporting entity total cash and investments as of June 30, 2000, totaled \$4,312,481,634, of which \$3,126,134,419 related to the Primary Government, 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>	Primary Government	Component Units	Total Reporting Entity
Equity in pooled cash and investments	\$ 757,433,853	\$ 48,148,601	\$ 805,582,454
Cash with fiscal agents	30,556,976	11,731,430	42,288,406
Cash	265,613	9,965,339	10,230,952
Cash and cash equivalents - nonexpendable trust	412,844	-	412,844
Investments - cash equivalents	-	35,516,073	35,516,073
Investments	2,088,249,816	821,755,334	2,910,005,150
Deferred compensation invested with fiscal agents	213,519,779	-	213,519,779
Restricted equity in pooled cash and investments	31,370,478	7,158,109	38,528,587
Restricted cash	-	79,426	79,426
Restricted cash with fiscal agents	-	10,534,123	10,534,123
Restricted investments - cash equivalents	-	148,623,727	148,623,727
Restricted investments	4,325,060	92,835,053	97,160,113
Total	<u>\$3,126,134,419</u>	<u>\$1,186,347,215</u>	<u>\$4,312,481,634</u>

Deposit and Investment Summary:

Deposits: Summary total as below	\$ (1,047,878)	\$ 20,024,017	\$ 18,976,139
Investments: Summary total as below	3,096,359,708	1,014,814,059	4,111,173,767
Cash on hand, fiscal agents, safe deposit escrow	30,822,589	151,509,139	182,331,728
Total	<u>\$3,126,134,419</u>	<u>\$1,186,347,215</u>	<u>\$4,312,481,634</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 oversight by the County's investment committee.

Participants in the pool include the County, certain component unit agencies, and other legally separate entities. The equity position of each fund and component unit is reported as an asset by the funds and component units. The external portion of the pool (i.e., participation by legally separate entities) is reported as the Investment Trust Fund in the accompanying financial statements. Participants' shares 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 commercial paper, bankers' 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 FY00 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	\$ 757,433,853	\$ 10,924,653	\$ 768,358,506
Cash and cash equivalents - nonexpendable trust	412,844	-	412,844
Restricted equity in pooled cash and investments	31,370,478	-	31,370,478
Total	<u>\$ 789,217,175</u>	<u>\$ 10,924,653</u>	<u>\$ 800,141,828</u>
 <u>Deposit and Investment Summary:</u>			
Deposits: Summary total as below	\$ (1,047,878)	\$ -	\$ (1,047,878)
Investments: Summary total as below	790,265,053	10,924,653	801,189,706
Total	<u>\$ 789,217,175</u>	<u>\$ 10,924,653</u>	<u>\$ 800,141,828</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	\$ 13,000,000	\$ 13,000,000	07/00	6.80%
U.S. Government securities	402,141,097	395,596,010	07/00 - 03/02	5.67 - 7.375%
Commercial paper	38,827,914	38,425,100	07/00 - 08/00	6.43 - 6.97%
Bankers' acceptances	308,834,114	306,370,861	07/00 - 11/00	6.10 - 7.04%
Mutual funds	33,256,037	33,256,037	N/A	6.36 - 6.46%
Maryland Local Government Investment Pool	5,130,544	5,130,544	N/A	6.39%
<b>Total</b>	<b>\$ 801,189,706</b>	<b>\$ 791,778,552</b>		

During FY00, the County's external investment pool participated in the Maryland Local Government Investment Pool. The County's pension trust securities lending transactions, as described below, also participate in an external investment pool.

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 FY00, 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 FY00 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 FY00. Moreover, there were no losses during FY00 resulting from default of the borrowers or State Street. During FY00, 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, 2000, was 74 days and the average weighted maturity was 485 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, 2000, 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, 2000, were \$119,272,643 and \$116,270,807, 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 *	\$ (1,047,878)	\$ 11,001,305	\$ 11,001,305
<u>Component Units:</u>			
MCPS	(4,452,734)	6,007,816	6,007,816
MCC	743,578	2,508,478	2,508,478
MCRA	1,754,247	1,902,664	1,902,664
HOC	21,598,588	21,585,648	21,585,648
BUPI	380,338	425,513	298,513
Total Component Units	<u>20,024,017</u>	<u>32,430,119</u>	<u>32,303,119</u>
Total Reporting Entity	<u>\$ 18,976,139</u>	<u>\$ 43,431,424</u>	<u>\$ 43,304,424</u>

\* County deposits are the same as external investment pool deposits.

Deposits include bank accounts and non-negotiable certificates of deposit. Negative carrying amounts represent the excess of vendor checks written over amounts in the bank. 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, \$9,099,846 was insured or collateralized with securities held by the component units' agents in the component units' names, and \$23,203,273 was covered by collateral held by the pledging financial institution's trust department or agent in the component units' names. BUPI deposits of \$127,000 were uncollateralized at year-end.

## 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>Fair Value</u>
U.S. Government securities	\$ 7,178,488	\$ -	\$ -	\$ 7,178,488	\$ 7,178,488
Investment agreement	4,325,060	-	-	4,325,060	4,325,060
	<u>\$ 11,503,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,503,548</u>	<u>11,503,548</u>
Deferred compensation invested with fiscal agents				213,519,779	213,519,779
Pooled investments held in:					
Montgomery County external investment pool *				790,265,053	790,265,053
Pension investment funds				2,081,071,328	2,081,071,328
Total Investments				<u>\$ 3,096,359,708</u>	<u>\$ 3,096,359,708</u>

<u>Component Units:</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase agreements	\$ 29,689,022	\$ -	\$ 1,865,349	\$ 31,554,371	\$ 31,554,371
U.S. Government securities	105,109,496	17,760,323	4,869,374	127,739,193	127,973,559
Bankers' acceptances	-	14,126,907	-	14,126,907	14,200,335
Corporate stocks and bonds	-	196,294	-	196,294	196,294
	<u>\$ 134,798,518</u>	<u>\$ 32,083,524</u>	<u>\$ 6,734,723</u>	<u>173,616,765</u>	<u>173,924,559</u>

Pooled investments held in:

Montgomery County external investment pool *	10,924,653	10,924,653
Maryland local government investment pool	26,418,728	26,418,728
Mutual funds	52,812,146	52,812,146
Pension investment funds	751,041,767	751,041,767
Total Investments	<u>\$ 1,014,814,059</u>	<u>\$ 1,015,121,853</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>Fair Value</u>
Repurchase agreements	\$ 13,000,000	\$ -	\$ -	\$ 13,000,000	\$ 13,000,000
U.S. Government securities	402,141,097	-	-	402,141,097	402,141,097
Commercial paper	38,827,914	-	-	38,827,914	38,827,914
Bankers' acceptances	308,834,114	-	-	308,834,114	308,834,114
	<u>\$ 762,803,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>762,803,125</u>	<u>762,803,125</u>

Pooled investments held in:

Maryland local government investment pool	5,130,544	5,130,544
Mutual funds	33,256,037	33,256,037
Total Investments	<u>\$ 801,189,706</u>	<u>\$ 801,189,706</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	\$ 30,556,976	\$ 151,450,658	\$ 182,007,634
Petty cash/safe deposit escrow	265,613	58,481	324,094
	<u>\$ 30,822,589</u>	<u>\$ 151,509,139</u>	<u>\$ 182,331,728</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 of \$151,385,002 is held in money market mutual funds, while \$65,656 is held for approximately one day in U.S. Government obligations that are not in the component unit's name (Category 3).

