

# MONTGOMERY COUNTY MARYLAND

## *Comprehensive Annual Financial Report*



Prepared by the  
**DEPARTMENT OF FINANCE**

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

**Fiscal Year 2001**  
**July 1, 2000 - June 30, 2001**



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**FINANCIAL SECTION**

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

## Independent Auditors' Report

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, 2001. 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, Montgomery Community College, the Montgomery County Revenue Authority, and the Bethesda Urban Partnership, Incorporated, the total assets and revenues of which represent 74 percent of the total assets and 81 percent of the total 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 the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the 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, 2001, 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, 2001, and the results of operations of such funds and the cash flows of each proprietary fund and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in fiscal year 2001 the County implemented Government Accounting Standards Board Statement Number 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001 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 30, 2001



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, 2001  
**Exhibit A-1**

	Governmental Fund Types				Proprietary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>ASSETS AND OTHER DEBITS</b>					
Assets:					
Equity in pooled cash and investments	\$ 221,232,669	\$ 124,664,310	\$ 4,649,463	\$ 87,102,560	\$ 90,956,367
Cash with fiscal agents	-	-	33,493,936	54,660,000	-
Cash	152,540	40,900	-	-	32,475
Cash and cash equivalents - nonexpendable trust	-	-	-	-	-
Investments - cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Deferred compensation invested with fiscal agents	-	-	-	-	-
Receivables (net of allowances for uncollectibles):					
Income taxes	282,425,345	-	-	-	-
Property taxes	20,788,899	5,994,288	1,658	-	1,113,643
Accounts	12,409,250	2,943,557	-	1,977,793	10,415,804
Special assessments	-	-	92,713	-	-
Notes	-	2,615,960	-	-	-
Parking violations	1,637,612	-	-	-	2,561,049
Mortgages	226,383	42,207,362	-	-	-
Interest	-	-	-	-	-
Other	-	65,058	-	-	-
Due from other funds	99,937,623	5,282,526	-	250,000	3,106,570
Due from primary government	-	-	-	-	-
Due from component units	4,788,080	20,475,195	-	13,141,445	67,391
Due from other governments	20,487,633	30,739,316	-	31,184,960	2,606,630
Property liens acquired at tax sale	307,638	-	-	-	-
Inventory of supplies	2,503,800	-	-	1,048,084	23,950,023
Prepays	894,977	379,254	-	5,096	319,754
Unamortized bond costs	-	-	-	-	1,656,129
Restricted Assets:					
Equity in pooled cash and investments	-	-	-	-	43,210,738
Cash	-	-	-	-	-
Cash with fiscal agents	-	-	-	-	-
Investments - cash equivalents	-	-	-	-	-
Investments	-	-	-	-	4,325,060
Fixed assets (net of accumulated depreciation)	-	-	-	-	149,054,246
Other assets	-	-	-	-	81,723
Other Debits:					
Amounts to be Provided for:					
Retirement of general obligation bonds	-	-	-	-	-
Retirement of bond anticipation notes	-	-	-	-	-
Certificates of participation	-	-	-	-	-
Loans payable	-	-	-	-	-
Compensated absences	-	-	-	-	-
Claims and judgments	-	-	-	-	-
Capital leases	-	-	-	-	-
Equipment notes	-	-	-	-	-
Other long-term debt	-	-	-	-	-
Total Assets and Other Debits	<u>\$ 667,792,449</u>	<u>\$ 235,407,726</u>	<u>\$ 38,237,770</u>	<u>\$ 189,369,938</u>	<u>\$ 333,457,602</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	Primary Government	Reporting Entity		
\$ 82,656,862	\$ 73,557,952	\$ -	\$ -	\$ 684,820,183	\$ 36,479,507	\$ 721,299,690	
-	-	-	-	88,153,936	25,351,972	113,505,908	
300	65,333	-	-	291,548	9,650,610	9,942,158	
-	449,054	-	-	449,054	-	449,054	
-	-	-	-	-	75,108,870	75,108,870	
80,399	1,905,156,131	-	-	1,905,236,530	701,883,266	2,607,119,796	
-	199,623,317	-	-	199,623,317	-	199,623,317	
-	-	-	-	282,425,345	-	282,425,345	
-	6,378,424	-	-	34,276,912	-	34,276,912	
105,258	3,297,770	-	-	31,149,432	24,497,406	55,646,838	
-	-	-	-	92,713	-	92,713	
112,539	-	-	-	2,728,499	1,944,034	4,672,533	
-	-	-	-	4,198,661	-	4,198,661	
-	-	-	-	42,433,745	339,739,695	382,173,440	
-	105,227	-	-	105,227	4,719,160	4,824,387	
-	1,287,637	-	-	1,352,695	8,142,916	9,495,611	
1,768,532	2,296,875	-	-	112,642,126	22,286,837	134,928,963	
-	-	-	-	-	58,556,262	58,556,262	
256,329	11,704,899	-	-	50,433,339	-	50,433,339	
365,728	2,100,799	-	-	87,485,066	31,620,677	119,105,743	
-	-	-	-	307,638	-	307,638	
1,463,608	-	-	-	28,965,515	8,886,526	37,852,041	
341,135	1,174	-	-	1,941,390	3,339,758	5,281,148	
-	-	-	-	1,656,129	315,066	1,971,195	
-	-	-	-	43,210,738	9,471,360	52,682,098	
-	-	-	-	-	103,641	103,641	
-	-	-	-	-	5,503,788	5,503,788	
-	-	-	-	-	130,406,153	130,406,153	
-	-	-	-	4,325,060	81,122,007	85,447,067	
17,655,360	-	1,971,500,207	-	2,138,209,813	2,209,261,851	4,347,471,664	
-	-	-	-	81,723	20,966,545	21,048,268	
-	-	-	1,177,635,972	1,177,635,972	-	1,177,635,972	
-	-	-	125,000,000	125,000,000	-	125,000,000	
-	-	-	54,660,000	54,660,000	-	54,660,000	
-	-	-	-	-	3,003,218	3,003,218	
-	-	-	39,080,972	39,080,972	62,554,308	101,635,280	
-	-	-	500,000	500,000	-	500,000	
-	-	-	-	-	26,069,260	26,069,260	
-	-	-	31,925	31,925	-	31,925	
-	-	-	4,981,810	4,981,810	4,063,058	9,044,868	
<u>\$ 104,806,050</u>	<u>\$ 2,206,024,592</u>	<u>\$ 1,971,500,207</u>	<u>\$ 1,401,890,679</u>	<u>\$ 7,148,487,013</u>	<u>\$ 3,905,047,751</u>	<u>\$ 11,053,534,764</u>	

MONTGOMERY COUNTY, MARYLAND  
 COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND  
 DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED  
 JUNE 30, 2001  
**Exhibit A-1**

	Governmental Fund Types				Proprietary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>					
Liabilities:					
Accounts/vouchers payable	\$ 12,637,356	\$ 9,782,915	\$ 148,614	\$ 19,052,682	\$ 17,002,937
Interest payable	-	-	-	-	379,485
Retainage payable	12,153	-	-	6,907,320	1,292,798
Accrued liabilities	19,631,658	4,519,630	-	300,383	10,788,310
Claims payable	-	-	-	-	-
Deposits	-	41,990	-	-	52,918
Due to other funds	2,519,394	12,174,802	33,493,936	47,138,375	240,124
Due to primary government	-	-	-	-	-
Due to component units	40,629,050	2,402,352	-	17,740	454,338
Due to other governments	6,311,953	6,038,696	-	3,511,534	1,030,497
Other liabilities	-	-	-	-	-
Deferred revenue	322,005,385	46,740,560	4,595,220	27,825,803	401,713
Property tax refunds due	-	-	-	-	-
Tax sale surplus and redemptions due	-	-	-	-	-
Notes payable	-	-	-	-	-
General obligation bonds payable	-	-	-	-	1,072,082
Bond anticipation notes payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	65,120,348
Certificates of participation	-	-	-	-	-
Compensated absences payable	-	-	-	-	-
Claims and judgments	-	-	-	-	-
Capital leases payable	-	-	-	-	-
Equipment notes payable	-	-	-	-	1,515,464
Mortgages payable	-	-	-	-	-
Landfill closure costs	-	-	-	-	24,532,359
Other long-term debt	-	-	-	-	-
<b>Total Liabilities</b>	<b>403,746,949</b>	<b>81,700,945</b>	<b>38,237,770</b>	<b>104,753,837</b>	<b>123,883,373</b>
Equity and Other Credits:					
Contributed capital	-	-	-	-	866,638
Investment in general fixed assets	-	-	-	-	-
Net assets of Public Schools' component unit	-	-	-	-	-
Retained Earnings:					
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	208,707,591
Fund balances:					
Reserved	32,711,557	51,683,453	-	249,871,038	-
Unreserved:					
Designated	172,029,238	23,539,606	-	-	-
Undesignated (deficit)	59,304,705	78,483,722	-	(165,254,937)	-
<b>Total Equity and Other Credits</b>	<b>264,045,500</b>	<b>153,706,781</b>	<b>-</b>	<b>84,616,101</b>	<b>209,574,229</b>
<b>Total Liabilities, Equity, and Other Credits</b>	<b>\$ 667,792,449</b>	<b>\$ 235,407,726</b>	<b>\$ 38,237,770</b>	<b>\$ 189,369,938</b>	<b>\$ 333,457,602</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			
\$ 4,906,589	\$ 42,021,317	\$ -	\$ -	\$ 105,552,410	\$ 60,649,212	\$ 166,201,622		
-	-	-	-	379,485	17,985,581	18,365,066		
-	-	-	-	8,212,271	8,500,176	16,712,447		
2,477,673	145,509	-	-	37,863,163	51,528,369	89,391,532		
50,710,511	-	-	-	50,710,511	13,115,266	63,825,777		
-	1,669,268	-	-	1,764,176	4,101,003	5,865,179		
82,956	13,635,969	-	3,356,570	112,642,126	22,286,837	134,928,963		
-	-	-	-	-	50,433,339	50,433,339		
60,770	550,779	-	-	44,115,029	-	44,115,029		
14,214	15,274,879	-	1,625,240	33,807,013	-	33,807,013		
-	20,438,795	-	-	20,438,795	22,071,362	42,510,157		
88,170	3,555,461	-	-	405,212,312	26,013,299	431,225,611		
-	4,460,619	-	-	4,460,619	-	4,460,619		
-	2,338,717	-	-	2,338,717	-	2,338,717		
-	-	-	-	-	93,970,244	93,970,244		
-	-	-	1,177,635,972	1,178,708,054	-	1,178,708,054		
-	-	-	125,000,000	125,000,000	-	125,000,000		
-	-	-	-	65,120,348	679,616,741	744,737,089		
-	-	-	54,660,000	54,660,000	-	54,660,000		
-	-	-	39,080,972	39,080,972	66,957,830	106,038,802		
-	-	-	500,000	500,000	-	500,000		
-	-	-	-	-	48,186,330	48,186,330		
-	-	-	31,925	1,547,389	-	1,547,389		
-	-	-	-	-	1,453,451	1,453,451		
-	-	-	-	24,532,359	-	24,532,359		
-	-	-	-	-	4,182,415	4,182,415		
58,340,883	104,091,313	-	1,401,890,679	2,316,645,749	1,171,051,455	3,487,697,204		
13,150,177	-	-	-	14,016,815	72,124,426	86,141,241		
-	-	1,971,500,207	-	1,971,500,207	1,797,957,471	3,769,457,678		
-	-	-	-	-	1,852,288	1,852,288		
-	-	-	-	-	35,229,348	35,229,348		
33,314,990	-	-	-	242,022,581	110,420,332	352,442,913		
-	1,886,755,231	-	-	2,221,021,279	701,697,400	2,922,718,679		
-	215,178,048	-	-	410,746,892	10,217,734	420,964,626		
-	-	-	-	(27,466,510)	4,497,297	(22,969,213)		
46,465,167	2,101,933,279	1,971,500,207	-	4,831,841,264	2,733,996,296	7,565,837,560		
\$ 104,806,050	\$ 2,206,024,592	\$ 1,971,500,207	\$ 1,401,890,679	\$ 7,148,487,013	\$ 3,905,047,751	\$ 11,053,534,764		

MONTGOMERY COUNTY, MARYLAND  
 COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS  
 JUNE 30, 2001  
**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	\$ 3,346,196	\$ 26,702,689
Cash with fiscal agents	202,500	-
Cash	7,549,910	1,232,570
Investments - cash equivalents	27,900,641	20,882,642
Investments	701,883,266	-
Receivables (net of allowances for uncollectibles):		
Accounts	13,812,662	1,372,330
Notes	-	1,936,246
Mortgages	-	-
Interest	-	-
Other	1,433,181	2,440,082
Due from other funds	19,840,697	2,446,140
Due from primary government	42,410,125	14,594,321
Due from other governments	22,967,470	7,380,419
Inventory of supplies	7,130,801	1,320,238
Prepays and deposits	224,975	1,847,153
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)	1,682,531,524	122,045,907
Other assets	-	-
Other debits:		
Amounts to be provided for:		
Loans payable	3,003,218	-
Compensated absences	62,554,308	-
Capital leases	26,069,260	-
Other long-term debt	4,063,058	-
 Total Assets and Other Debits	 <u>\$ 2,626,923,792</u>	 <u>\$ 204,200,737</u>

(Continued)

<b>Montgomery County Revenue Authority</b>	<b>Housing Opportunities Commission of Montgomery County</b>	<b>Bethesda Urban Partnership, Inc.</b>	<b>Totals</b>
\$ -	\$ 6,430,622	\$ -	\$ 36,479,507
-	25,149,472	-	25,351,972
701,861	13,787	152,482	9,650,610
1,964,633	24,360,954	-	75,108,870
-	-	-	701,883,266
87,607	9,176,111	48,696	24,497,406
-	7,788	-	1,944,034
-	339,739,695	-	339,739,695
-	4,719,160	-	4,719,160
751,130	3,518,523	-	8,142,916
-	-	-	22,286,837
-	1,475,537	76,279	58,556,262
78,803	1,180,747	13,238	31,620,677
222,373	213,114	-	8,886,526
39,272	1,206,865	21,493	3,339,758
315,066	-	-	315,066
-	9,471,360	-	9,471,360
103,641	-	-	103,641
-	5,503,788	-	5,503,788
4,683,252	125,722,901	-	130,406,153
-	81,122,007	-	81,122,007
58,457,835	345,943,204	283,381	2,209,261,851
-	20,966,047	498	20,966,545
-	-	-	3,003,218
-	-	-	62,554,308
-	-	-	26,069,260
-	-	-	4,063,058
<u>\$ 67,405,473</u>	<u>\$ 1,005,921,682</u>	<u>\$ 596,067</u>	<u>\$ 3,905,047,751</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS, CONCLUDED  
 JUNE 30, 2001  
**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	\$ 15,657,569	\$ 26,424,347
Interest payable	57,274	-
Retainage payable	8,307,394	192,782
Accrued liabilities	44,476,072	6,725,091
Claims payable	13,115,266	-
Deposits	-	-
Due to other funds	19,840,697	2,446,140
Due to primary government	14,700,003	2,303
Other liabilities	15,115,075	15,366
Deferred revenue	6,421,589	2,726,611
Notes payable	-	-
Revenue bonds payable	-	-
Compensated absences payable	66,957,830	-
Capital leases payable	27,241,984	-
Mortgages payable	-	-
Other long-term debt	4,182,415	-
<b>Total Liabilities</b>	<b>236,073,168</b>	<b>38,532,640</b>
Equity and Other Credits:		
Contributed capital	4,874,552	-
Investment in general fixed assets	1,675,969,058	121,988,413
Net assets of Public Schools' component unit	1,852,288	-
Retained Earnings:		
Reserved	34,929,204	-
Unreserved	962,059	-
Fund Balances:		
Reserved	684,501,208	17,138,409
Unreserved:		
Designated	-	10,217,734
Undesignated (deficit)	(12,237,745)	16,323,541
<b>Total Equity and Other Credits</b>	<b>2,390,850,624</b>	<b>165,668,097</b>
<b>Total Liabilities, Equity, and Other Credits</b>	<b>\$ 2,626,923,792</b>	<b>\$ 204,200,737</b>

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>
\$ 565,395	\$ 17,940,625	\$ 61,276	\$ 60,649,212
665,848	17,262,459	-	17,985,581
-	-	-	8,500,176
263,883	-	63,323	51,528,369
-	-	-	13,115,266
50,144	4,050,859	-	4,101,003
-	-	-	22,286,837
161,307	35,567,542	2,184	50,433,339
-	6,940,921	-	22,071,362
-	16,865,099	-	26,013,299
-	93,970,244	-	93,970,244
41,739,549	637,877,192	-	679,616,741
-	-	-	66,957,830
960,699	19,983,647	-	48,186,330
1,453,451	-	-	1,453,451
-	-	-	4,182,415
<u>45,860,276</u>	<u>850,458,588</u>	<u>126,783</u>	<u>1,171,051,455</u>
8,647,407	58,602,467	-	72,124,426
-	-	-	1,797,957,471
-	-	-	1,852,288
300,144	-	-	35,229,348
12,597,646	96,860,627	-	110,420,332
-	-	57,783	701,697,400
-	-	-	10,217,734
-	-	411,501	4,497,297
<u>21,545,197</u>	<u>155,463,094</u>	<u>469,284</u>	<u>2,733,996,296</u>
<u>\$ 67,405,473</u>	<u>\$ 1,005,921,682</u>	<u>\$ 596,067</u>	<u>\$ 3,905,047,751</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, 2001

**Exhibit A-3**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Revenues:</b>			
Taxes	\$ 1,585,322,023	\$ 151,232,234	\$ -
Licenses and permits	4,631,314	3,900,905	-
Intergovernmental	102,932,299	57,699,955	-
Charges for services	8,961,699	27,692,830	98,325
Fines and forfeitures	6,195,417	592,723	-
Investment income	17,555,879	9,609,786	4,758,845
Miscellaneous	6,422,479	1,030,844	-
<b>Total Revenues</b>	<u>1,732,021,110</u>	<u>251,759,277</u>	<u>4,857,170</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	141,257,385	11,759,583	-
Public safety	170,452,494	107,245,318	-
Public works and transportation	33,928,007	62,067,956	-
Health and human services	140,001,228	40,786,255	-
Culture and recreation	31,564,839	28,060,097	-
Community development and housing	3,607,161	5,257,107	-
Environment	3,734,493	18,605	-
Education	-	-	-
Capital Projects	-	-	-
<b>Debt Service:</b>			
General obligation bond principal retirement	-	-	92,685,151
General obligation bond interest	-	-	57,791,331
Bond anticipation note repayment	-	-	140,000,000
Bond anticipation note interest	-	-	5,419,950
Issuing costs	-	-	634,196
Long-term purchase lease costs	-	-	22,936
Long-term purchase leases	-	-	2,201,221
Other leases	-	-	426,403
Principal on long-term note	-	-	64,313
Interest on long-term note	-	-	46,047
Principal on long-term equipment notes	-	-	106,046
Interest on long-term equipment notes	-	-	6,480
<b>Total Expenditures</b>	<u>524,545,607</u>	<u>255,194,921</u>	<u>299,404,074</u>
Excess of Revenues over (under) Expenditures	<u>1,207,475,503</u>	<u>(3,435,644)</u>	<u>(294,546,904)</u>
<b>Other Financing Sources (Uses):</b>			
Capital lease financing	-	-	-
Operating transfers in	29,963,663	29,428,450	159,183,530
Operating transfers in - primary government	-	-	-
Operating transfers in - component units	644,650	-	-
Operating transfers (out)	(227,032,506)	(28,331,039)	(4,751,669)
Operating transfers (out) - component units	(1,035,534,480)	-	-
Sale of property	-	325,576	-
Proceeds of certificates of participation	-	-	-
Proceeds of bond anticipation notes	-	-	-
Proceeds of general obligation bonds	-	-	140,002,990
Proceeds from certificates of participation	-	-	112,053
<b>Total Other Financing Sources (Uses)</b>	<u>(1,231,958,673)</u>	<u>1,422,987</u>	<u>294,546,904</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(24,483,170)	(2,012,657)	-
Fund Balances - Beginning of Year, as restated	288,528,670	155,719,438	-
Fund Balances (Deficits) - End of Year	<u>\$ 264,045,500</u>	<u>\$ 153,706,781</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	
\$ 3,095,595	\$ 2,141,140	\$ 1,741,790,992	\$ -	\$ 1,741,790,992
-	-	8,532,219	-	8,532,219
23,675,102	-	184,307,356	306,081,784	490,389,140
2,566,143	-	39,318,997	-	39,318,997
-	-	6,788,140	-	6,788,140
15,438	(27,063,567)	4,876,381	-	4,876,381
3,431,842	20,431,140	31,316,305	6,387,329	37,703,634
<u>32,784,120</u>	<u>(4,491,287)</u>	<u>2,016,930,390</u>	<u>312,469,113</u>	<u>2,329,399,503</u>
-	8,373,032	161,390,000	-	161,390,000
-	68,544	277,766,356	-	277,766,356
-	-	95,995,963	-	95,995,963
-	42,397	180,829,880	-	180,829,880
-	250,000	59,874,936	-	59,874,936
-	-	8,864,268	-	8,864,268
-	-	3,753,098	-	3,753,098
-	-	-	1,264,911,696	1,264,911,696
192,074,763	-	192,074,763	136,115,527	328,190,290
-	-	92,685,151	-	92,685,151
-	-	57,791,331	-	57,791,331
-	-	140,000,000	-	140,000,000
-	-	5,419,950	-	5,419,950
-	-	634,196	-	634,196
-	-	22,936	-	22,936
-	-	2,201,221	-	2,201,221
-	-	426,403	-	426,403
-	-	64,313	-	64,313
-	-	46,047	-	46,047
-	-	106,046	-	106,046
-	-	6,480	-	6,480
<u>192,074,763</u>	<u>8,733,973</u>	<u>1,279,953,338</u>	<u>1,401,027,223</u>	<u>2,680,980,561</u>
<u>(159,290,643)</u>	<u>(13,225,260)</u>	<u>736,977,052</u>	<u>(1,088,558,110)</u>	<u>(351,581,058)</u>
-	-	-	11,401,958	11,401,958
60,294,438	-	278,870,081	378,928	279,249,009
-	-	-	1,069,262,206	1,069,262,206
-	-	644,650	-	644,650
(529,739)	(1,781,864)	(262,426,817)	-	(262,426,817)
(102,738,823)	-	(1,138,273,303)	-	(1,138,273,303)
2,089,775	-	2,415,351	-	2,415,351
54,660,000	-	54,660,000	-	54,660,000
105,000,000	-	105,000,000	-	105,000,000
-	-	140,002,990	-	140,002,990
-	-	112,053	-	112,053
<u>118,775,651</u>	<u>(1,781,864)</u>	<u>(818,994,995)</u>	<u>1,081,043,092</u>	<u>262,048,097</u>
(40,514,992)	(15,007,124)	(82,017,943)	(7,515,018)	(89,532,961)
125,131,093	222,840,122	792,219,323	6,539,923	798,759,246
<u>\$ 84,616,101</u>	<u>\$ 207,832,998</u>	<u>\$ 710,201,380</u>	<u>\$ (975,095)</u>	<u>\$ 709,226,285</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL, SPECIAL REVENUE, DEBT SERVICE, AND CAPITAL PROJECTS FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
**Exhibit A-4**

	General Fund			Special Revenue Funds		
	Total Budget	Actual	Variance Favorable (Unfavorable)	Total Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 1,510,214,570	\$ 1,585,322,023	\$ 75,107,453	\$ 151,980,640	\$ 153,814,180	\$ 1,833,540
Licenses and permits	4,403,060	4,631,314	228,254	999,020	1,318,959	319,939
Intergovernmental	103,874,800	102,932,299	(942,501)	176,063,535	69,497,721	(106,565,814)
Charges for services	8,401,606	8,961,699	560,093	28,593,000	27,692,830	(900,170)
Fines and forfeitures	4,855,860	6,195,417	1,339,557	56,150	592,723	536,573
Investment income	22,010,000	16,998,296	(5,011,704)	8,524,964	9,609,483	1,084,519
Miscellaneous	9,195,480	9,596,381	400,901	444,595	2,472,970	2,028,375
<b>Total Revenues</b>	<b>1,662,955,376</b>	<b>1,734,637,429</b>	<b>71,682,053</b>	<b>366,661,904</b>	<b>264,998,866</b>	<b>(101,663,038)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	157,187,829	153,528,937	3,658,892	17,206,180	12,581,807	4,624,373
Public safety	172,587,897	172,137,027	450,870	125,146,412	116,936,664	8,209,748
Public works and transportation	36,733,725	36,326,517	407,208	136,166,667	69,430,445	66,736,222
Health and human services	147,895,852	145,121,009	2,774,843	47,850,339	39,395,535	8,454,804
Culture and recreation	38,882,927	37,985,645	897,282	30,170,512	29,916,370	254,142
Community development and housing	4,318,886	4,256,355	62,531	21,005,507	12,345,118	8,660,389
Environment	4,740,180	4,502,897	237,283	112,343	18,606	93,737
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	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>562,347,296</b>	<b>553,858,387</b>	<b>8,488,909</b>	<b>377,657,960</b>	<b>280,624,545</b>	<b>97,033,415</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>1,100,608,080</b>	<b>1,180,779,042</b>	<b>80,170,962</b>	<b>(10,996,056)</b>	<b>(15,625,679)</b>	<b>(4,629,623)</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	30,508,360	29,963,663	(544,697)	20,399,355	28,898,711	8,499,356
Operating transfers (out)	(278,678,628)	(227,032,506)	51,646,122	(42,311,144)	(31,252,250)	11,058,894
Operating transfers in - component units	-	644,650	644,650	-	-	-
Operating transfers (out) - component units	(1,058,363,024)	(1,035,534,480)	22,828,544	-	-	-
Mortgage/loan disbursement/repayment	-	-	-	(274,482)	672,483	946,965
Sale of land	-	-	-	-	325,576	325,576
Proceeds of certificates of participation	-	-	-	-	-	-
Proceeds of bond anticipation notes	-	-	-	-	-	-
Proceeds of revenue bonds	-	-	-	-	-	-
Proceeds of general obligation bonds	-	-	-	-	-	-
Premium on general obligation bonds	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,306,533,292)</b>	<b>(1,231,958,673)</b>	<b>74,574,619</b>	<b>(22,186,271)</b>	<b>(1,355,480)</b>	<b>20,830,791</b>
<b>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</b>	<b>(205,925,212)</b>	<b>(51,179,631)</b>	<b>154,745,581</b>	<b>(33,182,327)</b>	<b>(16,981,159)</b>	<b>16,201,168</b>
<b>Fund Balances - Beginning of Year</b>	<b>285,820,382</b>	<b>285,820,382</b>	<b>-</b>	<b>121,990,146</b>	<b>121,990,146</b>	<b>-</b>
<b>Fund Balances (Deficit) - End of Year</b>	<b>\$ 79,895,170</b>	<b>\$ 234,640,751</b>	<b>\$ 154,745,581</b>	<b>\$ 88,807,819</b>	<b>\$ 105,008,987</b>	<b>\$ 16,201,168</b>

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)
\$ -	\$ -	\$ -	\$ 18,805,824	\$ 3,095,595	\$ (15,710,229)	\$ 1,681,001,034	\$ 1,742,231,798	\$ 61,230,764
-	-	-	-	-	-	5,402,080	5,950,273	548,193
-	-	-	173,935,763	24,021,095	(149,914,668)	453,874,098	196,451,115	(257,422,983)
100,000	98,325	(1,675)	7,105,581	2,566,143	(4,539,438)	44,200,187	39,318,997	(4,881,190)
-	-	-	-	-	-	4,912,010	6,788,140	1,876,130
4,750,000	4,758,845	8,845	-	15,438	15,438	35,284,964	31,382,062	(3,902,902)
-	-	-	15,694,302	3,431,842	(12,262,460)	25,334,377	15,501,193	(9,833,184)
<u>4,850,000</u>	<u>4,857,170</u>	<u>7,170</u>	<u>215,541,470</u>	<u>33,130,113</u>	<u>(182,411,357)</u>	<u>2,250,008,750</u>	<u>2,037,623,578</u>	<u>(212,385,172)</u>
-	-	-	-	-	-	174,394,009	166,110,744	8,283,265
-	-	-	-	-	-	297,734,309	289,073,691	8,660,618
-	-	-	-	-	-	172,900,392	105,756,962	67,143,430
-	-	-	-	-	-	195,746,191	184,516,544	11,229,647
-	-	-	-	-	-	69,053,439	67,902,015	1,151,424
-	-	-	-	-	-	25,324,393	16,601,473	8,722,920
-	-	-	-	-	-	4,852,523	4,521,503	331,020
-	-	-	703,236,824	357,593,272	345,643,552	703,236,824	357,593,272	345,643,552
92,854,075	92,685,151	168,924	-	-	-	92,854,075	92,685,151	168,924
57,801,105	57,791,331	9,774	-	-	-	57,801,105	57,791,331	9,774
8,000,000	5,419,950	2,580,050	-	-	-	8,000,000	5,419,950	2,580,050
750,000	522,143	227,857	-	-	-	750,000	522,143	227,857
112,526	112,526	-	-	-	-	112,526	112,526	-
110,360	110,360	-	-	-	-	110,360	110,360	-
967,900	426,403	541,497	-	-	-	967,900	426,403	541,497
5,203,640	2,224,157	2,979,483	-	-	-	5,203,640	2,224,157	2,979,483
<u>165,799,606</u>	<u>159,292,021</u>	<u>6,507,585</u>	<u>703,236,824</u>	<u>357,593,272</u>	<u>345,643,552</u>	<u>1,809,041,686</u>	<u>1,351,368,225</u>	<u>457,673,461</u>
(160,949,606)	(154,434,851)	6,514,755	(487,695,354)	(324,463,159)	163,232,195	440,967,064	686,255,353	245,288,289
165,698,285	159,183,530	(6,514,755)	129,181,427	63,746,535	(65,434,892)	345,787,427	281,792,439	(63,994,988)
(4,751,669)	(4,751,669)	-	-	(529,739)	(529,739)	(325,741,441)	(263,566,164)	62,175,277
-	-	-	-	-	-	-	644,650	644,650
-	-	-	-	(1,424,834)	(1,424,834)	(1,058,363,024)	(1,036,959,314)	21,403,710
-	-	-	-	-	-	(274,482)	672,483	946,965
-	-	-	7,553,319	2,089,775	(5,463,544)	7,553,319	2,415,351	(5,137,968)
-	-	-	45,785,000	45,450,000	(335,000)	45,785,000	45,450,000	(335,000)
-	-	-	-	40,000,000	40,000,000	-	40,000,000	40,000,000
-	-	-	40,204,000	-	(40,204,000)	40,204,000	-	(40,204,000)
-	-	-	288,099,618	-	(288,099,618)	288,099,618	-	(288,099,618)
2,990	2,990	-	-	-	-	2,990	2,990	-
<u>160,949,606</u>	<u>154,434,851</u>	<u>(6,514,755)</u>	<u>510,823,364</u>	<u>149,331,737</u>	<u>(361,491,627)</u>	<u>(656,946,593)</u>	<u>(929,547,565)</u>	<u>(272,600,972)</u>
-	-	-	23,128,010	(175,131,422)	(198,259,432)	(215,979,529)	(243,292,212)	(27,312,683)
-	-	-	104,370,597	104,370,597	-	512,181,125	512,181,125	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,498,607</u>	<u>\$ (70,760,825)</u>	<u>\$ (198,259,432)</u>	<u>\$ 296,201,596</u>	<u>\$ 268,888,913</u>	<u>\$ (27,312,683)</u>