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**C) External Investment Pool Condensed Financial Statements**

Statement of Net Assets  
Year Ended June 30, 2000

Assets:	
Investment in securities, at fair value	\$ 801,189,706
Total Assets	<u>801,189,706</u>
Liabilities:	
Outstanding checks in excess of deposits	1,047,878
Net assets	<u>\$ 800,141,828</u>
Net assets consist of:	
Internal participants' units outstanding (\$1.00 par)	\$ 780,618,649
External participants' units outstanding (\$1.00 par)	19,523,179
Net assets	<u>\$ 800,141,828</u>
Participants net asset value, offering price and redemption price per share (\$800,141,826 / 800,573,764 units)	<u>\$ 1.00</u>

Statement of Changes in Net Assets  
Year Ended June 30, 2000

Investment Income *	\$ 51,911,210
Distributions to participants:	
Distributions paid and payable	(51,911,210)
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	\$ 7,833,464,445
Redemption of units	<u>(7,688,275,662)</u>
Net increase in net assets and shares resulting from share transactions	<u>145,188,783</u>
Total increase in net assets	145,188,783
Net assets, July 1, 1999	<u>654,953,045</u>
Net assets, June 30, 2000	<u>\$ 800,141,828</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 \$1,223,207 at June 30, 2000. This amount is comprised of allowances in the Liquor Enterprise Fund (\$308,809 - claims and returned checks), the Solid Waste Disposal Enterprise Fund (\$51,555 - charges for services), and the Parking Enterprise Funds (\$862,843 - parking fines).

**B) Due From Other Governments**

The total amount due from other governments at June 30, 2000, was \$38,213,998. 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	\$ 135,840	\$ 3,740,657	\$ -	\$ 1,817	\$ -	\$ -	\$ 3,878,314
State of Maryland	14,270,902	6,310,134	9,922,306	710,772	589,612	313,829	32,117,555
Other	1,957,162	676,650	129,107	115,895	20,984	1,219	2,901,017
Total	<u>\$ 16,363,904</u>	<u>\$ 10,727,441</u>	<u>\$ 10,051,413</u>	<u>\$ 828,484</u>	<u>\$ 610,596</u>	<u>\$ 315,048</u>	<u>\$ 38,896,886</u>

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES**

The balances at June 30, 2000, of interfund receivables and payables were:

	Interfund Receivable	Interfund Payable
General Fund	\$ 55,250,765	\$ 2,434,843
Special Revenue Funds:		
Recreation	-	73,245
Bethesda Urban District	-	46
Silver Spring Urban District	-	762
Wheaton Urban District	-	302
Mass Transit Facilities	885,572	193,176
Landlord Tenant Affairs	-	15,275
Common Ownership Communities	-	720
Cable TV	-	3,564
Fire Tax District	580,812	636,475
Grants	-	2,139,403
Debt Service Fund	-	30,556,976
Capital Projects Fund	500,000	23,164,975
Enterprise Funds:		
Liquor	-	93,213
Solid Waste Disposal	-	30,838
Solid Waste Collection	-	4,750
Permitting Services	-	96,505
Community Use of Public Facilities	-	7,611
Parking Activities	3,106,570	1,014,251
Internal Service Funds:		
Motor Pool	-	64,501
Central Duplicating	-	8,976
Liability and Property Coverage Self-Insurance	-	10,094
Employee Health Benefits Self-Insurance	1,641,837	-
Pension Trust Funds:		
Employees' Retirement Savings Plan	201,248	204
Employees' Retirement System	1,990,547	76
General Long-Term Debt Account Group	-	3,606,570
Total	<u>\$ 64,157,351</u>	<u>\$ 64,157,351</u>

Included in the amounts presented above are short-term loans of \$1 million and \$2.05 million from the General Fund to the Silver Spring Parking Enterprise Fund and the Grants Special Revenue Fund, respectively. The loans were repaid at the beginning of FY01.

**NOTE 6. DUE FROM/TO COMPONENT UNITS**

The balances at June 30, 2000, were:

Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
<u>Due to Primary Government:</u>						
General	\$ 2,697,901	\$ 267,710	\$ -	\$ 1,887,480	\$ -	\$ 4,853,091
Housing Initiative Special Revenue	-	-	10,000	11,485,978	-	11,495,978
Grants Special Revenue	-	-	-	1,141	-	1,141
Capital Projects	-	-	-	11,560,081	-	11,560,081
Solid Waste Disposal Enterprise	69,751	354	-	1,168	2,704	73,977
Motor Pool Internal Service	19,020	3,605	-	42,746	-	65,371
Central Duplicating Internal Service	-	-	596	2,241	-	2,837
Employee Health Benefits Self-Insurance Internal Service	-	-	15,925	131,620	-	147,545
Employees' Retirement System Pension Trust	-	-	11,943	30,715	-	42,658
Employees' Retirement Savings Plan Pension Trust	-	-	2,061	21,612	-	23,673
HOC Nonexpendable Trust	-	-	-	13,725	-	13,725
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Due to Primary Government per Combined Balance Sheet	<u>\$ 2,786,672</u>	<u>\$ 271,669</u>	<u>\$ 40,525</u>	<u>\$ 25,178,507</u>	<u>\$ 2,704</u>	<u>\$ 28,280,077</u>

Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
<u>Due from Primary Government:</u>						
General	\$ 16,719,513	\$ 28,783	\$ -	\$ 798,237	\$ -	\$ 17,546,533
Recreation Special Revenue	26,230	-	-	-	-	26,230
Silver Spring Urban District Special Revenue	-	-	-	-	16,041	16,041
Grants Special Revenue	865,867	-	-	46,148	-	912,015
Capital Projects	-	-	-	15,431	-	15,431
Solid Waste Disposal Enterprise	-	-	-	2,150	-	2,150
Community Use of Public Facilities Enterprise	310,274	-	-	-	-	310,274
Central Duplicating Internal Service	57,478	-	-	-	-	57,478
MCPS Capital Agency	26,094,722	-	-	-	-	26,094,722
MCC Capital Agency	-	6,559,871	-	-	-	6,559,871
HOC Nonexpendable Trust	-	-	-	105,227	-	105,227
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 44,074,084</u>	<u>\$ 6,588,654</u>	<u>\$ -</u>	<u>\$ 967,193</u>	<u>\$ 16,041</u>	<u>51,645,972</u>
						<u>                    </u>
Reconciling Item *						3,103,718
						<u>                    </u>
Total Due from Primary Government per Combined Balance Sheet						<u>\$ 54,749,690</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 \$11,485,978 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. Also included in the amount above is a ground lease, upon which is located affordable housing owned by HOC. The ground lease provides for lease payments from HOC for \$1 per year for 84 years. Fund balance has been reserved for the remaining loans.

BUPI charges for services include \$2,082,021 earned under contracts with the County. MCRA rentals, concessions, leases, subsidies, and commitment fees include \$2,377,317 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, 1999	Additions	Transfers	Disposals	Balance June 30, 2000
Land	\$ 304,300,042	\$ 5,557,650	\$ -	\$ (1,537,452)	\$ 308,320,240
Buildings and improvements	490,076,114	550,608	2,427,308	(39,949,693)	453,104,337
Furniture, fixtures, equipment, and machinery	80,132,102	19,833,065	7,911,147	(11,950,617)	95,925,697
Other assets	732,762,076	-	7,840,575	(44,213,623)	696,389,028
Construction in progress	128,501,876	118,596,786	(18,179,030)	-	228,919,632
Total	<u>\$ 1,735,772,210</u>	<u>\$ 144,538,109</u>	<u>\$ -</u>	<u>\$ (97,651,385)</u>	<u>\$ 1,782,658,934</u>

	Commitments At June 30, 2000
General projects	\$ 79,367,319
Community development and housing	5,639,660
Road and storm drainage	42,327,715
Mass transit	2,469,209
Total	<u>\$ 129,803,903</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	30 *	-
Machinery and equipment	3-20	-
Office furniture and fixtures	3-15	3-15
Automobiles and trucks	2-15	-

\* During FY00, the estimated useful life of parking garages was changed to 30 years from 35 years.