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, 2001  
**Exhibit A-5**

	Proprietary Fund Types		Fiduciary	Totals	Component	Totals
	Enterprise	Internal	Fund Type	(Memorandum Only)		(Memorandum Only)
		Service	Nonexpendable	Primary		Reporting
			Trust	Government	Units	Entity
<b>Operating Revenues:</b>						
Sales - net	\$ 140,675,770	\$ -	\$ -	\$ 140,675,770	\$ 23,544,339	\$ 164,220,109
Charges for services	108,186,874	108,745,037	-	216,931,911	142,954,270	359,886,181
Licenses and permits	17,307,653	-	-	17,307,653	-	17,307,653
Fines and penalties	4,581,798	-	-	4,581,798	-	4,581,798
Rentals, concessions, leases, subsidies, and commitment fees	-	-	-	-	57,542,792	57,542,792
Contributions	-	-	-	-	931,916	931,916
Investment income	-	-	812,569	812,569	-	812,569
Other	-	1,077,243	-	1,077,243	37,189	1,114,432
<b>Total Operating Revenues</b>	<b>270,752,095</b>	<b>109,822,280</b>	<b>812,569</b>	<b>381,386,944</b>	<b>225,010,506</b>	<b>606,397,450</b>
<b>Operating Expenses:</b>						
Cost of goods sold	101,533,777	-	-	101,533,777	11,693,407	113,227,184
Personnel costs	35,713,624	12,459,609	-	48,173,233	47,324,544	95,497,777
Benefits	-	-	-	-	3,592,357	3,592,357
Postage	-	1,463,764	-	1,463,764	224,829	1,688,593
Self-insurance incurred and estimated claims	-	61,512,146	-	61,512,146	89,096,249	150,608,395
Insurance	313,000	25,353,633	-	25,666,633	42,424,642	68,091,275
Supplies and materials	1,239,935	4,857,572	-	6,097,507	5,588,988	11,686,495
Contractual services	82,390,933	13,730,250	-	96,121,183	7,715,259	103,836,442
Communications	669,505	78,175	-	747,680	654,672	1,402,352
Transportation	1,048,520	59,749	-	1,108,269	460,856	1,569,125
Public utility services	1,803,474	534,191	-	2,337,665	4,302,805	6,640,470
Rentals	4,716,023	313,465	-	5,029,488	212,595	5,242,083
Maintenance	1,758,089	8,493,990	-	10,252,079	9,370,812	19,622,891
Return of contributions	-	1,609,950	-	1,609,950	-	1,609,950
Lease activities	-	-	-	-	3,848,163	3,848,163
Depreciation and amortization	10,105,841	5,059,527	-	15,165,368	16,249,807	31,415,175
Bad debt expense	853,640	-	-	853,640	-	853,640
Miscellaneous	2,274,395	690,803	-	2,965,198	10,414,139	13,379,337
<b>Total Operating Expenses</b>	<b>244,420,756</b>	<b>136,216,824</b>	<b>-</b>	<b>380,637,580</b>	<b>253,174,124</b>	<b>633,811,704</b>
<b>Operating Income (Loss)</b>	<b>26,331,339</b>	<b>(26,394,544)</b>	<b>812,569</b>	<b>749,364</b>	<b>(28,163,618)</b>	<b>(27,414,254)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Property taxes	6,928,051	-	-	6,928,051	-	6,928,051
Intergovernmental	5,131,271	579,652	-	5,710,923	57,304,048	63,014,971
Gain (loss) on sale of fixed assets	129,611	217,635	-	347,246	-	347,246
Investment income	9,707,570	6,313,364	-	16,020,934	41,054,149	57,075,083
Investment expense	(4,302,283)	(45,000)	-	(4,347,283)	(43,880,614)	(48,227,897)
Housing assistance payments	-	-	-	-	(30,296,465)	(30,296,465)
Other revenue	3,000	54,120	-	57,120	457,489	514,609
<b>Total Nonoperating Revenues (Expenses)</b>	<b>17,597,220</b>	<b>7,119,771</b>	<b>-</b>	<b>24,716,991</b>	<b>24,638,607</b>	<b>49,355,598</b>
<b>Income (Loss) before Operating Transfers</b>	<b>43,928,559</b>	<b>(19,274,773)</b>	<b>812,569</b>	<b>25,466,355</b>	<b>(3,525,011)</b>	<b>21,941,344</b>
<b>Operating Transfers In (Out):</b>						
Operating transfers in	4,326,035	2,138,419	-	6,464,454	-	6,464,454
Operating transfers in - primary government	-	-	-	-	5,197,024	5,197,024
Operating transfers (out)	(22,907,718)	-	-	(22,907,718)	(378,928)	(23,286,646)
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>(18,581,683)</b>	<b>2,138,419</b>	<b>(601,194)</b>	<b>(17,044,458)</b>	<b>4,714,346</b>	<b>(12,330,112)</b>
<b>Net Income (Loss)/ Change in Fund Equity</b>	<b>25,346,876</b>	<b>(17,136,354)</b>	<b>211,375</b>	<b>8,421,897</b>	<b>1,189,335</b>	<b>9,611,232</b>
Fund Equity - Beginning of Year, as restated	184,227,353	63,601,521	7,133,675	254,962,549	218,906,343	473,868,892
Fund Equity - End of Year	\$ 209,574,229	\$ 46,465,167	\$ 7,345,050	\$ 263,384,446	\$ 220,095,678	\$ 483,480,124

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, 2001  
**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	\$ 17,709,029	\$ 5,835,310	\$ -	\$ -	\$ 23,544,339
Charges for services	134,569,283	-	6,167,901	2,217,086	142,954,270
Rentals, concessions, leases, subsidies, and commitment fees	-	5,670,400	51,872,392	-	57,542,792
Contributions	893,046	-	-	38,870	931,916
Other	-	-	-	37,189	37,189
Total Operating Revenues	<u>153,171,358</u>	<u>11,505,710</u>	<u>58,040,293</u>	<u>2,293,145</u>	<u>225,010,506</u>
<b>Operating Expenses:</b>					
Cost of goods sold	10,887,972	805,435	-	-	11,693,407
Personnel costs	22,261,122	3,098,735	20,946,896	1,017,791	47,324,544
Benefits	-	-	3,592,357	-	3,592,357
Postage	-	-	157,455	67,374	224,829
Self-insurance incurred and estimated claims	89,096,249	-	-	-	89,096,249
Insurance	41,070,030	65,341	1,278,585	10,686	42,424,642
Supplies and materials	2,696,409	495,188	1,852,606	544,785	5,588,988
Contractual services	2,716,004	213,453	4,475,042	310,760	7,715,259
Communications	-	64,608	561,552	28,512	654,672
Transportation	93,301	743	366,812	-	460,856
Public utility services	-	359,810	3,934,661	8,334	4,302,805
Rentals	-	51,517	71,537	89,541	212,595
Maintenance	-	433,782	8,744,322	192,708	9,370,812
Lease activities	606,926	1,555,240	1,685,997	-	3,848,163
Depreciation and amortization	1,343,950	2,749,442	12,074,068	82,347	16,249,807
Miscellaneous	789,686	591,911	9,032,542	-	10,414,139
Total Operating Expenses	<u>171,561,649</u>	<u>10,485,205</u>	<u>68,774,432</u>	<u>2,352,838</u>	<u>253,174,124</u>
Operating Income (Loss)	<u>(18,390,291)</u>	<u>1,020,505</u>	<u>(10,734,139)</u>	<u>(59,693)</u>	<u>(28,163,618)</u>
<b>Nonoperating Revenues (Expenses):</b>					
Intergovernmental	12,562,668	533,665	44,207,715	-	57,304,048
Interest income	1,041,752	341,690	39,670,707	-	41,054,149
Interest expense	(57,274)	(969,922)	(42,853,418)	-	(43,880,614)
Housing assistance payments	-	-	(30,296,465)	-	(30,296,465)
Other revenue (expense)	467,369	(9,880)	-	-	457,489
Total Nonoperating Revenues (Expenses)	<u>14,014,515</u>	<u>(104,447)</u>	<u>10,728,539</u>	<u>-</u>	<u>24,638,607</u>
Income (Loss) Before Operating Transfers	<u>(4,375,776)</u>	<u>916,058</u>	<u>(5,600)</u>	<u>(59,693)</u>	<u>(3,525,011)</u>
<b>Operating Transfers In (Out):</b>					
Operating transfers in - primary government	300,000	-	4,897,024	-	5,197,024
Operating transfers (out)	(378,928)	-	-	-	(378,928)
Operating transfers (out) - primary government	-	-	(103,750)	-	(103,750)
Total Operating Transfers In (Out)	<u>(78,928)</u>	<u>-</u>	<u>4,793,274</u>	<u>-</u>	<u>4,714,346</u>
Net Income (Loss)/Change in Fund Equity	<u>(4,454,704)</u>	<u>916,058</u>	<u>4,787,674</u>	<u>(59,693)</u>	<u>1,189,335</u>
Fund Equity - Beginning of Year, as restated	<u>47,072,807</u>	<u>20,629,139</u>	<u>150,675,420</u>	<u>528,977</u>	<u>218,906,343</u>
Fund Equity - End of Year	<u>\$ 42,618,103</u>	<u>\$ 21,545,197</u>	<u>\$ 155,463,094</u>	<u>\$ 469,284</u>	<u>\$ 220,095,678</u>

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

MONTGOMERY COUNTY, MARYLAND  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS, AND  
 DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
**Exhibit A-7**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>
Cash Flows from Operating Activities:			
Operating income (loss)	\$ 26,331,339	\$ (26,394,544)	\$ 812,569
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	10,105,841	5,059,527	-
Other revenue	3,000	54,120	-
Bond discount, interest amortization	-	-	-
Accretion of capital appreciation bonds	-	-	-
Net adjustment for interest and lease payments included in financing and lease activities	-	-	-
USDA commodities	-	-	-
Gain (loss) on disposal of fixed assets	-	-	-
Landfill closure costs	(390,541)	-	-
Interest on delinquent accounts	35,259	-	-
Investment (income) loss	-	-	(812,569)
Payments received on operating leases	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in investments	-	-	36,066
(Increase) decrease in accounts receivable	(5,329)	32,207	-
(Increase) decrease in mortgages and notes receivable	-	-	-
(Increase) decrease in parking violations receivable	(18,590)	-	-
(Increase) decrease in due from other funds	-	(126,695)	-
(Increase) decrease in due from component units	6,586	(40,576)	-
(Increase) decrease in due from other governments	(1,778,146)	244,868	-
(Increase) decrease in inventory of supplies	(58,177)	(188,053)	-
(Increase) decrease in prepaids	(20,357)	(175,026)	-
(Increase) decrease in deposits	(13,174)	-	-
(Increase) decrease in other assets	32,277	-	-
Increase (decrease) in accounts/vouchers payable	722,832	(804,406)	-
Increase (decrease) in interest payable	-	-	-
Increase (decrease) in retainage payable	267,314	-	-
Increase (decrease) in accrued liabilities	425,545	(20,972)	-
Increase (decrease) in claims payable	-	4,525,392	-
Increase (decrease) in due to other funds	(1,007,044)	(615)	-
Increase (decrease) in due to primary government	-	-	-
Increase (decrease) in due to component units	48,932	3,292	(1,164)
Increase (decrease) in due to other governments	(2,444,349)	3,741	-
Increase (decrease) in deferred revenue	99,797	(6,205)	(8,595)
Increase (decrease) in escrow deposits and reserves	-	-	-
	<u>32,343,015</u>	<u>(17,833,945)</u>	<u>26,307</u>
Net Cash Provided (Used) by Operating Activities			

(Continued)

<u>Totals</u> <u>(Memorandum Only)</u>	<u>Component</u> <u>Units</u>	<u>Totals</u> <u>(Memorandum Only)</u>
<u>Primary</u> <u>Government</u>		<u>Reporting</u> <u>Entity</u>
\$ 749,364	\$ (28,163,618)	\$ (27,414,254)
15,165,368	14,165,207	29,330,575
-	319,964	319,964
-	1,764,636	1,764,636
-	(1,846,296)	(1,846,296)
-	1,169,706	1,169,706
-	32,263	32,263
(390,541)	-	(390,541)
35,259	-	35,259
(812,569)	-	(812,569)
-	3,007,225	3,007,225
36,066	-	36,066
26,878	(763,328)	(736,450)
-	(13,046,108)	(13,046,108)
(18,590)	-	(18,590)
(126,695)	(1,703,099)	(1,829,794)
(33,990)	-	(33,990)
(1,533,278)	-	(1,533,278)
(246,230)	140,332	(105,898)
(195,383)	675,061	479,678
(13,174)	-	(13,174)
32,277	552	32,829
(81,574)	(5,008,912)	(5,090,486)
-	(57,431)	(57,431)
267,314	-	267,314
404,573	370,901	775,474
4,525,392	1,113,378	5,638,770
(1,007,659)	1,095,468	87,809
-	(161,201)	(161,201)
51,060	-	51,060
(2,440,608)	-	(2,440,608)
84,997	2,104,794	2,189,791
-	(413,447)	(413,447)
<u>14,478,257</u>	<u>(25,203,953)</u>	<u>(10,725,696)</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, 2001  
**Exhibit A-7**

	Proprietary Fund Types		Fiduciary
	Enterprise	Internal Service	Fund Type Nonexpendable Trust
<b>Cash Flows from Noncapital Financing Activities:</b>			
Property tax collections	\$ 6,880,001	\$ -	\$ -
Intergovernmental revenue	5,131,271	579,652	-
Interest paid	-	(45,000)	-
Other revenue	-	-	-
Proceeds from sale of bonds	-	-	-
Retirement of bonds	-	-	-
Bond issue costs net of early redemption reduction	-	-	-
Operating transfers in	4,326,035	-	-
Operating transfers in - primary government	-	-	-
Operating transfers (out)	(22,907,718)	-	-
Operating transfers (out) - component units	-	-	(601,194)
Operating transfers (out) - primary government	-	-	-
Housing assistance payments	-	-	-
Net Cash Flows from Noncapital Financing Activities	<u>(6,570,411)</u>	<u>534,652</u>	<u>(601,194)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from capital financing/reimbursements	-	-	-
Contributed capital received	-	-	-
Proceeds from sale of fixed assets	181,531	217,635	-
Acquisition of fixed assets	(12,471,426)	(3,605,196)	-
Operating transfers in	-	2,138,419	-
Proceeds from notes receivable	-	(185,000)	-
Repayment of notes receivable	-	72,461	-
Interest received on notes receivable	-	2,535	-
Principal paid on general obligation bonds	(439,849)	-	-
Principal paid on revenue bonds	(5,335,000)	-	-
Principal paid on mortgages	-	-	-
Principal paid on equipment and other notes	(772,400)	-	-
Payments of landfill closure costs	(3,189,000)	-	-
Interest paid on bonds, leases, and equipment notes	(4,417,624)	-	-
Net Cash Flows from Capital and Related Financing Activities	<u>(26,443,768)</u>	<u>(1,359,146)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from sale of investments	-	291,989	-
Purchase of investments	-	-	-
Interest income from pooled investments	9,431,419	6,249,935	-
Interest income from nonpooled investments	349,688	64,822	611,097
Net Cash Flows from Investing Activities	<u>9,781,107</u>	<u>6,606,746</u>	<u>611,097</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>9,109,943</u>	<u>(12,051,693)</u>	<u>36,210</u>
Cash and Cash Equivalents - Beginning of Year	<u>125,089,637</u>	<u>94,708,855</u>	<u>412,844</u>
Cash and Cash Equivalents - End of Year	<u>\$ 134,199,580</u>	<u>\$ 82,657,162</u>	<u>\$ 449,054</u>