A schedule of related fixed assets at June 30, 2000, follows:

	Proprietary Funds		Fiduciary Fund
	Enterprise	Internal	Pension
		Service	Trust
Land, improved and unimproved	\$ 53,041,886	\$ 291,070	\$ -
Buildings	120,765,358	315,732	-
Furniture, fixtures, equipment, and machinery	18,414,759	55,918,059	111,375
Other fixed assets	94,080,069	-	-
Construction in progress	503,667	-	-
Subtotal	286,805,739	56,524,861	111,375
Less accumulated depreciation and amortization	(140,462,295)	(37,415,170)	(111,375)
Total Fixed Assets	\$ 146,343,444	\$ 19,109,691	\$ -

### COMPONENT UNITS

Fixed assets of MCPS, amounting to \$1,713,567,163 at June 30, 2000, 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, 2000. A summary of MCPS proprietary fund type fixed assets at June 30, 2000 is also presented. Proprietary fund type fixed assets are stated at cost. Depreciation is computed over useful lives of 5 - 20 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	Fund
	July 1, 1999				June 30, 2000	Enterprise
Land and site improvements	\$ 54,686,910	\$ 963,050	\$ -	\$ (324,200)	\$ 55,325,760	\$ -
Buildings and additions	1,246,703,289	-	122,234,737	(4,206,509)	1,364,731,517	17,831
Furniture and equipment	193,205,118	27,544,331	-	(11,107,288)	209,642,161	19,049,007
Construction in progress	100,278,614	117,047,191	(122,234,737)	(18,541,822)	76,549,246	-
Subtotal	1,594,873,931	145,554,572	-	(34,179,819)	1,706,248,684	19,066,838
Accumulated depreciation	-	-	-	-	-	(11,748,359)
Total	\$ 1,594,873,931	\$ 145,554,572	\$ -	\$ (34,179,819)	\$ 1,706,248,684	\$ 7,318,479

\* Includes adjustments and construction in progress items not capitalized.

Commitments for ongoing construction in progress at June 30, 2000 were \$70,871,606.

## **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, and Solid Waste Disposal) are payable first from revenues of those funds.

Proceeds from general obligation bonds for public schools and the community college are appropriated by and remitted to MCPS and MCC (component units), respectively. For GAAP purposes, proceeds from debt issuance for these purposes and the related total amount remitted to the component units are reflected as other financing sources and other financing uses, respectively, in the accompanying financial statements. This amount, appropriated for use by the component units, is shown as a reconciling item 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 in 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, 2000, \$37,500,000, \$52,000,000, and \$64,500,000, respectively, in general obligation bonds referred to above are considered to be defeased.

During FY00, no current or advance refundings of general obligation bonds by proprietary activities occurred.

General obligation bond issues outstanding as of June 30, 2000, are as follows:

	<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally Issued</u>	<u>Outstanding at June 30, 2000</u>
GO Bonds	02/01/71	1972-01	0.1 - 6.5 %	\$ 30,000,000	\$ 440,000
GO Bonds	11/01/71	1973-02	0.1 - 6.5	30,000,000	1,180,000
GO Bonds	05/01/83	1984-03	7.0 - 9.0	50,000,000	7,500,000
GO Bonds	06/01/84	1985-04	9.0 - 9.75	55,000,000	11,000,000
GO Bonds	05/01/85	1986-05	7.6 - 8.6	65,000,000	16,250,000
GO Bonds	04/01/86	1987-06	5.8 - 6.3	50,000,000	15,000,000
GO Bonds	10/01/90	1991-00	6.8 - 7.1	75,000,000	3,750,000
GO Bonds	04/01/91	1992-11	6.3 - 6.75	60,000,000	9,000,000
GO Bonds	10/01/91	1992-11	5.75 - 6.125	70,000,000	14,000,000
GO Refunding Bonds	07/01/92	1993-10	2.75 - 5.8	273,038,054	230,363,054
GO Bonds	10/01/92	1993-06	5.0 - 5.75	115,000,000	40,250,000
GO Refunding Bonds	08/15/93	1994-11	2.5 - 5.0	60,005,000	57,340,000
GO Bonds	10/01/93	1994-13	4.4 - 4.9	100,000,000	70,000,000
GO Bonds	10/01/94	1995-08	5.2 - 6.125	100,000,000	45,000,000
GO Bonds	03/15/96	1997-16	5.1 - 5.5	120,000,000	96,000,000
GO Bonds	04/15/97	1998-17	5.0 - 5.375	115,000,000	97,750,000
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	103,500,000
GO Bonds	04/01/99	2000-19	4.0 - 5.0	120,000,000	114,000,000
GO Bonds	01/01/00	2001-20	5.0 - 6.0	130,000,000	130,000,000
Total				<u>\$ 1,802,553,054</u>	<u>\$ 1,131,833,054</u>

Changes in general obligation bonds during FY00 are as follows:

	Balance July 1, 1999	Bonds Issued	Bonds Retired	Balance June 30, 2000
General Long-Term Debt Account Group:				
General County	\$ 135,499,234	\$ 20,500,000	\$ 11,702,298	\$ 144,296,936
Roads and Storm Drainage	308,961,513	30,500,000	25,461,790	313,999,723
Parks	34,238,152	3,800,000	3,535,961	34,502,191
Public Schools	539,050,847	67,000,000	40,168,952	565,881,895
Community College	27,543,233	5,000,000	2,006,713	30,536,520
Consolidated Fire Tax District	12,719,726	1,200,000	1,062,724	12,857,002
Mass Transit	28,811,665	2,000,000	4,638,077	26,173,588
Public Housing	2,287,518	-	214,250	2,073,268
	<u>1,089,111,888</u>	<u>130,000,000</u>	<u>88,790,765</u>	<u>1,130,321,123</u>
Enterprise Funds:				
Solid Waste Activities:				
General County	831,166	-	369,235	461,931
Parking Lot Districts:				
Bethesda Parking Lot District	1,190,000	-	440,000	750,000
Silver Spring Parking Lot District	480,000	-	180,000	300,000
	<u>2,501,166</u>	<u>-</u>	<u>989,235</u>	<u>1,511,931</u>
Total	<u>\$ 1,091,613,054</u>	<u>\$ 130,000,000</u>	<u>\$ 89,780,000</u>	<u>\$ 1,131,833,054</u>

For the general obligation bonds carried in the enterprise funds, a total of \$439,849 is classified as current liabilities. This total is comprised of \$89,849 in the Solid Waste Disposal Fund, \$250,000 in the Bethesda Parking Fund, and \$100,000 in the Silver Spring Parking Fund.

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

Fiscal Year Ending June 30	General Obligation Bond Requirements		
	Principal	Interest	Total
2001	\$ 93,125,000	\$ 57,899,294	\$ 151,024,294
2002	92,530,000	52,857,315	145,387,315
2003	92,105,000	47,825,157	139,930,157
2004	89,620,000	42,665,440	132,285,440
2005	86,650,000	37,780,983	124,430,983
2006-2020	<u>677,803,054</u>	<u>215,383,882</u>	<u>893,186,936</u>
Total	<u>\$ 1,131,833,054</u>	<u>\$ 454,412,071</u>	<u>\$ 1,586,245,125</u>

Article 25A, Section 5(P), of the Annotated Code of Maryland, 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, 2000, is \$3,589,555,915.