**Noncash investing, capital, and financing activities:**

The Permitting Services Enterprise Fund used debt financing to acquire \$120,995 in equipment during the year. In the Liability and Property Coverage Self-Insurance Internal Service Fund, the fair value of investments that are not cash and cash equivalents decreased by \$3,928 during the year. In the Central Duplicating Fund, fully depreciated assets of \$13,900 were transferred to MCPS 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 \$201,472 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>		
\$	6,880,001	\$	-	\$	6,880,001
	5,710,923		54,563,979		60,274,902
	(45,000)		-		(45,000)
	-		-		-
	-		48,702,888		48,702,888
	-		(61,284,164)		(61,284,164)
	-		(4,559)		(4,559)
	4,326,035		-		4,326,035
	-		5,197,024		5,197,024
	(22,907,718)		(378,928)		(23,286,646)
	(601,194)		-		(601,194)
	-		(103,750)		(103,750)
	-		(30,296,465)		(30,296,465)
	<u>(6,636,953)</u>		<u>16,396,025</u>		<u>9,759,072</u>
	-		28,795,531		28,795,531
	-		2,427,526		2,427,526
	399,166		607,914		1,007,080
	(16,076,622)		(23,998,229)		(40,074,851)
	2,138,419		-		2,138,419
	(185,000)		-		(185,000)
	72,461		-		72,461
	2,535		-		2,535
	(439,849)		-		(439,849)
	(5,335,000)		(1,915,011)		(7,250,011)
	-		(10,203,559)		(10,203,559)
	(772,400)		(5,868,055)		(6,640,455)
	(3,189,000)		-		(3,189,000)
	(4,417,624)		(44,713,934)		(49,131,558)
	<u>(27,802,914)</u>		<u>(54,867,817)</u>		<u>(82,670,731)</u>
	291,989		274,833,259		275,125,248
	-		(247,129,588)		(247,129,588)
	15,681,354		37,852,339		53,533,693
	<u>1,025,607</u>		<u>4,231,818</u>		<u>5,257,425</u>
	<u>16,998,950</u>		<u>69,787,828</u>		<u>86,786,778</u>
	(2,962,660)		6,112,083		3,149,423
	<u>220,211,336</u>		<u>230,683,412</u>		<u>450,894,748</u>
\$	<u>217,248,676</u>	\$	<u>236,795,495</u>	\$	<u>454,044,171</u>

MONTGOMERY COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 DISCRETELY PRESENTED COMPONENT UNITS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
**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)	\$ (18,390,291)	\$ 1,020,505	\$ (10,734,139)	\$ (59,693)	\$ (28,163,618)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,343,950	2,749,442	9,989,468	82,347	14,165,207
Bond discount, interest amortization	-	-	319,964	-	319,964
Accretion of capital appreciation bonds	-	-	1,764,636	-	1,764,636
Net adjustment for interest and lease payments included in financing and lease activities	-	(1,846,296)	-	-	(1,846,296)
USDA commodities	1,169,706	-	-	-	1,169,706
(Gain) loss on disposal of fixed assets	22,623	9,640	-	-	32,263
Payments received on operating leases	-	3,007,225	-	-	3,007,225
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(517,808)	(141,820)	(35,448)	(68,252)	(763,328)
(Increase) decrease in mortgages and notes receivable	-	-	(13,046,108)	-	(13,046,108)
(Increase) decrease in due from other funds	(1,703,099)	-	-	-	(1,703,099)
(Increase) decrease in inventory of supplies	136,930	3,402	-	-	140,332
(Increase) decrease in prepaids	(222,888)	16,284	897,364	(15,699)	675,061
(Increase) decrease in other assets	-	-	-	552	552
Increase (decrease) in accounts/vouchers payable	(755,650)	(835,770)	(3,413,598)	(3,894)	(5,008,912)
Increase (decrease) in interest payable	(57,274)	-	-	(157)	(57,431)
Increase (decrease) in accrued liabilities	371,442	(24,921)	-	24,380	370,901
Increase (decrease) in claims payable	1,113,378	-	-	-	1,113,378
Increase (decrease) in due to other funds	1,095,468	-	-	-	1,095,468
Increase (decrease) in due to primary government	(161,201)	-	-	-	(161,201)
Increase (decrease) in deferred revenue	108,043	-	2,017,172	(20,421)	2,104,794
Increase (decrease) in escrow deposits and reserves	-	-	(413,447)	-	(413,447)
Net Cash Provided (Used) by Operating Activities	<u>(16,446,671)</u>	<u>3,957,691</u>	<u>(12,654,136)</u>	<u>(60,837)</u>	<u>(25,203,953)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Intergovernmental revenue	11,228,641	533,665	42,801,673	-	54,563,979
Proceeds from sale of bonds	-	1,872,017	46,830,871	-	48,702,888
Retirement of bonds	-	-	(61,284,164)	-	(61,284,164)
Bond issue costs net of early redemption reduction	-	(4,559)	-	-	(4,559)
Operating transfers in - primary government	300,000	-	4,897,024	-	5,197,024
Operating transfers (out)	(378,928)	-	-	-	(378,928)
Operating transfers (out) - primary government	-	-	(103,750)	-	(103,750)
Housing assistance payments	-	-	(30,296,465)	-	(30,296,465)
Net Cash Flows from Noncapital Financing Activities	<u>11,149,713</u>	<u>2,401,123</u>	<u>2,845,189</u>	<u>-</u>	<u>16,396,025</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from capital financing	-	-	28,795,531	-	28,795,531
Contributed capital received	-	-	2,427,526	-	2,427,526
Proceeds from sale of fixed assets	-	-	607,914	-	607,914
Acquisition of fixed assets	(77,536)	(3,251,801)	(20,501,873)	(167,019)	(23,998,229)
Principal paid on notes payable	-	-	(4,108,094)	-	(4,108,094)
Principal paid on revenue bonds	-	(1,915,011)	-	-	(1,915,011)
Principal paid on mortgages	-	(60,859)	(10,142,700)	-	(10,203,559)
Principal paid on equipment notes and capital leases	(377,351)	(190,177)	(1,192,433)	-	(1,759,961)
Interest paid on bonds, leases, and equipment notes	(66,890)	(2,474,284)	(42,172,760)	-	(44,713,934)
Net Cash Flows from Capital and Related Financing Activities	<u>(521,777)</u>	<u>(7,892,132)</u>	<u>(46,286,889)</u>	<u>(167,019)</u>	<u>(54,867,817)</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, 2001  
**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	\$ -	\$ -	\$ 274,833,259	\$ -	\$ 274,833,259
Net (purchase) disposition of investments	2,745,896	-	(249,875,484)	-	(247,129,588)
Interest income from pooled investments	-	-	37,852,339	-	37,852,339
Interest income from nonpooled investments	3,737,130	494,688	-	-	4,231,818
Net Cash Flows from Investing Activities	<u>6,483,026</u>	<u>494,688</u>	<u>62,810,114</u>	<u>-</u>	<u>69,787,828</u>
Net Increase (Decrease) in Cash and Cash Equivalents	664,291	(1,038,630)	6,714,278	(227,856)	6,112,083
Cash and Cash Equivalents - Beginning of Year, as restated	<u>31,872,451</u>	<u>8,492,017</u>	<u>189,938,606</u>	<u>380,338</u>	<u>230,683,412</u>
Cash and Cash Equivalents - End of Year	<u>\$ 32,536,742</u>	<u>\$ 7,453,387</u>	<u>\$ 196,652,884</u>	<u>\$ 152,482</u>	<u>\$ 236,795,495</u>

Noncash investing, capital, and financing activities:

MCRA incurred \$180,415 in capital lease obligations for the purchase of property and equipment.  
 Capital grants were used to purchase furniture and equipment of \$ 467,369 for the MCPS Enterprise (Food Services) Fund during FY01, which was recorded by Food Services as nonoperating revenue. The Food Services Fund received USDA commodities valued at \$1,393,384 of which \$1,169,706 was used and expensed, and \$223,678 remained in inventory at year-end. The Food Services Fund increased capital lease financing by \$202,500, with the proceeds held in escrow at year-end. The MCPS Employee Benefit Plan recognized net depreciation in the fair value of investments of \$4,459,806.

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	\$ 32,536,742	\$ 7,453,387	\$ 196,652,884	\$ 152,482	\$ 236,795,495
Reconciling item - Cash and cash equivalents for governmental fund types not presented on "Statement of Cash Flows."	<u>6,462,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,462,505</u>
Cash and cash equivalents on "Combining Balance Sheet - Discretely Presented Component Units"	<u>\$ 38,999,247</u>	<u>\$ 7,453,387</u>	<u>\$ 196,652,884</u>	<u>\$ 152,482</u>	<u>\$ 243,258,000</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, 2001  
**Exhibit A-9**

	<u>Current Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
Revenues:		
Educational and General:		
Student tuition and fees	\$ 43,610,273	\$ -
Federal, State, and private gifts, grants, and contributions	-	12,896,192
Governmental appropriations	23,042,803	2,286,523
Investment income	1,874,397	-
Other	563,998	-
Expended for plant facilities	-	-
Sales and services of auxiliary enterprises	8,153,870	-
State appropriations	5,024,914	-
Total Revenues	<u>82,270,255</u>	<u>15,182,715</u>
Expenditures:		
Educational and general	120,914,818	15,531,048
Auxiliary enterprises	8,047,233	-
State appropriations	5,024,914	-
Loan cancellations and collection costs	-	-
Disposal of plant facilities	-	-
Depreciation of plant assets	-	-
Capitalized plant expenditures	-	-
Noncapitalized plant expenditures	-	-
Total Expenditures	<u>133,986,965</u>	<u>15,531,048</u>
Excess of Revenues over (under) Expenditures	<u>(51,716,710)</u>	<u>(348,333)</u>
Other Financing Sources (Uses):		
Transfers In (Out):		
Primary government	54,264,924	-
Mandatory transfers	(348,333)	348,333
Non-mandatory transfers	(705,809)	-
Total Other Financing Sources (Uses)	<u>53,210,782</u>	<u>348,333</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	1,494,072	-
Fund Balances - Beginning of Year	<u>17,420,184</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 18,914,256</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	
\$ -	\$ -	\$ -	\$ 448,961	\$ -	\$ 44,059,234
-	-	-	-	-	12,896,192
-	-	2,724,246	-	-	28,053,572
28,365	37,825	-	181,552	-	2,122,139
6,334	-	-	-	-	570,332
-	-	-	-	25,360,042	25,360,042
-	-	-	-	-	8,153,870
-	-	-	-	-	5,024,914
<u>34,699</u>	<u>37,825</u>	<u>2,724,246</u>	<u>630,513</u>	<u>25,360,042</u>	<u>126,240,295</u>
-	-	-	-	-	136,445,866
-	-	-	-	-	8,047,233
-	-	-	-	-	5,024,914
67,623	-	-	-	-	67,623
-	-	-	-	7,571,546	7,571,546
-	-	-	-	6,364,099	6,364,099
-	-	14,718,525	-	-	14,718,525
-	-	1,082,630	-	-	1,082,630
<u>67,623</u>	<u>-</u>	<u>15,801,155</u>	<u>-</u>	<u>13,935,645</u>	<u>179,322,436</u>
<u>(32,924)</u>	<u>37,825</u>	<u>(13,076,909)</u>	<u>630,513</u>	<u>11,424,397</u>	<u>(53,082,141)</u>
-	-	14,494,620	-	-	68,759,544
-	-	-	-	-	-
-	-	3,696,787	(2,990,978)	-	-
-	-	18,191,407	(2,990,978)	-	68,759,544
(32,924)	37,825	5,114,498	(2,360,465)	11,424,397	15,677,403
<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>
<u>\$ 1,956,889</u>	<u>\$ 659,231</u>	<u>\$ 20,820,828</u>	<u>\$ 1,328,480</u>	<u>\$ 121,988,413</u>	<u>\$ 165,668,097</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, 2001

**Exhibit A-10**

	Unrestricted	Restricted	Totals
Revenues:			
Educational and General:			
Student tuition and fees	\$ 43,610,273	\$ -	\$ 43,610,273
Federal, State, and private gifts, grants, and contributions	-	12,896,192	12,896,192
Governmental appropriations	23,042,803	2,286,523	25,329,326
Investment income	1,874,397	-	1,874,397
Other	563,998	-	563,998
Sales and services of auxiliary enterprises	8,153,870	-	8,153,870
State appropriations	5,024,914	-	5,024,914
	<u>82,270,255</u>	<u>15,182,715</u>	<u>97,452,970</u>
Total Revenues			
Expenditures:			
Educational and General:			
Instruction	52,489,262	2,910,216	55,399,478
Academic support	14,041,394	99,849	14,141,243
Student services	14,796,885	1,126,164	15,923,049
Operation and maintenance of physical plant	14,567,010	3,275,000	17,842,010
Institutional support	23,023,571	20,247	23,043,818
Scholarships and fellowships	1,996,696	8,099,572	10,096,268
Auxiliary enterprises	8,047,233	-	8,047,233
State appropriations	5,024,914	-	5,024,914
	<u>133,986,965</u>	<u>15,531,048</u>	<u>149,518,013</u>
Total Expenditures			
Transfers In (Out):			
Primary government	54,264,924	-	54,264,924
Mandatory transfers	(348,333)	348,333	-
Non-mandatory transfers	(705,809)	-	(705,809)
	<u>53,210,782</u>	<u>348,333</u>	<u>53,559,115</u>
Total Transfers In (Out)			
Net Increase in Fund Balance	<u>\$ 1,494,072</u>	<u>\$ -</u>	<u>\$ 1,494,072</u>

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, 2001  
**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	\$ 1,253,886	\$ 1,893,714	\$ 3,147,600	\$ -	\$ 3,147,600
Investments	1,876,460,900	21,727,653	1,898,188,553	673,419,522	2,571,608,075
Receivables:					
Accounts	3,056	1,278	4,334	-	4,334
Other	-	118,963	118,963	-	118,963
Due from other funds	2,017,432	279,443	2,296,875	-	2,296,875
Due from component units	33,910	32,073	65,983	-	65,983
Due from other governments	29,935	2,771	32,706	-	32,706
Prepays	1,174	-	1,174	-	1,174
Total Current Assets	<u>1,879,800,293</u>	<u>24,055,895</u>	<u>1,903,856,188</u>	<u>673,419,522</u>	<u>2,577,275,710</u>
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>1,879,800,293</u>	<u>24,055,895</u>	<u>1,903,856,188</u>	<u>673,419,522</u>	<u>2,577,275,710</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts/vouchers payable:					
Refunds	242,817	-	242,817	-	242,817
Other	<u>41,531,305</u>	<u>146,270</u>	<u>41,677,575</u>	<u>-</u>	<u>41,677,575</u>
Total accounts/vouchers payable	<u>41,774,122</u>	<u>146,270</u>	<u>41,920,392</u>	<u>-</u>	<u>41,920,392</u>
Accrued liabilities	145,018	491	145,509	-	145,509
Due to other funds	102	74	176	180,964	181,140
Deferred revenue	<u>199,651</u>	<u>-</u>	<u>199,651</u>	<u>-</u>	<u>199,651</u>
Total Liabilities	<u>42,118,893</u>	<u>146,835</u>	<u>42,265,728</u>	<u>180,964</u>	<u>42,446,692</u>
Net Assets Held in Trust for Pension Benefits (A schedule of funding progress is presented in Note 16.)	<u>\$ 1,837,681,400</u>	<u>\$ 23,909,060</u>	<u>\$ 1,861,590,460</u>	<u>\$ 673,238,558</u>	<u>\$ 2,534,829,018</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, 2001  
**Exhibit A-12**

	<b>Employees' Retirement System</b>	<b>Employees' Retirement Savings Plan</b>
Additions:		
Contributions:		
Employers	\$ 43,345,296	\$ 4,866,825
Members	11,291,541	2,582,452
Share purchases	-	-
Total Contributions	<u>54,636,837</u>	<u>7,449,277</u>
Investment income (loss)	(68,674,804)	(2,528,166)
Less: investment expenses	<u>12,699,974</u>	<u>250,872</u>
Net Investment Income (Loss)	<u>(81,374,778)</u>	<u>(2,779,038)</u>
Other income - forfeitures	-	<u>418,610</u>
Total Additions, net	<u>(26,737,941)</u>	<u>5,088,849</u>
Deductions:		
Benefits:		
Annuities:		
Retirees	58,415,300	-
Survivors	3,785,049	-
Disability	<u>16,234,205</u>	-
Total Benefits	78,434,554	-
Share redemptions	-	-
Member refunds	1,066,708	1,516,958
Administrative expenses	<u>1,688,780</u>	<u>49,306</u>
Total Deductions	<u>81,190,042</u>	<u>1,566,264</u>
Net Increase (Decrease)	(107,927,983)	3,522,585
Net Assets Held in Trust - Beginning of Year, as restated	<u>1,945,609,383</u>	<u>20,386,475</u>
Net Assets Held in Trust - End of Year	<u>\$ 1,837,681,400</u>	<u>\$ 23,909,060</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>
\$ -	\$ 48,212,121	\$ 16,511,474	\$ 64,723,595
-	13,873,993	3,816,195	17,690,188
16,269,156	16,269,156	-	16,269,156
<u>16,269,156</u>	<u>78,355,270</u>	<u>20,327,669</u>	<u>98,682,939</u>
1,392,436	(69,810,534)	(63,476,754)	(133,287,288)
-	12,950,846	3,328,800	16,279,646
<u>1,392,436</u>	<u>(82,761,380)</u>	<u>(66,805,554)</u>	<u>(149,566,934)</u>
-	418,610	-	418,610
<u>17,661,592</u>	<u>(3,987,500)</u>	<u>(46,477,885)</u>	<u>(50,465,385)</u>
-	58,415,300	28,896,583	87,311,883
-	3,785,049	380,385	4,165,434
<u>-</u>	<u>16,234,205</u>	<u>1,381,296</u>	<u>17,615,501</u>
-	78,434,554	30,658,264	109,092,818
12,020,000	12,020,000	-	12,020,000
-	2,583,666	34,298	2,617,964
<u>-</u>	<u>1,738,086</u>	<u>464,291</u>	<u>2,202,377</u>
<u>12,020,000</u>	<u>94,776,306</u>	<u>31,156,853</u>	<u>125,933,159</u>
5,641,592	(98,763,806)	(77,634,738)	(176,398,544)
<u>19,523,179</u>	<u>1,985,519,037</u>	<u>750,873,296</u>	<u>2,736,392,333</u>
<u>\$ 25,164,771</u>	<u>\$ 1,886,755,231</u>	<u>\$ 673,238,558</u>	<u>\$ 2,559,993,789</u>

MONTGOMERY COUNTY, MARYLAND

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2001

NOTE 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NOTE 2	LEGAL COMPLIANCE
NOTE 3	CASH AND INVESTMENTS
NOTE 4	RECEIVABLES
NOTE 5	INTERFUND RECEIVABLES AND PAYABLES
NOTE 6	DUE FROM/TO COMPONENT UNITS
NOTE 7	FIXED ASSETS
NOTE 8	LONG-TERM DEBT
NOTE 9	LEASES
NOTE 10	SEGMENTS OF ENTERPRISE ACTIVITIES
NOTE 11	FUND EQUITY
NOTE 12	SIGNIFICANT COMMITMENTS AND CONTINGENCIES
NOTE 13	SUBSEQUENT EVENTS
NOTE 14	JOINT VENTURES
NOTE 15	EMPLOYEE BENEFITS
NOTE 16	PENSION PLAN OBLIGATIONS *
NOTE 17	NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

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

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County conform to generally accepted accounting principles (GAAP) applicable to local government entities. The following is a summary of 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 Montgomery County Public Schools (MCPS), Montgomery Community College (MCC), Montgomery County Revenue Authority (MCRA), Housing Opportunities Commission of Montgomery County (HOC), and Bethesda Urban Partnership, Inc. (BUPI), all are included in the Montgomery County, Maryland, reporting entity 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 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 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 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 the 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 certificates of participation, 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 and has adopted the "AICPA College Guide Model." MCRA, HOC, and BUPI account for their fiscal operations on a proprietary basis of accounting.

**C) Measurement Focus and 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 income taxes (distributed by the State), property taxes, and intergovernmental revenues other than grants, the County defines "available" to mean received within 30 days after year-end.

In the State of Maryland, the State has assumed the responsibility for the collection of all income taxes and for distributing those collections to the respective counties. The counties set their individual tax rates within limits provided by State law. However, collections and pursuit of delinquent taxes are the responsibility of the State. Beginning in FY01, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the County records estimated receivables relating to income taxes when the underlying income is earned. Amounts not received within 30 days are reported as deferred revenue. At year-end, deferred revenue relating to income taxes primarily includes the final fiscal year quarterly distribution (which is normally received in August or September after the fiscal year-end), and amounts related to late filers, delinquent returns and audits, and unallocated withholding, not received within the County's availability period. Most deferred revenue is expected to be received from the State within the next fiscal year; however, collections related to delinquent returns and audits and unallocated withholding may not occur and be remitted to the County for several years.

In applying the susceptible to accrual concept to operating and capital grants, classified with intergovernmental revenues in the accompanying financial statements, pursuant to GASB 33, the County recognizes receivables and revenues when the applicable eligibility requirements including time requirements are met. The County recognizes operating and capital grant revenues after eligibility requirements are met based on receipts that are estimated to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as deferred revenue by the County.

Licenses and permits, 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 basis versus a modified accrual basis are immaterial. Investment earnings are recorded as earned since they are measurable and available. The 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. The 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 (additions for the pension trust) are recorded when earned, and expenses (deductions for the pension trust) are recorded at the time liabilities are incurred.

GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, 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 for budgetary purposes in the governmental and proprietary funds. In the governmental funds for GAAP purposes, outstanding 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 GAAP financial statement presentation since neither goods nor services have been provided. For GAAP purposes, all encumbrances are charged to expenditures/expenses in the period in which goods or services are received.



## **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 is a nonparticipating investment contract and is therefore 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. The policy prohibits the investment in derivatives for the purpose of leveraging its investment portfolio. During FY01, investments in derivatives included asset-backed securities, collateralized mortgage obligations, bond index future contracts, forward currency contracts, and floating rate securities. The Pension Trust Fund entered into these investments either to increase earnings or to hedge against potential losses, but these investments were not used to leverage the portfolio. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the credit worthiness of the related parties to the contracts. The Pension Trust Fund is also not prohibited from participating in securities lending transactions (see Note 3). Investments are stated at cost plus accrued interest or fair value determined primarily on the basis of market quotations. If the quotations are not readily available then investments may be valued by another method which reflects fair value.

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 fund types. All inventories are maintained by perpetual records and adjusted by annual physical counts. Inventories in the governmental funds and Motor Pool Internal Service Fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual items are withdrawn for use. In governmental funds, the reserve for inventory is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

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 reported in proprietary funds that have received, prior to FY01, capital grants or contributions from developers, customers, or other funds. Beginning in FY01, in accordance with GASB 33, capital contributions to proprietary funds are recorded as revenues instead of contributed capital. In accordance with GASB 33, contributed capital arising from periods prior to July 1, 2000, has not been restated. 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 FY01. 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 FY01.

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 began paying their tax on a semi-annual schedule; the first and second installments are due September 30, 2001 and December 31, 2001, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30, 2001.

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, required 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 were 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 availability period for capital grant revenue recognition was changed from 30 days to one year, to be consistent with the availability period for operating grants. This change resulted in the recognition of \$4.1 million in additional revenue in the Capital Projects Fund in FY01.
- See Note 11D for accounting changes and/or corrections of errors impacting beginning fund equities.

COMPONENT UNITS

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

## **NOTE 2. LEGAL COMPLIANCE**

### **A) Budgetary Approval**

Pursuant to the Montgomery County Charter, the Capital Improvements Program (CIP), is presented to the County Council by January 15 in even numbered years. An Amended CIP is presented to the County Council by January 15 in odd numbered years. The annual capital budget, with the CIP or Amended CIP, is presented to the County Council by January 15 of every year and the operating budget is presented to the County Council by March 15 of every year. The County Council holds public hearings and, pursuant to the County Charter, an annual appropriation resolution must be passed by the County Council by June 1. This resolution becomes effective for the one-year period beginning the following July 1. For the operating budget, the annual resolution provides the spending authority at the department level in three major categories (personnel costs, operating and capital outlay) with the unencumbered appropriation authority expiring the following June 30. Encumbered appropriations are reappropriated and carried forward to the subsequent fiscal year. With the exception of the Grants Special Revenue Fund (see Note 11H), such encumbrances are reserved as part of the current fiscal year's fund balance. For the capital projects budget, the annual resolution provides spending authority at the project level. The unencumbered appropriation of the CIP budget is reappropriated in the following year's budget unless specifically closed out by County Council action.

The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. During the operating year the County Council may adopt a supplemental appropriation 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 FY01, the County Council increased the operating budget through supplemental appropriations by \$18.8 million. In addition, supplemental appropriations increased the CIP budget by \$100.8 million.

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

- Encumbrances outstanding are charged to budgetary appropriations and considered expenditures of the current period; any cancellations of such encumbrances in a subsequent year are classified with miscellaneous revenue for budgetary purposes.
- Mortgages and loans made and related repayments are accounted for as expenditures/other financial uses and revenues/other financing sources, respectively.
- Certain activity is not budgeted due to its nature, including unrealized gains (losses) and bond anticipation note activity.
- Certain activity is not budgeted by the County, since it is included in the budget of a component unit that is legally adopted by the County Council, such as certain pass-through expenditures, and bond proceeds and related transfers to MCPS and MCC.

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 (as described in Note 1).

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

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
<b>General Fund:</b>				
As reported - budgetary basis	\$ 1,734,637,429	\$ 553,858,387	\$ (1,231,958,673)	\$ (51,179,631)
Reconciling items:				
Cancellation of prior year encumbrances	(3,173,902)	-	-	(3,173,902)
Elimination of encumbrances outstanding	-	(29,312,780)	-	29,312,780
Unrealized gains (losses)	557,583	-	-	557,583
As reported - GAAP basis	<u>\$ 1,732,021,110</u>	<u>\$ 524,545,607</u>	<u>\$ (1,231,958,673)</u>	<u>\$ (24,483,170)</u>
<b>Special Revenue Funds:</b>				
As reported - budgetary basis - all funds	\$ 264,998,866	\$ 280,624,545	\$ (1,355,480)	\$ (16,981,159)
Reconciling items:				
Cancellation of prior year encumbrances:				
Recreation	(241,472)	-	-	(241,472)
Mass Transit Facilities	(253,350)	-	-	(253,350)
Bethesda Urban District	(4,462)	-	-	(4,462)
Wheaton Urban District	(28,054)	-	-	(28,054)
Silver Spring Urban District	(6,466)	-	-	(6,466)
Landlord Tenant Affairs	(27,204)	-	-	(27,204)
Cable TV	(233,241)	-	-	(233,241)
Fire Tax District	(131,576)	-	-	(131,576)
Drug Enforcement Forfeitures	(3,021)	-	-	(3,021)
Total	<u>(928,846)</u>	<u>-</u>	<u>-</u>	<u>(928,846)</u>
Elimination of encumbrances outstanding:				
Recreation	-	(856,405)	-	856,405
Mass Transit Facilities	-	(1,779,622)	-	1,779,622
Silver Spring Urban District	-	(524,897)	-	524,897
Wheaton Urban District	-	(65,007)	-	65,007
Landlord Tenant Affairs	-	(31,984)	-	31,984
Cable TV	-	(975,240)	-	975,240
Fire Tax District	-	(4,145,394)	-	4,145,394
Drug Enforcement Forfeitures	-	(12,154)	-	12,154
Grants	<u>(10,455,313)</u>	<u>(10,455,313)</u>	<u>-</u>	<u>-</u>
Total	<u>(10,455,313)</u>	<u>(18,846,016)</u>	<u>-</u>	<u>8,390,703</u>
Forest Conservation Fund not budgeted	303	-	-	303
Indirect costs	(976,346)	(976,346)	-	-
Change in mortgages and notes receivable	(671,300)	(5,399,175)	2,778,467	7,506,342
Loan expenditures	(3,757,249)	(3,757,249)	-	-
Pass-through expenditures	3,549,162	3,549,162	-	-
As reported - GAAP basis	<u>\$ 251,759,277</u>	<u>\$ 255,194,921</u>	<u>\$ 1,422,987</u>	<u>\$ (2,012,657)</u>
<b>Debt Service Fund:</b>				
As reported - budgetary basis	\$ 4,857,170	\$ 159,292,021	\$ 154,434,851	\$ -
Reconciling items:				
Bond anticipation note activity	-	140,000,000	140,000,000	-
Issuing costs for certificates of participation	-	112,053	-	(112,053)
Proceeds of certificates of participation	-	-	112,053	112,053
As reported - GAAP basis	<u>\$ 4,857,170</u>	<u>\$ 299,404,074</u>	<u>\$ 294,546,904</u>	<u>\$ -</u>
<b>Capital Projects Fund:</b>				
As reported - budgetary basis	\$ 33,130,113	\$ 357,593,272	\$ 149,331,737	\$ (175,131,422)
Reconciling items:				
Elimination of encumbrances outstanding	-	(161,720,421)	-	161,720,421
Reclassification of mortgages and loans	-	(3,452,095)	(2,027,263)	1,424,832
Certificates of participation for use by Mass Transit	-	-	9,210,000	9,210,000
Bond proceeds for projects budgeted by others	-	-	65,000,000	65,000,000
Transfers of bond proceeds to component units	-	-	(102,738,823)	(102,738,823)
Grants	<u>(345,993)</u>	<u>(345,993)</u>	<u>-</u>	<u>-</u>
As reported - GAAP basis	<u>\$ 32,784,120</u>	<u>\$ 192,074,763</u>	<u>\$ 118,775,651</u>	<u>\$ (40,514,992)</u>

**NOTE 3. CASH AND INVESTMENTS**

**A) Authorization and Balances**

The Montgomery County reporting entity total cash and investments as of June 30, 2001, totaled \$3,992,112,598, of which \$2,926,110,366 is 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>	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Equity in pooled cash and investments	\$ 684,820,183	\$ 36,479,507	\$ 721,299,690
Cash with fiscal agents	88,153,936	25,351,972	113,505,908
Cash	291,548	9,650,610	9,942,158
Cash and cash equivalents - nonexpendable trust	449,054	-	449,054
Investments - cash equivalents	-	75,108,870	75,108,870
Investments	1,905,236,530	701,883,266	2,607,119,796
Deferred compensation invested with fiscal agents	199,623,317	-	199,623,317
Restricted equity in pooled cash and investments	43,210,738	9,471,360	52,682,098
Restricted cash	-	103,641	103,641
Restricted cash with fiscal agents	-	5,503,788	5,503,788
Restricted investments - cash equivalents	-	130,406,153	130,406,153
Restricted investments	4,325,060	81,122,007	85,447,067
Bank overdraft *	-	(9,078,942)	(9,078,942)
Total	<u>\$2,926,110,366</u>	<u>\$1,066,002,232</u>	<u>\$3,992,112,598</u>

\* Amount is classified with accounts payable for financial statement purposes.

Deposit and Investment Summary:

Deposits	\$ (8,913,404)	\$ 4,245,691	\$ (4,667,713)
Investments	2,846,578,286	888,025,994	3,734,604,280
Cash on hand, fiscal agents, safe deposit escrow	88,445,484	173,730,547	262,176,031
Total	<u>\$2,926,110,366</u>	<u>\$1,066,002,232</u>	<u>\$3,992,112,598</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, money market funds whose portfolio is operated consistent with the Securities and Exchange Commission rule 2a-7, and the Maryland Local Government Investment Pool. 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 are determined using either quoted market prices or are estimated based on consideration of composite quoted market prices, and investments with comparable collateral or credit quality, as appropriate. Fair value of investments in commercial paper, bankers' acceptances, and repurchase agreements are also 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 FY01 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	\$ 684,820,183	\$ 9,689,506	\$ 694,509,689
Cash and cash equivalents - nonexpendable trust	449,054	-	449,054
Restricted equity in pooled cash and investments	43,210,738	-	43,210,738
Total	<u>\$ 728,479,975</u>	<u>\$ 9,689,506</u>	<u>\$ 738,169,481</u>
 <u>Deposit and Investment Summary:</u>			
Deposits	\$ (8,913,404)	\$ -	\$ (8,913,404)
Investments	737,393,379	9,689,506	747,082,885
Total	<u>\$ 728,479,975</u>	<u>\$ 9,689,506</u>	<u>\$ 738,169,481</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	\$ 43,000,000	\$ 43,000,000	07/01	4.10%
U.S. Government securities	259,228,050	256,451,971	07/01 - 05/03	3.75 - 6.70%
Commercial paper	36,501,800	36,285,800	07/01 - 09/01	4.01 - 4.85%
Bankers' acceptances	303,136,038	300,083,045	07/01 - 12/01	3.63 - 6.25%
Money market funds	100,824,685	100,824,685	N/A	4.00 - 4.10%
Maryland Local Government Investment Pool	4,392,312	4,392,312	N/A	4.15%
Total	<u>\$747,082,885</u>	<u>\$741,037,813</u>		

During FY01, 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 participated 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 FY01, 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 percent of the market value of the loaned securities. MCERS imposed the following restriction during FY01 on the amount of loans that State Street made on its behalf: not more than 50 percent of total net assets shall be on loan at any time. 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 FY01. Moreover, there were no losses during FY01 resulting from default of the borrowers or State Street. During FY01, 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, 2001, was 75 days and the average weighted maturity was 548 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, 2001, 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, 2001, were \$39,569,566 and \$37,728,293, respectively. Cash collateral held, amounting to \$39,556,169, is included as an asset and corresponding liability in the accompanying financial statements at year-end.