General obligation bonds authorized and unissued as of June 30, 2000, are as follows:

Purpose	Authority		Amount	Amount Unissued
	Chapter	Act		
General County, Parks, and Consolidated Fire Tax District	19	1998	\$ 113,400,000	\$ 102,285,000
	18	1999	33,500,000	33,500,000
			<u>146,900,000</u>	<u>135,785,000</u>
Roads and Storm Drainage	19	1998	77,000,000	70,915,000
	18	1999	30,000,000	30,000,000
			<u>107,000,000</u>	<u>100,915,000</u>
Public Schools and Community College	32	1997	80,800,000	20,763,000
	19	1998	3,800,000	3,800,000
	18	1999	57,800,000	57,800,000
			<u>142,400,000</u>	<u>82,363,000</u>
Mass Transit	34	1991	2,160,000	55,000
	19	1998	500,000	500,000
	18	1999	400,000	400,000
			<u>3,060,000</u>	<u>955,000</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>\$ 418,305,000</u>	<u>\$ 333,718,000</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 Fund, the Silver Spring Parking 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, 2000, are as follows:

	Dated			Originally	Balance	Unamortized	Carrying Value
	Date	Maturity	Interest Rate	Issued	at June 30, 2000	Discount	at June 30, 2000
Parking Revenue Refunding 1992 Series A:							
Bethesda Parking Lot District	04/15/92	1992-09	2.75 - 6.25 %	\$ 27,975,000	\$ 17,465,000	\$ (75,372)	\$ 17,389,628
Silver Spring Parking Lot District	04/15/92	1992-09	2.75 - 6.25	24,755,000	14,930,000	(59,599)	14,870,401
Solid Waste System 1993 Series A	03/15/93	1994-13	3.5 - 5.875	50,680,000	38,445,000	(285,241)	38,159,759
Total				<u>\$ 103,410,000</u>	<u>\$ 70,840,000</u>	<u>\$ (420,212)</u>	<u>\$ 70,419,788</u>

Changes in revenue bonds during FY00 are as follows:

	Balance			Balance	Unamortized	Carrying Value
	July 1, 1999	Bonds Issued	Bonds Retired	June 30, 2000	Discount	June 30, 2000
Bethesda Parking Lot District	\$ 19,050,000	\$ -	\$ 1,585,000	\$ 17,465,000	\$ (75,372)	\$ 17,389,628
Silver Spring Parking Lot District	16,410,000	-	1,480,000	14,930,000	(59,599)	14,870,401
Solid Waste Disposal	40,440,000	-	1,995,000	38,445,000	(285,241)	38,159,759
Total	<u>\$ 75,900,000</u>	<u>\$ -</u>	<u>\$ 5,060,000</u>	<u>\$ 70,840,000</u>	<u>\$ (420,212)</u>	<u>\$ 70,419,788</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
2001	\$ 1,670,000	\$ 1,064,768	\$ 1,570,000	\$ 908,217
2002	1,785,000	967,908	1,650,000	817,157
2003	1,895,000	862,593	1,760,000	719,807
2004	2,025,000	748,893	1,870,000	614,207
2005	2,155,000	627,392	1,995,000	502,008
2006-2013	<u>7,935,000</u>	<u>1,149,061</u>	<u>6,085,000</u>	<u>789,064</u>
Total	<u>\$ 17,465,000</u>	<u>\$ 5,420,615</u>	<u>\$ 14,930,000</u>	<u>\$ 4,350,460</u>

Fiscal Year Ending June 30	Solid Waste Disposal		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2001	\$ 2,095,000	\$ 2,199,771	\$ 5,335,000	\$ 4,172,756	\$ 9,507,756
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	3,556,366	9,531,366
2004	2,445,000	1,848,686	6,340,000	3,211,786	9,551,786
2005	2,580,000	1,714,211	6,730,000	2,843,611	9,573,611
2006-2013	<u>26,800,000</u>	<u>7,549,307</u>	<u>40,820,000</u>	<u>9,487,432</u>	<u>50,307,432</u>
Total	<u>\$ 38,445,000</u>	<u>\$ 17,376,772</u>	<u>\$ 70,840,000</u>	<u>\$ 27,147,847</u>	<u>\$ 97,987,847</u>

Revenue bonds authorized and unissued as of June 30, 2000, 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	Parking	Waste
	Lot District	Lot District	Disposal
Operation and Maintenance Account - Available to pay current expenses	\$ 697,357	\$ 918,278	\$ -
Debt Service Account - Used to pay debt service on bonds	253,106	216,601	3,142
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	1,500,000	1,500,000	1,902,931
Total	<u>\$ 2,450,463</u>	<u>\$ 2,634,879</u>	<u>\$ 6,231,133</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 FY00 are as follows:

	Balance		Balance	
	July 1, 1999	BANs Issued	BANs Retired	June 30, 2000
BAN Series 1995 -C	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
BAN Series 1995 -D	26,000,000	-	26,000,000	-
BAN Series 1995 -E	50,000,000	-	50,000,000	-
BAN Series 1995 -F	-	80,000,000	50,000,000	30,000,000
BAN Series 1995 -G	-	40,000,000	-	40,000,000
BAN Series 1995 -H	-	90,000,000	-	90,000,000
Total	<u>\$ 80,000,000</u>	<u>\$ 210,000,000</u>	<u>\$ 130,000,000</u>	<u>\$ 160,000,000</u>

BAN Notes, Series 1995-C, totaling \$4,000,000; BAN Notes, Series 1995-D, totaling \$26,000,000; BAN Notes, Series 1995-E, totaling \$50,000,000; and BAN Notes, Series 1995-F, totaling \$50,000,000 were retired on February 2, 2000, with proceeds from general obligation bonds dated January 1, 2000.

The interest rate changes based on market conditions. During FY00, the rate of interest varied from 2.00 to 4.40 percent. Interest earned on BANs totaled \$6,143,114 during FY00, which was accounted for in the Debt Service Fund.

BANs amounting to \$210 million were issued during FY00 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 FY01, and intends to use the proceeds first to replace a portion of the \$160 million in BANs outstanding at June 30, 2000. 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. No amounts have been borrowed against this line of credit. 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, 2000, is \$173,718,000 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 and bond anticipation notes during FY00 are as follows:

	Balance July 1, 1999	Earned/ Additions	Used/ Payments *	Balance June 30, 2000
Compensated Absences	\$ 35,236,320	\$ 27,505,757	\$ 26,268,701	\$ 36,473,376
Claims and Judgments	1,240,000	-	940,000	300,000
Equipment Notes Payable	697,555	-	559,584	137,971
Due to Other Governments	1,753,025	-	63,472	1,689,553
Due to Other Funds	3,856,570	-	250,000	3,606,570

\* Includes non-monetary 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 monies to be received by the County under loan agreements with the facility users and from other monies made available to the County for such purpose. The bonds do not constitute a debt or charge against the general credit or taxing powers of the County, the State, or any political subdivision thereof. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2000, there were forty-two issues of Economic Development Revenue Bonds outstanding. Of these, thirty-six were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 2000 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, 2000, for bonds issued after July 1, 1996 totaled \$36 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, 2000, for this loan is \$1,689,553.

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 \$500,000 constitutes a long-term obligation of the Strathmore Hall Expendable Trust Fund, and is therefore reflected as a liability in the General Long-Term Debt 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 estimated fair market value of the property, which was valued at \$3.1 million. This obligation has not been satisfied with expendable resources as of June 30, 2000. 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 Debt 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 Chapter 14, special taxes and/or assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective district. Any bond issued under Chapter 14 is not an indebtedness of the County within the meaning of Section 312 of the Charter. Additionally, any bond issued must not pledge the full faith and credit of the County and must state that the full faith and credit is not pledged to pay its principal, interest, or premium, if any.

In December 1999, the County issued \$2.410 million in special obligation bonds on behalf of the Kingsview Village Center Development District, for which the County is authorized to issue up to \$4 million in special obligation bonds. Special taxes and assessments will be levied beginning in FY01 to repay such debt. The County is authorized to issue up to \$20 million in special obligation bonds for the West Germantown Development District; no such bonds have been issued or are outstanding at June 30, 2000.

**COMPONENT UNITS**

At June 30, 2000, 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	\$ 337,281,758
Single Family Mortgage Purchase Program Fund	313,035,187
Total	<u>\$ 650,316,945</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, 2000.

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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Guaranteed Revenue Bond Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 495,000	\$ 1,315,252	\$ 1,810,252
2002	520,000	1,290,324	1,810,324
2003	550,000	1,263,545	1,813,545
2004	585,000	1,218,884	1,803,884
2005	610,000	1,197,117	1,807,117
2006 and thereafter	<u>21,075,000</u>	<u>14,643,296</u>	<u>35,718,296</u>
Total	<u>\$ 23,835,000</u>	<u>\$ 20,928,418</u>	<u>\$ 44,763,418</u>

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total Revenue Bond Requirements</u>		
	<u>Principal *</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 11,672,411	\$ 36,184,474	\$ 47,856,885
2002	11,775,650	35,326,950	47,102,600
2003	13,105,151	34,728,650	47,833,801
2004	13,744,589	32,987,014	46,731,603
2005	14,598,962	32,847,665	47,446,627
2006 and thereafter	<u>585,420,182</u>	<u>503,909,775</u>	<u>1,089,329,957</u>
Total	<u>\$ 650,316,945</u>	<u>\$ 675,984,528</u>	<u>\$ 1,326,301,473</u>

\* Includes discounts

Changes in the HOC revenue bonds during FY00 are as follows:

<u>Purpose</u>	<u>Balance July 1, 1999</u>	<u>Bonds Issued *</u>	<u>Bonds Retired **</u>	<u>Balance June 30, 2000</u>
Multi-Family Mortgage Purchase Program Fund	\$ 285,679,723	\$ 58,681,872	\$ 7,079,837	\$ 337,281,758
Single Family Mortgage Purchase Program Fund	333,699,835	30,101,272	50,765,920	313,035,187
Total	<u>\$ 619,379,558</u>	<u>\$ 88,783,144</u>	<u>\$ 57,845,757</u>	<u>\$ 650,316,945</u>

\* 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, 1999	\$ 394,021,120
Redemptions during the year	(19,311,576)
New issuances during the year	3,000,000
Bonds outstanding, June 30, 2000	<u>\$ 377,709,544</u>

#### NOTE 9. LEASES

The County leases building and office facilities and other equipment under non-cancelable operating leases. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated. Total costs for operating leases were approximately \$9,958,000 for FY00. Future minimum lease payments under significant non-cancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2001	\$ 6,772,000
2002	6,392,000
2003	6,240,000
2004	6,094,000
2005	6,107,000
2006 and thereafter	35,378,000
Total	<u>\$ 66,983,000</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, 2000, for these activities is as follows:

	Liquor	Solid Waste Disposal	Solid Waste Collection	Permitting Services	Community Use of Public Facilities
<b>Operating Revenues:</b>					
Sales - net of discounts	\$ 131,294,070	\$ -	\$ -	\$ -	\$ -
Charges for services	11,960	87,437,818	4,682,439	1,610,642	3,972,784
Licenses and permits	-	-	-	16,249,287	-
Fines and forfeits	-	-	-	80,075	-
Total Operating Revenues	<u>131,306,030</u>	<u>87,437,818</u>	<u>4,682,439</u>	<u>17,940,004</u>	<u>3,972,784</u>
<b>Operating Expenses:</b>					
Cost of goods sold	93,775,494	-	-	-	-
Depreciation and amortization	614,856	2,372,395	-	975,125	16,418
Other	19,162,360	75,359,998	5,017,093	13,711,743	4,516,452
Total Operating Expenses	<u>113,552,710</u>	<u>77,732,393</u>	<u>5,017,093</u>	<u>14,686,868</u>	<u>4,532,870</u>
Operating Income (Loss)	<u>17,753,320</u>	<u>9,705,425</u>	<u>(334,654)</u>	<u>3,253,136</u>	<u>(560,086)</u>
<b>Non Operating Items:</b>					
Property taxes	-	-	-	-	-
Intergovernmental	-	901,482	-	-	92,242
Gain on sale of fixed assets	-	34,975	-	-	-
Investment income	-	4,800,322	113,261	745,513	260,054
Investment expense	-	(2,411,818)	-	(116,637)	-
Other revenue	48,530	24,256	920	8,720	-
Total Non Operating Revenues (Expenses)	<u>48,530</u>	<u>3,349,217</u>	<u>114,181</u>	<u>637,596</u>	<u>352,296</u>
Operating Transfers In	-	1,400,949	-	2,405,000	150,260
Operating Transfers Out	(14,590,410)	(1,076,353)	(93,110)	(1,385,990)	(128,350)
Total Operating Transfers In (Out)	<u>(14,590,410)</u>	<u>324,596</u>	<u>(93,110)</u>	<u>1,019,010</u>	<u>21,910</u>
Net Income (Loss) / Change in Retained Earnings	<u>\$ 3,211,440</u>	<u>\$ 13,379,238</u>	<u>\$ (313,583)</u>	<u>\$ 4,909,742</u>	<u>\$ (185,880)</u>
Current Capital Contributions	-	-	-	-	-
Equity Transfers In (Out)	-	-	-	-	-
<b>Property, Plant, and Equipment:</b>					
Additions	1,295,590	2,101,379	-	1,255,856	-
(Deductions)	(199,227)	(110,217)	-	-	-
Net Working Capital	<u>14,695,825</u>	<u>44,590,420</u>	<u>1,041,732</u>	<u>9,111,209</u>	<u>4,314,086</u>
Total Assets	<u>34,118,099</u>	<u>128,233,995</u>	<u>1,548,190</u>	<u>18,586,905</u>	<u>5,099,854</u>
Total Fund Equity	<u>21,538,887</u>	<u>52,032,595</u>	<u>1,041,732</u>	<u>9,152,787</u>	<u>4,334,963</u>
<b>Bonds and Other Long-Term Liabilities</b>					
Payable from Operating Revenues	-	62,907,790	-	1,416,869	-

(Continued)

Segments of Enterprise Activities, concluded:

	Silver Spring Parking	Bethesda Parking	Wheaton Parking	Montgomery Hills Parking	Total
<b>Operating Revenues:</b>					
Sales - net of discounts	\$ -	\$ -	\$ -	\$ -	\$ 131,294,070
Charges for services	4,238,354	5,283,555	419,819	22,659	107,680,030
Licenses and permits	-	-	-	-	16,249,287
Fines and forfeits	1,832,720	2,177,277	325,308	21,677	4,437,057
Total Operating Revenues	<u>6,071,074</u>	<u>7,460,832</u>	<u>745,127</u>	<u>44,336</u>	<u>259,660,444</u>
<b>Operating Expenses:</b>					
Cost of goods sold	-	-	-	-	93,775,494
Depreciation and amortization	3,487,766	3,712,427	269,213	-	11,448,200
Other	6,326,478	4,400,300	647,755	63,222	129,205,401
Total Operating Expenses	<u>9,814,244</u>	<u>8,112,727</u>	<u>916,968</u>	<u>63,222</u>	<u>234,429,095</u>
Operating Income (Loss)	<u>(3,743,170)</u>	<u>(651,895)</u>	<u>(171,841)</u>	<u>(18,886)</u>	<u>25,231,349</u>
<b>Non Operating Items:</b>					
Property taxes	2,792,580	3,182,206	340,846	49,184	6,364,816
Intergovernmental	-	-	-	-	993,724
Gain on sale of fixed assets	480,514	-	-	-	515,489
Investment income	179,466	815,196	313,250	34,949	7,262,011
Investment expense	(1,023,080)	(1,232,888)	-	-	(4,784,423)
Other revenue	3,350	2,190	490	60	88,516
Total Non Operating Revenues (Expenses)	<u>2,432,830</u>	<u>2,766,704</u>	<u>654,586</u>	<u>84,193</u>	<u>10,440,133</u>
Operating Transfers In	2,032,626	-	-	-	5,988,835
Operating Transfers Out	(524,506)	(2,040,160)	(681,542)	(20,530)	(20,540,951)
Total Operating Transfers In (Out)	<u>1,508,120</u>	<u>(2,040,160)</u>	<u>(681,542)</u>	<u>(20,530)</u>	<u>(4,552,116)</u>
Net Income (Loss) / Change in Retained Earnings	<u>\$ 197,780</u>	<u>\$ 74,649</u>	<u>\$ (198,797)</u>	<u>\$ 44,777</u>	<u>\$ 21,119,366</u>
Current Capital Contributions	-	-	-	-	-
Equity Transfers In (Out)	-	-	-	-	-
<b>Property, Plant, and Equipment:</b>					
Additions	3,056,791	1,270,685	2,827,392	-	11,807,693
(Deductions)	(3,287)	(4,247)	-	-	(316,978)
Net Working Capital	<u>2,273,366</u>	<u>10,107,644</u>	<u>5,448,440</u>	<u>688,939</u>	<u>92,271,661</u>
Total Assets	<u>50,782,643</u>	<u>67,913,394</u>	<u>12,890,997</u>	<u>728,974</u>	<u>319,903,051</u>
Total Fund Equity	<u>33,531,770</u>	<u>49,046,123</u>	<u>12,838,571</u>	<u>709,925</u>	<u>184,227,353</u>
<b>Bonds and Other Long-Term Liabilities</b>					
Payable from Operating Revenues	<u>15,170,401</u>	<u>18,139,628</u>	<u>-</u>	<u>-</u>	<u>97,634,688</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, 1999	Asset Donations	Balance June 30, 2000
Enterprise:			
Liquor	\$ 861,657	\$ -	\$ 861,657
Community Use of Public Facilities	4,981	-	4,981
Internal Service:			
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:

Enterprise Funds	Total
Liquor	\$ 4,825
Solid Waste Disposal	2,699,599
Silver Spring Parking	2,562,988
Bethesda Parking	7,389,940
Wheaton Parking	379,673
Total Reservation of Retained Earnings	<u>\$ 13,037,025</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:

Purpose of Reservation	General	Special Revenue	Capital Projects	Trust	Total
Encumbrances	\$ 33,029,310	\$ 7,007,595	\$ 129,803,904	\$ -	\$ 169,840,809
Long-term receivables *	-	32,913,241	11,560,081	-	44,473,322
Inventories	2,249,958	-	895,797	-	3,145,755
Prepays	946,416	397,250	2,689	321	1,346,676
Unspent Fire-Rescue grant	-	1,420,913	-	-	1,420,913
Employees' pension benefits	-	-	-	2,033,205,263	2,033,205,263
External investment pool participants	-	-	-	19,523,179	19,523,179
Total Reserved Fund Balance	<u>\$ 36,225,684</u>	<u>\$ 41,738,999</u>	<u>\$ 142,262,471</u>	<u>\$ 2,052,728,763</u>	<u>\$ 2,272,955,917</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 Revenue	Trust	Total
Transfers to Capital Projects Fund	\$ 36,001,151	\$ 8,086,873	\$ 574,082	\$ 44,662,106
Trust activities	-	-	229,399,394	229,399,394
Subsequent years' expenditures	124,630,365	18,464,016	-	143,094,381
Other activities	4,082,900	-	-	4,082,900
Total	\$ 164,714,416	\$ 26,550,889	\$ 229,973,476	\$ 421,238,781

**E) Reconciliation of Beginning Fund Equities**

Fund balance of the Housing Initiative Special Revenue Fund at June 30, 1999, has been restated and increased by \$677,607 to reflect prior year receipts against a mortgage loan, where GAAP deferred revenue had inadvertently not been reduced and related revenues increased.

During FY00, the Motor Pool Internal Service Fund recreated and verified the accuracy of its fixed asset records, due to lack of certain historical detailed records. This process resulted in a restatement and reduction of beginning balances in the fund as follows:

Fixed assets	\$ (3,138,295)
Accumulated depreciation	1,935,723
Total restatement of beginning retained earnings	\$ (1,202,572)

**F) Deficit Fund Balance**

The \$85,221,307 unreserved deficit in the Capital Projects Fund represents a timing difference between the construction of capital assets and the planned FY01 issuance of long-term debt to fund that construction.

**G) 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	\$ 247,050,779
"Operating transfers (out)" on Exhibit A-3	(233,661,714)
"Operating transfers in" on Exhibit A-5	7,151,886
"Operating transfers (out)" on Exhibit A-5	(20,540,951)
Difference	\$ -

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

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

"Operating transfers (out) - component units" on Exhibit A-3	\$ (1,048,305,484)
"Operating transfers in - component units" on Exhibit A-3	192,696
"Operating transfers in - primary government" on Exhibit A-3	981,417,834
"Operating transfers (out) - component units" on Exhibit A-5	(601,194)
"Operating transfers in - primary government" on Exhibit A-5	4,764,654
"Operating transfers (out) - primary government" on Exhibit A-5	(103,750)
"Transfers in - primary government" on Exhibit A-9	59,178,429
Difference	<u>\$ (3,456,815) *</u>

\* The financial data of MCC is presented in accordance with 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.

**I) 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 \$4,106,816 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**

**J) 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 \$83,645,382 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: \$109,528,345 is reclassified as Transfers In; and \$28,520,097 is reclassified as Deficit Fund Balance.

**K) Reservation of Retained Earnings**

MCPS retained earnings reserved at June 30, 2000, of \$38,037,699 represent amounts established for the payment of employee benefit claims. MCRA reserved retained earnings of \$276,264 represents commitments to spend financial resources in future periods.

**L) Reservation and Designation of Fund Balance**

Component unit reservations of fund balance, and the purpose of such reservations at June 30, 2000, are as follows:

Purpose of Reservation	MCPS	MCC	BUPI	Total
Encumbrances	\$ 64,756,207	\$ 7,799,637	\$ 170,301	\$ 72,726,145
Inventories	4,476,589	-	-	4,476,589
Prepays	2,768	-	-	2,768
Employees' pension benefits	750,873,296	-	-	750,873,296
Commitments for specified programs and emergency plant repairs and maintenance	-	643,109	-	643,109
Total Reserved Fund Balances	\$ 820,108,860	\$ 8,442,746	\$ 170,301	\$ 828,721,907

MCC designated fund balance of \$8,517,678 represents amounts designated for subsequent years' expenditures, amounts allocated for auxiliary enterprises and continuing education, and quasi-endowment funds.

**M) Reconciliation of Beginning Fund Equities**

During FY00, HOC adopted the U.S. Department of Housing and Urban Development's (HUD) Real Estate Assessment Center (REAC) as required by the Uniform Financial Reporting Standards. This conversion is effective for all Public Housing Authorities (PHAs) with fiscal years beginning on or after October 1, 1998. The overall effect of implementing these changes was a prior period adjustment of \$7,458,883 decreasing fund balance and the property, plant and equipment balance. This adjustment was due to changes in HUD capitalization policies. Soft modernization costs representing costs needed to finance activities incurred in connection with HUD capital projects, previously capitalized, and related accumulated depreciation were required to be written off through fund balance.