## COMPONENT UNITS

MCPS - 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.

MCPS - 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.

MCC - 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:**

	Carrying Amount	Bank Balance	Total Collateral **
<u>Primary Government:</u>			
Montgomery County *	\$ (8,913,404)	\$ 7,413,283	\$ 7,413,283
<u>Component Units:</u>			
MCPS	(5,169,663)	5,416,260	5,416,260
MCC	1,187,675	3,011,119	3,011,119
MCRA	802,455	1,179,399	1,179,399
HOC	7,272,742	7,258,955	7,258,955
BUPI	152,482	278,868	208,627
Total Component Units	4,245,691	17,144,601	17,074,360
Total Reporting Entity	<u>\$ (4,667,713)</u>	<u>\$ 24,557,884</u>	<u>\$ 24,487,643</u>

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

\*\* For those entities with fully collateralized deposits, total actual collateral equals or exceeds the amounts listed.

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, \$16,236,036 was insured or collateralized with securities held by the component units' agents in the component units' names, and \$838,324 was covered by collateral held by the pledging financial institution's trust department or agent in the component units' names. BUPI deposits of \$70,241 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>Pension Investments:</u>					
Short-term investments	\$ 86,486,896	\$ -	\$ -	\$ 86,486,896	\$ 86,486,896
U.S. Government securities	88,259,089	-	-	88,259,089	88,259,089
Asset-backed securities	249,867,229	-	-	249,867,229	249,867,229
Corporate bonds	220,142,063	-	-	220,142,063	220,142,063
<u>Common and preferred stock:</u>					
Not on securities loan	824,982,276	-	-	824,982,276	824,982,276
On securities loan for securities collateral	196,145	-	-	196,145	196,145
Subtotal	<u>1,469,933,698</u>	<u>-</u>	<u>-</u>	<u>1,469,933,698</u>	<u>1,469,933,698</u>
<u>Other Investments:</u>					
U.S. Government securities	7,047,977	-	-	7,047,977	7,047,977
Investment agreement	4,325,060	-	-	4,325,060	4,325,060
	<u>\$ 1,481,306,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,481,306,735</u>	<u>\$ 1,481,306,735</u>
Deferred compensation invested in mutual and commingled funds with fiscal agents				199,623,317	199,623,317
<u>Pooled investments held in:</u>					
Montgomery County external investment pool *				737,393,379	737,393,379
<u>Pension investments:</u>					
Mutual and commingled funds				337,350,490	337,350,490
Securities lending short-term collateral investment pool				39,556,169	39,556,169
<u>Investments held by broker dealers under securities loans with cash collateral:</u>					
Common and preferred stock				37,532,148	37,532,148
Real estate				<u>13,816,048</u>	<u>13,816,048</u>
Subtotal Pension Investments				<u>428,254,855</u>	<u>428,254,855</u>
Total Investments				<u>\$ 2,846,578,286</u>	<u>\$ 2,846,578,286</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	\$ 1,881,056	\$ -	\$ 1,964,633	\$ 3,845,689	\$ 3,845,689
U.S. Government securities	85,072,250	13,949,617	4,683,252	103,705,119	103,744,329
Bankers' acceptances	-	6,957,100	-	6,957,100	6,970,667
Corporate stocks and bonds	-	212,566	-	212,566	212,566
	<u>\$ 86,953,306</u>	<u>\$ 21,119,283</u>	<u>\$ 6,647,885</u>	<u>114,720,474</u>	<u>114,773,251</u>
<u>Pooled investments held in:</u>					
Montgomery County external investment pool *				9,689,506	9,689,506
Maryland local government investment pool				41,048,346	41,048,346
Mutual funds				49,148,146	49,148,146
Pension investment funds				<u>673,419,522</u>	<u>673,419,522</u>
Total Investments				<u>\$ 888,025,994</u>	<u>\$ 888,078,771</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.

External Investment Pool:	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Repurchase agreements	\$ 43,000,000	\$ -	\$ -	\$ 43,000,000	\$ 43,000,000
U.S. Government securities	259,228,050	-	-	259,228,050	259,228,050
Commercial paper	36,501,800	-	-	36,501,800	36,501,800
Bankers' acceptances	303,136,038	-	-	303,136,038	303,136,038
	<u>\$ 641,865,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>641,865,888</u>	<u>641,865,888</u>
Pooled investments held in:					
Maryland local government investment pool				4,392,312	4,392,312
Money market funds				100,824,685	100,824,685
Total Investments				<u>\$ 747,082,885</u>	<u>\$ 747,082,885</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 entity or its agent in the entity's name. Category "2" includes uninsured and unregistered investment securities held by the counterparty's trust department or agent in the entity'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 entity'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	\$ 88,153,936	\$ 173,666,873	\$ 261,820,809
Petty cash/safe deposit escrow	291,548	63,674	355,222
	<u>\$ 88,445,484</u>	<u>\$ 173,730,547</u>	<u>\$ 262,176,031</u>

Primary Government cash with fiscal agents of \$33,493,936 is 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), while \$54,660,000 is held in money market funds. Component units cash with fiscal agents of \$173,464,373 is held in money market mutual funds, while \$202,500 is held for approximately one day in U.S. Government obligations that are not in the component unit's name (Category 3).

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

The condensed financial statements of the County's external investment pool at June 30, 2001, are as follows:

Statement of Net Assets	
June 30, 2001	
Assets:	
Investment in securities, at fair value	\$ 747,082,885
Total Assets	747,082,885
Liabilities:	
Outstanding checks in excess of deposits	8,913,404
Net assets	\$ 738,169,481
Net assets consist of:	
Internal participants' units outstanding (\$1.00 par)	\$ 713,004,710
External participants' units outstanding (\$1.00 par)	25,164,771
Net assets	\$ 738,169,481
Participants net asset value, offering price and redemption price per share (\$738,169,481 / 738,020,470 units)	\$ 1.00

Statement of Changes in Net Assets	
Year Ended June 30, 2001	
Investment Income *	\$ 50,081,429
Distributions to participants:	
Distributions paid and payable	(50,081,429)
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	\$ 7,545,916,040
Redemption of units	(7,607,888,387)
Net increase (decrease) in net assets and shares resulting from share transactions	(61,972,347)
Total increase (decrease) in net assets	(61,972,347)
Net assets, July 1, 2000	800,141,828
Net assets, June 30, 2001	\$ 738,169,481

\* 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 \$1,175,615 at June 30, 2001. This amount is comprised of allowances in the Liquor Enterprise Fund (\$252,529 - claims and returned checks), the Solid Waste Disposal Enterprise Fund (\$53,267 - charges for services), and the Parking Enterprise Funds (\$869,819 - parking fines).

**B) Due From Other Governments**

The total amount due from other governments at June 30, 2001, was \$87,485,066. 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	\$ 68,272	\$ 7,156,532	\$ 117,016	\$ 2,153	\$ -	\$ -	\$ 7,343,973
State of Maryland	18,506,115	23,456,720	30,766,650	2,204,683	346,224	2,095,775	77,376,167
Other	1,913,246	126,064	301,294	399,794	19,504	5,024	2,764,926
Total	<u>\$ 20,487,633</u>	<u>\$ 30,739,316</u>	<u>\$ 31,184,960</u>	<u>\$ 2,606,630</u>	<u>\$ 365,728</u>	<u>\$ 2,100,799</u>	<u>\$ 87,485,066</u>

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES**

The balances at June 30, 2001, of interfund receivables and payables were:

	Interfund Receivable	Interfund Payable
General Fund	\$ 99,937,623	\$ 2,519,394
Special Revenue Funds:		
Recreation	-	72,014
Bethesda Urban District	-	48
Silver Spring Urban District	-	1,326
Wheaton Urban District	-	698
Mass Transit Facilities	3,601,508	9,699,344
Landlord Tenant Affairs	-	13,675
Common Ownership Communities	-	1,321
Cable TV	-	3,086
Fire Tax District	1,681,018	780,120
Grants	-	1,603,170
Debt Service Fund	-	33,493,936
Capital Projects Fund	250,000	47,138,375
Enterprise Funds:		
Liquor	-	91,188
Solid Waste Disposal	-	30,100
Solid Waste Collection	-	4,773
Permitting Services	-	89,971
Community Use of Public Facilities	-	8,888
Parking Activities	3,106,570	15,204
Internal Service Funds:		
Motor Pool	-	64,406
Central Duplicating	-	8,741
Liability and Property Coverage Self-Insurance	-	9,809
Employee Health Benefits Self-Insurance	1,768,532	-
Agency Funds:		
MCPS Capital	-	11,624,027
MCC Capital	-	2,011,766
Pension Trust Funds:		
Employees' Retirement System	2,017,432	102
Employees' Retirement Savings Plan	279,443	74
General Long-Term Debt Account Group	-	3,356,570
Total	<u>\$ 112,642,126</u>	<u>\$ 112,642,126</u>

Included in the amounts presented above are short-term loans from the General Fund, that were or will be repaid during FY02:

- \$9.5 million and \$1.5 million to the Mass Transit and Grants Special Revenue Funds, respectively, to cover vendor payments prior to revenues being received from other government agencies;

- \$43.1 million, \$11.6 million, and \$2 million to the Capital Projects Fund and the MCPS and MCC Capital Agencies Funds, respectively, to cover construction payments, due to the delayed issuance of debt; and
- \$32.2 million to the Debt Service Fund relating to a FY02 debt service payment that must be remitted to the County's fiscal agent one working day prior to the debt service due date.

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

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

The balances at June 30, 2001, were:

Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due to Primary Government:						
General	\$ 3,003,480	\$ -	\$ 114,132	\$ 1,670,468	\$ -	\$ 4,788,080
Housing Initiative Special Revenue	-	-	-	16,087,695	-	16,087,695
Grants Special Revenue	-	-	-	4,387,500	-	4,387,500
Capital Projects	-	-	-	13,141,445	-	13,141,445
Solid Waste Disposal Enterprise	63,845	448	-	914	2,184	67,391
Motor Pool Internal Service	8,317	1,855	81	58,515	-	68,768
Central Duplicating Internal Service	334	-	2,724	8,153	-	11,211
Employee Health Benefits Self-Insurance Internal Service	-	-	31,954	144,396	-	176,350
MCPS Capital Agency	11,624,027	-	-	-	-	11,624,027
Employees' Retirement System Pension Trust	-	-	7,104	26,806	-	33,910
Employees' Retirement Savings Plan Pension Trust	-	-	5,312	26,761	-	32,073
HOC Nonexpendable Trust	-	-	-	14,889	-	14,889
<b>Total Due to Primary Government per Combined Balance Sheet</b>	<b>\$ 14,700,003</b>	<b>\$ 2,303</b>	<b>\$ 161,307</b>	<b>\$ 35,567,542</b>	<b>\$ 2,184</b>	<b>\$ 50,433,339</b>

Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due from Primary Government:						
General	\$ 39,913,218	\$ 78,269	\$ -	\$ 637,563	\$ -	\$ 40,629,050
Silver Spring Urban District Special Revenue	-	-	-	-	19,706	19,706
Wheaton Urban District Special Revenue	-	-	-	-	1,573	1,573
Mass Transit Special Revenue	-	-	-	-	55,000	55,000
Housing Initiative Special Revenue	-	-	-	675,000	-	675,000
Grants Special Revenue	1,599,896	18,492	-	32,685	-	1,651,073
Capital Projects	-	-	-	17,740	-	17,740
Solid Waste Disposal Enterprise	52,490	-	-	4,250	-	56,740
Community Use of Public Facilities Enterprise	397,598	-	-	-	-	397,598
Motor Pool Internal Service	-	-	-	3,072	-	3,072
Central Duplicating Internal Service	57,698	-	-	-	-	57,698
MCC Capital Agency	-	56,327	-	-	-	56,327
Miscellaneous Agency	389,225	-	-	-	-	389,225
HOC Nonexpendable Trust	-	-	-	105,227	-	105,227
<b>Totals</b>	<b>\$ 42,410,125</b>	<b>\$ 153,088</b>	<b>\$ -</b>	<b>\$ 1,475,537</b>	<b>\$ 76,279</b>	<b>44,115,029</b>
Reconciling Item *						14,441,233
<b>Total Due from Primary Government per Combined Balance Sheet</b>						<b>\$ 58,556,262</b>

\* 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 \$16,087,695 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, for which payments are based on cash flows. Terms of the note stipulate that the balance of the note will be forgiven at the termination of the ground lease in December 2035. To date the project has not generated cash flows. This loan is offset by deferred revenue. Also included in the amount above is a ground lease, upon which is located affordable housing owned by HOC. The ground lease provides for lease payments from HOC for \$1 per year for 83 years. Fund balance has been reserved for the remaining loans.

BUPI charges for services revenue include \$2,119,376 earned under contracts with the County. MCRA rentals, concessions, leases, subsidies, and commitment fees revenue include \$2,606,844 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, 2000	Additions	Transfers	Disposals	Balance June 30, 2001
Land	\$ 308,320,240	\$ 25,564,196	\$ -	\$ -	\$ 333,884,436
Buildings and improvements	453,104,337	23,938	42,231,812	(1,186,362)	494,173,725
Furniture, fixtures, equipment, and machinery	95,925,697	3,175,744	(3,237,039)	(5,126,866)	90,737,536
Other assets	696,389,028	251,201	75,046,742	-	771,686,971
Construction in progress	228,919,632	166,139,422	(114,041,515)	-	281,017,539
Total	<u>\$ 1,782,658,934</u>	<u>\$ 195,154,501</u>	<u>\$ -</u>	<u>\$ (6,313,228)</u>	<u>\$ 1,971,500,207</u>

	Commitments At June 30, 2001
General projects	\$ 103,762,712
Community development and housing	1,397,539
Road and storm drainage	36,554,725
Mass transit	20,005,444
Total	<u>\$ 161,720,420</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	-

A schedule of related fixed assets at June 30, 2001, follows:

	Proprietary Funds		Fiduciary Fund
	Enterprise	Internal Service	Pension Trust
	Land, improved and unimproved	\$ 52,999,840	\$ 291,070
Buildings	120,765,358	315,732	-
Furniture, fixtures, equipment, and machinery	20,122,298	55,976,711	111,375
Other fixed assets	98,862,996	-	-
Construction in progress	4,871,454	-	-
Subtotal	297,621,946	56,583,513	111,375
Less accumulated depreciation and amortization	(148,567,700)	(38,928,153)	(111,375)
Total Fixed Assets	<u>\$ 149,054,246</u>	<u>\$ 17,655,360</u>	<u>\$ -</u>

**COMPONENT UNITS**

Fixed assets of MCPS, amounting to \$1,682,531,524 at June 30, 2001, 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, and a summary of MCPS proprietary fund type fixed assets at year-end. 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 July 1, 2000 *	Additions	Transfers	Disposals	Balance June 30, 2001	Enterprise
	Land and site improvements	\$ 55,325,760	\$ 1,105,650	\$ -	\$ (5,244)	\$ 56,426,166
Buildings and additions	1,364,731,517	-	53,632,634	(33,289,730)	1,385,074,421	17,831
Furniture and equipment	116,059,825	3,267,603	-	(16,137,823)	103,189,605	16,249,891
Construction in progress	76,549,246	136,115,528	(53,670,364)	(27,715,544)	131,278,866	-
Subtotal	1,612,666,348	140,488,781	(37,730)	(77,148,341)	1,675,969,058	16,267,722
Accumulated depreciation	-	-	-	-	-	(9,705,256)
Total	<u>\$ 1,612,666,348</u>	<u>\$ 140,488,781</u>	<u>\$ (37,730)</u>	<u>\$ (77,148,341)</u>	<u>\$ 1,675,969,058</u>	<u>\$ 6,562,466</u>

\* As restated. See Note 11L.