For FY00, MCPS beginning fund equities in the Combining Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types – Discretely Presented Component Units (Exhibit A-6) has been restated as follows:

Reclassification of Pension Trust Fund To Combined Statement of Changes in Net Assets (Exhibit 12)	\$ (681,904,456)
Removal of a component unit	(7,588)
Total restatement of beginning fund equities	\$ (681,912,044)

Removal of the component unit also resulted in a restatement of beginning cash and cash equivalents on Exhibit A-8 by \$7,588.

**N) Reconciliation of Ending Fund Equities**

MCPS fund equities at June 30, 2000, reconcile between the Combining Balance Sheet on Exhibit A-2, the operating statements on Exhibits A-3 and A-6, and the Statement of Changes in Plan Net Assets on Exhibit A-12 as follows:

	Net Assets of Component Units	Retained Earnings		Fund Balance		Total
		Reserved	Unreserved	Reserved	Unreserved	
Fund Balance per						
Exhibit A-3	\$ -	\$ -	\$ -	\$ 69,235,564	\$ (34,175,544)	\$ 35,060,020
Fund Equity per						
Exhibit A-6	1,483,398	38,037,699	1,758,086	-	-	41,279,183
Net Assets per						
Exhibit A-12	-	-	-	750,873,296	-	750,873,296
Totals	<u>\$ 1,483,398</u>	<u>\$ 38,037,699</u>	<u>\$ 1,758,086</u>	<u>\$ 820,108,860</u>	<u>\$ (34,175,544)</u>	<u>\$ 827,212,499</u>

**O) Deficit Fund Balance**

The \$34,175,544 MCPS unreserved deficit represents primarily a timing difference between the construction of capital assets and the County's planned FY01 issuance of long-term debt to fund that construction.

**NOTE 12. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

**A) Risk Management**

Montgomery County, for itself and certain component units and other governments, 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 Additions, the City of Gaithersburg, the Bethesda Urban Partnership, Inc., and the Village of Drummond (from March 1-June 30, 2000). 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 self-insurance funds for FY00 and FY99 are as follows:

	Liability and Property Coverage	Employee Health Benefits
Balance July 1, 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	39,500,000	5,738,686
Claims and changes in estimates	17,271,271	52,434,999
Claim payments *	<u>(15,561,271)</u>	<u>(53,198,566)</u>
Balance June 30, 2000 **	<u>\$ 41,210,000</u>	<u>\$ 4,975,119</u>

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

\*\* Includes incurred but not reported claims of \$6,628,000 and \$4,975,119, for the Liability and Property Coverage and the Employee Health Benefits Self-Insurance Funds, respectively.

During FY00, the Liability and Property Coverage Fund incurred \$2,400,000 in policyholder dividends, which are classified as Returns of Contributions expense in the accompanying financial statements.

## **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 \$3,000,000. In accordance with generally accepted accounting principles, \$300,000 of this amount has been reflected as a liability in the General Long-Term Debt 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, 2000, 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, accrues such costs, and recognizes those costs as expenses as the landfill is utilized. The October 9, 1991 U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Criteria," established closure requirements for all municipal solid waste landfills (MSWLFs) that receive waste after October 9, 1991. The County has been accruing closure expenses since FY91 in an attempt to match the costs of closure against the revenues associated with the use of the landfill. The 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 Oaks Landfill closed on October 22, 1997, and the County began using out-of-County waste hauling during FY98. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons. The total closure and post closure costs are estimated at \$52,108,000, which has been fully accrued through June 30, 2000. This includes a retroactive restatement of the liability for disclosure purposes, which resulted in an increase of both the total estimated closure/postclosure costs and the actual costs disbursed by \$2,126,000, for operating expenses in prior years that are now viewed as includable costs. Of the total amount accrued, \$17,610,100 in actual costs has been paid out in prior years, and \$6,386,000 was paid in FY00, resulting in a net liability of \$28,111,900 at June 30, 2000. The current and non-current portions of the adjusted liability at year-end are estimated at \$3,825,800 and \$24,286,100 respectively. These costs are subject to change based on cost differences, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and post closure costs as they are incurred in the future.

**E) Other Commitments**

County proprietary funds have entered into contract commitments that remain uncompleted as of year-end. The amount of outstanding commitments at June 30, 2000, are as follows:

<u>Enterprise Funds:</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Liquor	\$ 126,571	\$ -	\$ 126,571
Solid Waste Disposal	4,224,978	1,273,297	5,498,275
Solid Waste Collection	13,705	-	13,705
Permitting Services	1,372,460	-	1,372,460
Community Use of Public Facilities	3,014	-	3,014
Silver Spring Parking	313,327	3,459,378	3,772,705
Bethesda Parking	422,414	16,812,362	17,234,776
Wheaton Parking	61,724	161,952	223,676
Montgomery Hills Parking	13,002	-	13,002
Total Enterprise Service Funds	<u>6,551,195</u>	<u>21,706,989</u>	<u>28,258,184</u>
<u>Internal Service Funds:</u>			
Motor Pool	2,827,891	-	2,827,891
Central Duplicating	87,386	-	87,386
Liability and Property Coverage Self-Insurance	173,322	-	173,322
Employee Health Benefits Self-Insurance	179,056	-	179,056
Total Internal Service Funds	<u>3,267,655</u>	<u>-</u>	<u>3,267,655</u>
Total Proprietary Funds	<u>\$ 9,818,850</u>	<u>\$ 21,706,989</u>	<u>\$ 31,525,839</u>

A portion of the capital encumbrances, to be funded from current receipts, is included in reserved retained earnings.

As of June 30, 2000, the County has \$7.56 million in outstanding offers of loans and/or grants that have been extended to various companies under its Economic Development Fund programs. To help fund such offers, the designated fund balance of the Economic Development Fund at the end of the year is typically reappropriated in the following year.

**NOTE 13. SUBSEQUENT EVENTS**

On July 27, 2000, the County Council introduced, and subsequently approved, legislation to increase the level of authorized general obligation bond principal by an additional \$240,200,000, effective October 27, 2000.

**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, 2000, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$165,682,539, of which \$17,297,539 was self-supporting. Of the total amount payable, \$9,363,808 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, 2000, is \$32,380,000, 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, 2000, WSSC had outstanding notes payable and bonds payable in the amount of \$1,681,620,700, of which \$1,667,310,700 was self-supporting. Of the total amount payable, \$207,354,000 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, 2000, 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 \$41,974 to WSTC during FY00. The FY00 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. Pursuant to Section 87-13 of the Montgomery County Code, the County guarantees its obligations imposed on the Washington Suburban Transit District by contracts or agreements with WMATA. As a result of State legislation, the State of Maryland is required to fund 100 percent of the County's share of rail and bus operating expenses. In addition, the State is required to fund 100 percent of the annual debt service on revenue bonds issued by WMATA in connection with the construction of the Metro 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.

Under State statutes, the State of Maryland is required to cover 100 percent of the combined operating deficit of WMATA and Ride-On assuming that 40 percent (effective in FY01) of gross operating costs are recovered by revenues. The 40 percent criteria will revert to 50 percent effective in FY05 unless permanently set at 40 percent by the State legislature prior to FY05.

A summary reflecting the funding of Montgomery County's share of WMATA's activities for FY00 is as follows:

Bus operating subsidy	\$ 23,832,400
Rail operating subsidy	24,153,878
ADA Service	4,607,412
Metrobus and Metrorail capital replacement	5,414,531
Debt service on WMATA revenue bonds	4,867,451
Total	<u>62,875,672</u>
Less: Current State aid	<u>(62,875,672)</u>
Net subsidy	<u>\$ -</u>

At June 30, 2000, WMATA had outstanding debt of \$259,311,000, of which \$14,095,000 represented debt due within one year. All of this debt is payable from resources of WMATA.