Commitments for ongoing construction in progress at June 30, 2001 were \$43,930,927.

## **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 the County, and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. Such bonds are payable from ad valorem taxes, unlimited as to rate or amount, on all real, tangible personal, and certain intangible property that is subject to taxation at full rates for local purposes in the County.

General obligation bonds that are reported in the 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 MCPS and MCC (component units), respectively, and remitted to such component units by the County. For GAAP purposes, proceeds from debt issuance for these purposes and any related expenditures incurred and reimbursed to the component units are reflected as other financing sources and other financing uses, respectively, in the accompanying financial statements. These amounts are shown as reconciling items between the budgetary and GAAP basis (see Note 2B) since this activity is appropriated for budget purposes by the component units, rather than the primary government. Any general obligation bond proceeds, not yet expended by the component units at year end, is reflected as Reserved Fund Balance of the Capital Projects Fund, to the extent that sufficient fund balance exists.

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, 2001, \$28,000,000 and \$64,500,000, respectively, in general obligation bonds referred to above are considered to be defeased.

During FY01 no current or advance refundings of general obligation bonds by proprietary activities occurred.

General obligation bond issues outstanding as of June 30, 2001, are as follows:

	<u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally Issued</u>	<u>Outstanding at June 30, 2001</u>
GO Bonds	11/01/71	1973-02	0.1 - 6.5	\$ 30,000,000	\$ 590,000
GO Bonds	05/01/83	1984-03	7.0 - 9.0	50,000,000	5,000,000
GO Bonds	06/01/84	1985-04	9.0 - 9.75	55,000,000	8,250,000
GO Bonds	05/01/85	1986-05	7.6 - 8.6	65,000,000	13,000,000
GO Bonds	04/01/86	1987-06	5.8 - 6.3	50,000,000	12,500,000
GO Bonds	04/01/91	1992-11	6.3 - 6.75	60,000,000	6,000,000
GO Bonds	10/01/91	1992-11	5.75 - 6.125	70,000,000	10,500,000
GO Refunding Bonds	07/01/92	1993-10	2.75 - 5.8	273,038,054	205,823,054
GO Bonds	10/01/92	1993-06	5.0 - 5.75	115,000,000	34,500,000
GO Refunding Bonds	08/15/93	1994-11	2.5 - 5.0	60,005,000	56,785,000
GO Bonds	10/01/93	1994-13	4.4 - 4.9	100,000,000	65,000,000
GO Bonds	10/01/94	1995-08	5.2 - 6.125	100,000,000	40,000,000
GO Bonds	03/15/96	1997-16	5.1 - 5.5	120,000,000	90,000,000
GO Bonds	04/15/97	1998-17	5.0 - 5.375	115,000,000	92,000,000
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	97,750,000
GO Bonds	04/01/99	2000-19	4.0 - 5.0	120,000,000	108,000,000
GO Bonds	01/01/00	2001-20	5.0 - 6.0	130,000,000	123,500,000
GO Bonds	02/01/01	2002-21	4.0 - 5.0	140,000,000	140,000,000
Total				<u>\$ 1,837,553,054</u>	<u>\$ 1,178,708,054</u>

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

Changes in general obligation bonds during FY01 are as follows:

	Balance July 1, 2000	Bonds Issued	Bonds Retired	Balance June 30, 2001
<b>General Long-Term Debt Account Group:</b>				
General County	\$ 144,296,936	\$ 23,223,313	\$ 12,167,527	\$ 155,352,722
Roads and Storm Drainage	313,999,723	31,905,000	26,836,919	319,067,804
Parks	34,502,191	3,071,687	3,161,096	34,412,782
Public Schools	565,881,895	74,978,422	43,432,766	597,427,551
Community College	30,536,520	4,271,578	2,149,521	32,658,577
Consolidated Fire Tax District	12,857,002	2,100,000	1,016,403	13,940,599
Mass Transit	26,173,588	450,000	3,700,059	22,923,529
Public Housing	2,073,268	-	220,860	1,852,408
	<u>1,130,321,123</u>	<u>140,000,000</u>	<u>92,685,151</u>	<u>1,177,635,972</u>
<b>Enterprise Funds:</b>				
<b>Solid Waste Activities:</b>				
General County	461,931	-	89,849	372,082
<b>Parking Lot Districts:</b>				
Bethesda Parking Lot District	750,000	-	250,000	500,000
Silver Spring Parking Lot District	300,000	-	100,000	200,000
	<u>1,511,931</u>	<u>-</u>	<u>439,849</u>	<u>1,072,082</u>
<b>Total</b>	<u>\$ 1,131,833,054</u>	<u>\$ 140,000,000</u>	<u>\$ 93,125,000</u>	<u>\$ 1,178,708,054</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
2002	\$ 99,530,000	\$ 59,472,315	\$ 159,002,315
2003	99,105,000	54,160,158	153,265,158
2004	96,620,000	48,650,440	145,270,440
2005	93,650,000	43,433,482	137,083,482
2006	90,170,000	38,465,672	128,635,672
2007-2021	<u>699,633,054</u>	<u>223,048,210</u>	<u>922,681,264</u>
<b>Total</b>	<u>\$ 1,178,708,054</u>	<u>\$467,230,277</u>	<u>\$ 1,645,938,331</u>

Article 25A, Section 5(P), of the Annotated Code of Maryland, authorizes borrowing of funds and issuance of bonds to a maximum of a specified percent of assessed value of real and personal property within the County. Historically, that rate has been 15% of the total assessable base. Effective June 1, 2001, this section of the Code was amended in conjunction with a change by the Maryland General Assembly related to the presentation of real property assessed values. The amendment was to ensure that the change to presentation of real property assessed values had no impact on legal debt margin. Under the amendment, the legal debt margin is a total of 6% of the assessable basis of real property and 15% of the assessable basis of personal property and operating real property. The legal debt margin as of June 30, 2001, is \$3,753,695,851.

General obligation bonds authorized and unissued as of June 30, 2001, are as follows:

Purpose	Authority			Amount Unissued
	Chapter	Act	Amount	
General County, Parks, and Consolidated Fire Tax District	19	1998	\$ 113,400,000	\$ 73,890,000
	18	1999	33,500,000	33,500,000
	22	2000	78,300,000	78,300,000
			<u>225,200,000</u>	<u>185,690,000</u>
Roads and Storm Drainage	19	1998	77,000,000	39,010,000
	18	1999	30,000,000	30,000,000
	22	2000	77,600,000	77,600,000
			<u>184,600,000</u>	<u>146,610,000</u>
Public Schools and Community College	18	1999	57,800,000	3,113,000
	22	2000	82,900,000	82,900,000
			<u>140,700,000</u>	<u>86,013,000</u>
Mass Transit	19	1998	500,000	105,000
	18	1999	400,000	400,000
	22	2000	1,400,000	1,400,000
			<u>2,300,000</u>	<u>1,905,000</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>\$571,745,000</u>	<u>\$ 433,918,000</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, 2001, are as follows:

	Dated			Originally	Balance	Unamortized	Carrying Value
	Date	Maturity	Interest Rate	Issued	June 30, 2001	Discount	June 30, 2001
Parking Revenue Refunding 1992 Series A:							
Bethesda Parking Lot District	04/15/92	1992-09	2.75 - 6.25 %	\$ 27,975,000	\$ 15,795,000	\$ (68,165)	\$ 15,726,835
Silver Spring Parking Lot District	04/15/92	1992-09	2.75 - 6.25	24,755,000	13,360,000	(53,331)	13,306,669
Solid Waste System 1993 Series A	03/15/93	1994-13	3.5 - 5.875	50,680,000	36,350,000	(263,156)	36,086,844
Total				<u>\$ 103,410,000</u>	<u>\$ 65,505,000</u>	<u>\$ (384,652)</u>	<u>\$ 65,120,348</u>

Changes in revenue bond principal during FY01 are as follows:

	Balance			Balance
	July 1, 2000	Bonds Issued	Bonds Retired	June 30, 2001
Bethesda Parking Lot District	\$ 17,465,000	\$ -	\$ 1,670,000	\$ 15,795,000
Silver Spring Parking Lot District	14,930,000	-	1,570,000	13,360,000
Solid Waste Disposal	38,445,000	-	2,095,000	36,350,000
Total	<u>\$ 70,840,000</u>	<u>\$ -</u>	<u>\$ 5,335,000</u>	<u>\$ 65,505,000</u>

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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
2002	\$ 1,785,000	\$ 967,907	\$ 1,650,000	\$ 817,158
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	627,393	1,995,000	502,007
2006	2,305,000	495,937	2,120,000	380,313
2007-2009	5,630,000	653,124	3,965,000	408,751
Total	<u>\$15,795,000</u>	<u>\$ 4,355,847</u>	<u>\$ 13,360,000</u>	<u>\$ 3,442,243</u>

Fiscal Year Ending June 30	Solid Waste Disposal		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
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	2,725,000	1,569,731	7,150,000	2,445,981	9,595,981
2007-2013	24,075,000	5,979,576	33,670,000	7,041,451	40,711,451
Total	<u>\$36,350,000</u>	<u>\$ 15,177,001</u>	<u>\$ 65,505,000</u>	<u>\$22,975,091</u>	<u>\$ 88,480,091</u>

Revenue bonds authorized and unissued as of June 30, 2001, are as follows:

Purpose	Resolution Number	Year	Amount Authorized	Amount Unissued
Parking Lot Districts	11-1383	1989	\$ 51,163,000	\$ 42,088,000
Parking Lot Districts	14-921	2001	35,000,000	35,000,000
Solid Waste Disposal	12-1010	1993	56,935,000	6,255,000
Total			<u>\$143,098,000</u>	<u>\$ 83,343,000</u>

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

Purpose	Bethesda	Silver Spring	Solid
	Parking Lot District	Parking Lot District	Waste Disposal
Operation and Maintenance Account - Available to pay current expenses	\$ 718,292	\$ 891,475	\$ -
Debt Service Account - Used to pay debt service on bonds	253,159	215,096	3,058
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	1,835,000
Rate Covenant Cash Reserve - Available to fund operating activities for a minimum of three months	-	-	20,429,338
Rate Stabilization Account - In case of short-term extraordinary expenses	-	-	11,631,430
Total	<u>\$ 2,471,451</u>	<u>\$ 2,606,571</u>	<u>\$ 38,223,886</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 County is in compliance with all significant financial bond covenants.

**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 FY01 are as follows:

	Balance		Balance	
	July 1, 2000*	BANs Issued	BANs Retired	June 30, 2001
BAN Series 1995 -F	\$ 32,000,000	\$ -	\$ 32,000,000	\$ -
BAN Series 1995 -G	38,000,000	-	38,000,000	-
BAN Series 1995 -H	90,000,000	-	70,000,000	20,000,000
BAN Series 1995 -I	-	105,000,000	-	105,000,000
Total	<u>\$ 160,000,000</u>	<u>\$ 105,000,000</u>	<u>\$ 140,000,000</u>	<u>\$ 125,000,000</u>

\*July 1, 2000 balances between individual BAN issues (F and G) have been restated by \$2 million to correct the beginning classification by issue.

BAN Notes, Series 1995-F, totaling \$32,000,000; BAN Notes, Series 1995-G, totaling \$38,000,000; and BAN Notes, Series 1995-H, totaling \$70,000,000; were retired on February 28, 2001, with proceeds from general obligation bonds dated February 1, 2001.

The interest rate changes based on market conditions. During FY01, the rate of interest varied from 2.65 to 4.45 percent. Interest earned on BAN proceeds totaled \$4,064,146 during FY01, which was accounted for in the Debt Service Fund.



BANs amounting to \$105 million were issued during FY01 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 FY02, and intends to use the proceeds first to replace a portion of the \$125 million in BANs outstanding at June 30, 2001. 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, under 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, 2001, is \$308,918,000 per Resolution No. 13-294 dated October 10, 1995, as amended.

**D) Certificates of Participation**

In June 2001, the County issued Certificates of Participation (certificates) for its Equipment Acquisition Program dated June 1, 2001, in the amount of \$54.66 million. The certificates represent proportionate interests in a Conditional Purchase Agreement (CPA) between the County, as purchaser, and First Union National Bank, as seller, for the acquisition of certain equipment to be used in the public safety and public transportation programs of the County. The CPA requires the County, as purchaser, to make periodic purchase installments in amounts sufficient to pay the scheduled debt service on the certificates until the County pays the entire price necessary to acquire the equipment, which shall be equal to the amount necessary to pay the principal and interest on all outstanding certificates. The ability of the County, as purchaser, to pay the purchase installments due under the CPA depends upon sufficient funds being appropriated each year by the County Council for such purpose. The County may terminate the CPA at the end of the last fiscal year or earlier date for which an appropriation is available if sufficient funds are not appropriated for any fiscal year. The County Council is under no obligation to make any appropriation with respect to the CPA. The CPA is not a general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing powers of the County.

The certificates were issued at interest rates ranging from 4 to 4.5 percent and have a maturity schedule as follows:

Fiscal Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2002	\$ 11,130,000	\$ 2,258,888	\$ 13,388,888
2003	11,960,000	1,813,688	13,773,688
2004	12,355,000	1,335,287	13,690,287
2005	9,435,000	841,087	10,276,087
2006	9,780,000	440,100	10,220,100
Total	<u>\$ 54,660,000</u>	<u>\$ 6,689,050</u>	<u>\$ 61,349,050</u>

**E) Other General Long-Term Debt**

Changes in general long-term debt other than bonds, bond anticipation notes, and certificates of participation during FY01 are as follows:

	Balance July 1, 2000	Earned/ Additions	Used/ Payments *	Balance June 30, 2001
Compensated Absences	\$ 36,473,376	\$ 30,623,703	\$ 28,016,107	\$ 39,080,972
Claims and Judgments	300,000	200,000	-	500,000
Equipment Notes Payable	137,971	-	106,046	31,925
Due to Other Governments	1,689,553	-	64,313	1,625,240
Due to Other Funds	3,606,570	-	250,000	3,356,570

\* Includes non-monetary settlements and adjustments

Due to Other Governments

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 County's loan with MICRF will be repaid by loan repayments received from the private user, the County's loan is a full faith and credit obligation of the County. The principal amount payable at June 30, 2001, for this loan is \$1,625,240.

Due to Other Funds

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 \$250,000 at June 30, 2001, constitutes a long-term obligation of the Strathmore Hall Expendable Trust Fund, and has been included 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 the 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, 2001. The County will fulfill this obligation by future transfers of property and/or assets. 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.

**F) 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 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, 2001, there were 40 issues of Economic Development Revenue Bonds outstanding. Of these, 34 were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 2001, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$226,952,000. The principal amount payable at June 30, 2001, for bonds issued after July 1, 1996, totaled \$35,870,000.

**G) Special Taxing Districts**

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

Pursuant to 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 \$2.41 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 were levied beginning in FY01 to repay this 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, 2001.

**COMPONENT UNITS**

At June 30, 2001, HOC revenue bonds, which are significant in relation to the total component unit long-term debt, are outstanding as follows:

<u>Purpose</u>		
Multi-Family Mortgage Purchase Program Fund	\$ 316,742,590	
Single Family Mortgage Purchase Program Fund	<u>321,134,602</u>	
Total		<u>\$ 637,877,192</u>

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 3.25 to 11.25 percent and 3.45 to 8.5 percent, respectively, as of June 30, 2001.