For FY00 and prior years, the County included in the appropriation for the Mass Transit Facilities Special Revenue Fund amounts relating to the State's funding of the Montgomery County portion of WMATA operations. Beginning in FY00, it was determined that the State's funding no longer qualified for reporting in the Mass Transit Fund. Actual revenues and expenditures in this fund were approximately \$57 million less than budget due to this change in accounting.

#### 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 FY00 membership dues amounting to \$578,492.

The FY00 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, 2000, NEMWDA had outstanding bonds payable in the amount of \$329,385,000. 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 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 the County under which the County pays a waste disposal fee calculated in accordance with the agreement. The waste disposal fee is comprised of an amount equal to debt service, facility fees, alternative disposal costs, NEMWDA administrative costs, operating costs, and NEMWDA component revenue.

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 (e)	COG (e)	NEMWDA (a)
Total Assets	\$ 1,545,238	\$ 3,682,274	\$ 9,036,784	\$ 7,866	\$ 10,135	\$ 347,937
Total Liabilities	301,121	1,825,579	2,274,932	7,826	5,646	352,245
Total Equity (Deficit)	1,244,117	1,856,695	6,761,852	40	4,489	(4,308)
Total Revenue/Resources	301,501	427,590	386,939	170,074 (c)	27,206	69,471
Total Expenditures/Expenses	275,906	291,065	727,296	170,304 (d)	27,712	66,864
Other Financing Sources	28,068	39,599	423,605	-	699	-
Other Financing Uses	(28,068)	(97,922)	(83,248)	-	-	-
Capital Contributions	(279)	63,973	73,272	-	-	-
Other Changes in Fund Equity	26,224	-	249,914	-	-	-
Net Increase (Decrease) in						
Fund Balance/Retained Earnings	51,540	142,175	-	(230)	193	2,607
Total County Contributions						
During Year	-	-	-	42 (a)	578 (a)	45,613
Year-end Net Liability of County	-	- (b)	-	-	-	-

NOTE: All fiscal years end on June 30

a) FY00 data

b) Any amount represents unremitted front foot benefit charges and prior period sanitary tax as of June 30, 2000, 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) FY99 data

## NOTE 15. EMPLOYEE BENEFITS

### A) 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 (Board). This Plan is therefore accounted for and is included in the Combined Financial Statements as an expendable trust fund. The Board has contracts with Hartford Life Insurance Co. and Fidelity Investments. Under the Plan, contributions are sent to these companies 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 FY00, including rollovers from other plans of \$181,079, amounted to \$17,957,341 and total expenditures amounted to \$4,071,024. Current year investment earnings amounted to \$20,634,959. Total investments held by fiscal agents at June 30, 2000, were \$213,519,779.

### B) 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 General Long-Term Debt 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, 2000, totaling 4,912,713 hours approximates \$139,548,555 based on the salary scale in effect at that date. Earned but unused sick leave is not recorded as a liability because upon termination, sick leave is not paid. Sick leave is paid only in the event of employee illness - at which time the payments will be made from current resources.

### C) Insurance 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 FY00, the County and its employees contributed \$31,544,195 and \$8,569,424, 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 \$97,435, \$934,242, and \$51,716 for these component units, respectively, for FY00.

#### **D) Postemployment Benefits**

In addition to the pension benefits described in Note 16, 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, 3,031 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 \$11,637,200 for FY00; retired employee contributions were \$4,126,823. The Employee Health Benefits Self-Insurance Internal Service Fund accounts for this fiscal activity.

### **NOTE 16. 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. Beginning for FY00, a publicly available annual report that includes financial statements and required supplementary information for the System, the Defined Contribution Plan (see Note 16B), and the Deferred Compensation Plan (see Note 15A), can be obtained by writing the Board of Investment Trustees, Montgomery County Government, 101 Monroe Street, Rockville, MD, 20850.

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	3,869
Number of terminated employees entitled to benefits but not yet receiving them	302
Number of current active employees	6,094

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 8.5 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 8.5 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 required 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 were established during FY00. Activity under the DROP Plans was insignificant in FY00.

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 FY00 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, 2000, \$259,610,470 (13.0%) 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 8.5 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 FY00 were as follows:

	<u>Amount</u>
Annual required employer contributions (ARC)	\$ 44,347,078
Contributions made (100% of ARC)	<u>(44,347,078)</u>
Net Pension Obligation	<u>\$ -</u>

The annual required contributions for FY00 were based on an actuarial valuation as of June 30, 1998, 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, 2000, 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: 4.0 percent compounded annually plus merit and promotional increases based on age.
- Social Security wage base: 4.5 percent annual increases.
- Consumer Price Index: Approximately 4.0 percent annual increases.
- Retirement age: Ages varying from 41 years to 68 and over.
- DROP participation: 50 percent for Group F and 75 percent for Group G.
- Turnover: Rates varying from no turnover to 8 percent based on years of service.
- Mortality: 1983 Group Annuity Mortality Table.
- Disability: Based on County experience, rates varying from no disability to 2 percent, depending on gender.
- Actuarial value of assets: Incorporates a five-year phase-in of market gains and losses.
- Amortization method: Level dollar amount.
- 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
1998	\$ 51,097,622	100 %	\$ -
1999	47,462,625	100	-
2000	44,347,078	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 obligation with respect to supporting the portion of the payments described above; the County is liable for cost of living increases effective January 1, 1986, and later. As a result of this agreement, the portion of the 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 applied against the value of the group annuity contract. The unamortized value at June 30, 2000, is \$67,209,405.

**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
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
2000	1,911,114,401	1,931,914,313	20,799,912	98.9	299,649,316	6.9	44,347,078	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 FY00, there were 2,544 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 an 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 FY00 were \$3,654,243 and \$2,082,800, 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 \$603,991 during FY00 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	\$ 1,931,914,313	\$ 653,446,000	\$ 28,475,380,046	\$ 9,442,405	\$ 31,070,182,764
Actuarial Value of Assets	(1,911,114,401)	(653,017,000)	(27,646,578,997)	(13,839,187)	(30,224,549,585)
Unfunded (Net Assets in Excess of)					
Actuarial Accrued Liability	\$ 20,799,912	\$ 429,000	\$ 828,801,049	\$ (4,396,782)	\$ 845,633,179

\* As of July 1, 1999

\*\* As of July 1, 2000

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Court Appointed Guardians Expendable Trust	152	154	-	-
Debt Service	126	127	-	128
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Detention Center Canteen Profits Expendable Trust	152	154	-	-
Drug Enforcement Forfeitures Special Revenue	96	98	-	121
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Miscellaneous Agency	157	-	-	-
M-NCPPC Risk Management Agency	156	-	-	-
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Montgomery County Public Schools Capital Agency	156	-	-	-
Montgomery Hills Parking Enterprise	134	136	138	141
Motor Pool Internal Service	144	145	146	-
New Home Warranty Security Special Revenue	104	105	-	118
Permitting Services Enterprise	134	136	138	140
Private Contributions Expendable Trust	152	154	-	-
Property Tax Agency	157	-	-	-
Recreation Activities Agency	157	-	-	-
Recreation Special Revenue	96	98	-	106
Rehabilitation Loan Special Revenue	104	105	-	115
Revenue Stabilization Special Revenue	100	101	-	110
Silver Spring Parking Enterprise	134	136	138	140
Silver Spring Urban District Special Revenue	100	101	-	108
Solid Waste Collection Enterprise	134	136	138	140
Solid Waste Disposal Enterprise	134	136	138	140
Storm Drainage Maintenance Special Revenue	102	103	-	111
Strathmore Hall Expendable Trust	152	154	-	-
Tri-centennial Expendable Trust	152	154	-	-
Wheaton Parking Enterprise	134	136	138	141
Wheaton Urban District Special Revenue	100	101	-	109
<b>Component Units:</b>				
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, 27	12, 17, 28	22	-
Montgomery County Revenue Authority	8	17	22	-