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

Fiscal Year Ending June 30	Guaranteed Revenue Bond Requirements		
	Principal	Interest	Total
2002	\$ 500,000	\$ 1,306,372	\$ 1,806,372
2003	530,000	1,281,014	1,811,014
2004	560,000	1,253,600	1,813,600
2005	595,000	1,218,884	1,813,884
2006	625,000	1,186,649	1,811,649
2007 and thereafter	<u>20,785,000</u>	<u>15,094,096</u>	<u>35,879,096</u>
Total	<u>\$ 23,595,000</u>	<u>\$ 21,340,615</u>	<u>\$ 44,935,615</u>

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

Fiscal Year Ending June 30	Total Revenue Bond Requirements		
	Principal *	Interest	Total
2002	\$ 38,969,455	\$ 31,940,136	\$ 70,909,591
2003	11,980,000	31,320,470	43,300,470
2004	13,525,000	30,693,989	44,218,989
2005	32,735,000	30,103,332	62,838,332
2006	25,445,000	29,349,763	54,794,763
2007 and thereafter	<u>515,222,737</u>	<u>484,633,909</u>	<u>999,856,646</u>
Total	<u>\$ 637,877,192</u>	<u>\$ 638,041,599</u>	<u>\$ 1,275,918,791</u>

\* Includes discounts

Changes in the HOC revenue bonds during FY01 are as follows:

<u>Purpose</u>	<u>Balance July 1, 2000</u>	<u>Bonds Issued *</u>	<u>Bonds Retired **</u>	<u>Balance June 30, 2001</u>
Multi-Family Mortgage Purchase Program Fund	\$ 337,281,758	\$ 44,940	\$ 20,584,108	\$ 316,742,590
Single Family Mortgage Purchase Program Fund	311,410,188	48,550,564	38,826,150	321,134,602
 Total	 <u>\$ 648,691,946</u>	 <u>\$48,595,504</u>	 <u>\$ 59,410,258</u>	 <u>\$ 637,877,192</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 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, 2000	\$ 377,709,544
Redemptions during the year	(1,636,883)
New issuances during the year	-
Bonds outstanding, June 30, 2001	<u>\$ 376,072,661</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 \$9,170,000 for FY01. Future minimum lease payments under significant non-cancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2002	\$ 7,929,000
2003	6,869,000
2004	6,719,000
2005	6,426,000
2006	6,220,000
2007 and thereafter	<u>38,380,000</u>
Total	<u>\$ 72,543,000</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 year ended June 30, 2001, 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	\$ 140,675,770	\$ -	\$ -	\$ -	\$ -
Charges for services	12,320	86,578,578	4,731,140	1,710,731	4,078,978
Licenses and permits	-	-	-	17,307,653	-
Fines and forfeitures	-	-	66,660	22,000	-
<b>Total Operating Revenues</b>	<b>140,688,090</b>	<b>86,578,578</b>	<b>4,797,800</b>	<b>19,040,384</b>	<b>4,078,978</b>
<b>Operating Expenses:</b>					
Cost of goods sold	101,533,777	-	-	-	-
Depreciation and amortization	678,181	2,630,301	2,630	1,097,399	42,310
Other	19,265,695	76,597,308	5,005,651	15,471,268	5,148,348
<b>Total Operating Expenses</b>	<b>121,477,653</b>	<b>79,227,609</b>	<b>5,008,281</b>	<b>16,568,667</b>	<b>5,190,658</b>
<b>Operating Income (Loss)</b>	<b>19,210,437</b>	<b>7,350,969</b>	<b>(210,481)</b>	<b>2,471,717</b>	<b>(1,111,680)</b>
<b>Non Operating Items:</b>					
Property taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	63,802
Gain (loss) on sale of fixed assets	16,558	4,294	-	(6,195)	-
Investment income	-	6,087,073	125,209	1,271,459	323,031
Interest expense	-	(2,299,849)	-	(82,377)	-
Other revenue	3,000	-	-	-	-
<b>Total Non Operating Revenues (Expenses)</b>	<b>19,558</b>	<b>3,791,518</b>	<b>125,209</b>	<b>1,182,887</b>	<b>386,833</b>
Operating Transfers In	-	1,157,550	-	1,298,000	85,870
Operating Transfers Out	(15,435,508)	(1,101,803)	(111,670)	(2,437,640)	(195,580)
<b>Total Operating Transfers In (Out)</b>	<b>(15,435,508)</b>	<b>55,747</b>	<b>(111,670)</b>	<b>(1,139,640)</b>	<b>(109,710)</b>
<b>Net Income (Loss) / Change in Retained Earnings</b>	<b>\$ 3,794,487</b>	<b>\$ 11,198,234</b>	<b>\$ (196,942)</b>	<b>\$ 2,514,964</b>	<b>\$ (834,557)</b>
<b>Property, Plant, and Equipment:</b>					
Additions	(1,492,821)	(2,779,270)	(26,362)	(514,131)	(170,351)
(Deductions)	(1,711,044)	(105,509)	-	(22,270)	-
<b>Net Working Capital</b>	<b>17,675,672</b>	<b>40,484,276</b>	<b>821,058</b>	<b>10,677,772</b>	<b>3,351,488</b>
<b>Total Assets</b>	<b>36,504,391</b>	<b>132,081,473</b>	<b>1,356,226</b>	<b>20,620,894</b>	<b>4,530,194</b>
<b>Total Fund Equity</b>	<b>25,333,374</b>	<b>63,230,829</b>	<b>844,790</b>	<b>11,667,751</b>	<b>3,500,406</b>
<b>Bonds and Other Long-Term Liabilities</b>					
Payable from Operating Revenues	-	59,706,285	-	-	-

(Continued)

Segments of Enterprise Activities, concluded:

	Silver Spring Parking	Bethesda Parking	Wheaton Parking	Montgomery Hills Parking	Total
Operating Revenues:					
Sales - net of discounts	\$ -	\$ -	\$ -	\$ -	\$ 140,675,770
Charges for services	4,577,413	6,034,266	442,140	21,308	108,186,874
Licenses and permits	-	-	-	-	17,307,653
Fines and forfeitures	1,661,721	2,498,879	313,617	18,921	4,581,798
Total Operating Revenues	<u>6,239,134</u>	<u>8,533,145</u>	<u>755,757</u>	<u>40,229</u>	<u>270,752,095</u>
Operating Expenses:					
Cost of goods sold	-	-	-	-	101,533,777
Depreciation and amortization	2,460,669	2,906,366	287,985	-	10,105,841
Other	6,059,478	4,534,938	641,312	57,140	132,781,138
Total Operating Expenses	<u>8,520,147</u>	<u>7,441,304</u>	<u>929,297</u>	<u>57,140</u>	<u>244,420,756</u>
Operating Income (Loss)	<u>(2,281,013)</u>	<u>1,091,841</u>	<u>(173,540)</u>	<u>(16,911)</u>	<u>26,331,339</u>
Non Operating Items:					
Property taxes	3,136,079	3,390,866	346,466	54,640	6,928,051
Intergovernmental	5,067,469	-	-	-	5,131,271
Gain (loss) on sale of fixed assets	114,954	-	-	-	129,611
Investment income	502,743	1,001,804	347,120	49,131	9,707,570
Interest expense	(926,730)	(993,327)	-	-	(4,302,283)
Other revenue	-	-	-	-	3,000
Total Non Operating Revenues (Expenses)	<u>7,894,515</u>	<u>3,399,343</u>	<u>693,586</u>	<u>103,771</u>	<u>17,597,220</u>
Operating Transfers In	1,784,615	-	-	-	4,326,035
Operating Transfers Out	(540,590)	(2,418,180)	(645,867)	(20,880)	(22,907,718)
Total Operating Transfers In (Out)	<u>1,244,025</u>	<u>(2,418,180)</u>	<u>(645,867)</u>	<u>(20,880)</u>	<u>(18,581,683)</u>
Net Income (Loss) / Change in Retained Earnings	<u>\$ 6,857,527</u>	<u>\$ 2,073,004</u>	<u>\$ (125,821)</u>	<u>\$ 65,980</u>	<u>\$ 25,346,876</u>
Property, Plant, and Equipment:					
Additions	(2,315,038)	(4,980,782)	(192,671)	-	(12,471,426)
(Deductions)	(48,616)	-	-	-	(1,887,439)
Net Working Capital	<u>7,603,463</u>	<u>7,937,788</u>	<u>5,417,933</u>	<u>754,919</u>	<u>94,724,369</u>
Total Assets	<u>55,150,693</u>	<u>69,658,953</u>	<u>12,775,147</u>	<u>779,631</u>	<u>333,457,602</u>
Total Fund Equity	<u>40,389,297</u>	<u>51,119,127</u>	<u>12,712,750</u>	<u>775,905</u>	<u>209,574,229</u>
Bonds and Other Long-Term Liabilities					
Payable from Operating Revenues	<u>13,506,669</u>	<u>16,226,835</u>	<u>-</u>	<u>-</u>	<u>89,439,789</u>

**NOTE 11. FUND EQUITY**

**PRIMARY GOVERNMENT**

**A) Contributed Capital**

Enterprise and Internal Service Funds have recorded 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. There were no changes to contributed capital during the year. The following schedule shows the balance of contributed capital at year-end:

	<u>Total</u>
Enterprise:	
Liquor	\$ 861,657
Community Use of Public Facilities	4,981
Internal Service:	
Motor Pool	12,879,526
Liability and Property Coverage Self-Insurance	270,651
Total Contributed Capital	<u>\$ 14,016,815</u>

**B) Reservation of Fund Balance**

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

<u>Purpose of Reservation</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust</u>	<u>Total</u>
Encumbrances	\$ 29,312,780	\$ 8,390,703	\$ 161,720,421	\$ -	\$ 199,423,904
Long-term receivables *	-	41,438,301	13,141,445	-	54,579,746
Restricted debt proceeds	-	-	73,955,992	-	73,955,992
Inventories	2,503,800	-	1,048,084	-	3,551,884
Prepays	894,977	377,468	5,096	-	1,277,541
Unspent Fire-Rescue grant	-	1,476,981	-	-	1,476,981
Employees' pension benefits	-	-	-	1,861,590,460	1,861,590,460
External investment pool participants	-	-	-	25,164,771	25,164,771
Total Reserved Fund Balance	<u>\$ 32,711,557</u>	<u>\$ 51,683,453</u>	<u>\$ 249,871,038</u>	<u>\$ 1,886,755,231</u>	<u>\$ 2,221,021,279</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.

**C) Unreserved Fund Balance Designations**

Unreserved fund balance designations are as follows:

<u>Purpose of Designation</u>	<u>General</u>	<u>Special Revenue</u>	<u>Trust</u>	<u>Total</u>
Subsequent years' expenditures	\$ 116,152,509	\$ 17,650,489	\$ -	\$ 133,802,998
Transfers to Capital Projects Fund	54,234,669	5,889,117	1,694,218	61,818,004
Other activities	1,642,060	-	-	1,642,060
Trust activities	-	-	213,483,830	213,483,830
Total	<u>\$ 172,029,238</u>	<u>\$ 23,539,606</u>	<u>\$ 215,178,048</u>	<u>\$ 410,746,892</u>



**D) Restatement of Beginning Fund Equities**

Effective July 1, 2000, the County implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The primary impact of this statement on the County's fund equity is that transfers out to MCPS and MCC for capital purposes are recorded when the underlying expenditures are incurred. Previously, transfers of commercial paper/bond proceeds were recorded when the debt was issued, and transfers of current receipts (County cash) were recorded in the year such transfers were approved. Beginning fund equities have been restated for this change.

In conjunction with the implementation of GASB 33, it was determined that certain receivables and/or revenues and additions in the Capital Projects Fund and MCC Capital Agency Fund, respectively, at June 30, 2000, were understated. Fund equity and/or assets have been restated to account for these accruals.

Also effective July 1, 2000, net assets held in trust of the Employees' Retirement System Pension Trust Fund has been restated to exclude amounts relating to an allocated insurance contract. See Note 16A for additional information.

Beginning fund equity restatements, including those described above, are as follows:

	General Fund	Capital Projects Fund	MCPS Capital Agency Fund *	MCC Capital Agency Fund *	Employees' Retirement System Pension Trust Fund **
Beginning Fund Equity, June 30, 2000	\$ 276,385,844	\$ 57,041,164	\$ 26,094,722	\$ 6,559,871	\$ 2,012,818,788
Restatements:					
Amounts not yet expended by funding source:					
Current receipts/cash	12,142,826	-	(9,370,710)	(2,772,116)	-
Commercial paper/bonds	-	67,291,261	(63,485,245)	(3,806,016)	-
Recognize advances resulting from					
GASB 33 - related changes	-	-	-	240,120	-
Unrecorded accrued revenues	-	798,668	-	64,474	-
Elimination of allocated insurance contract	-	-	-	-	(67,209,405)
Beginning Fund Equity, June 30, 2000, as restated	<u>\$ 288,528,670</u>	<u>\$ 125,131,093</u>	<u>\$ (46,761,233)</u>	<u>\$ 286,333</u>	<u>\$ 1,945,609,383</u>

\* Restatements based on total assets rather than fund equity. MCPS restated net assets represents amount due from component unit.

\*\* Restatements based on net assets held in trust rather than fund equity.

**E) Deficit Fund Balance**

The \$11,798,760 unreserved deficit in the Mass Transit Facilities Special Revenue Fund is caused by a delay in receiving FY01 state aid amounting to \$16 million for the County's Ride-On program. This amount, which is reflected as receivable and deferred revenue in the accompanying financial statements, was received on October 19, 2001.

The \$165,254,937 unreserved deficit in the Capital Projects Fund results primarily from fund balance reservations for encumbrances and legal restrictions on debt proceeds on hand.

**F) Operating Transfers In (Out)**

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

"Operating transfers in" on Exhibit A-3	\$ 278,870,081
"Operating transfers (out)" on Exhibit A-3	(262,426,817)
"Operating transfers in" on Exhibit A-5	6,464,454
"Operating transfers (out)" on Exhibit A-5	<u>(22,907,718)</u>
Difference	<u><u>\$ -</u></u>

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

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	\$ (1,138,273,303)
"Operating transfers in - component units" on Exhibit A-3	644,650
"Operating transfers in - primary government" on Exhibit A-3	1,069,262,206
"Operating transfers (out) - component units" on Exhibit A-5	(601,194)
"Operating transfers in - primary government" on Exhibit A-5	5,197,024
"Operating transfers (out) - primary government" on Exhibit A-5	(103,750)
"Transfers in - primary government" on Exhibit A-9	<u>68,759,544</u>
Difference	<u><u>\$ 4,885,177</u></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.

**H) Federal and State Grant Programs**

Included in the financial statements are expenditures and revenues related to Federal and State grant programs for which the County is the grantee. The reserve for encumbrances in the governmental fund types does not include \$10,455,313 of encumbrances related to these grants, since appropriation and spending on such grants is contingent on receipt of the grant funds. When the expenditure occurs in the subsequent year, revenue will be earned based on the grant agreements, and resources will then be made available. The County believes that inclusion of such encumbrances as reserved fund balance would distort the unreserved fund balance.

**COMPONENT UNITS**

**I) Contributed Capital**

Changes in component unit contributed capital during the year are as follows:

	<u>Balance</u> July 1, 2000	<u>Increases</u> (Decreases)	<u>Balance</u> June 30, 2001
MCPS	\$ 5,793,624	\$ (919,072)	\$ 4,874,552
MCRA	8,871,319	(223,912)	8,647,407
HOC *	<u>58,602,467</u>	<u>-</u>	<u>58,602,467</u>
	<u>\$ 73,267,410</u>	<u>\$ (1,142,984)</u>	<u>\$ 72,124,426</u>

\* Balance at July 1, 2000, has been restated by \$58,602,467.

**J) Reservation of Retained Earnings**

MCPS retained earnings reserved at June 30, 2001, of \$34,929,204 represents amounts established for the payment of employee benefit claims.

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

Component unit reservations of fund balance, and the purpose of such reservations at June 30, 2001, are as follows:

<u>Purpose of Reservation</u>	<u>MCPS</u>	<u>MCC</u>	<u>BUPI</u>	<u>Total</u>
Encumbrances	\$ 5,465,276	\$ 16,760,373	\$ 57,783	\$ 22,283,432
Inventories	5,795,287	-	-	5,795,287
Prepays	2,087	-	-	2,087
Employees' pension benefits	673,238,558	-	-	673,238,558
Commitments for specified programs and emergency plant repairs and maintenance	-	378,036	-	378,036
Total Reserved Fund Balances	<u>\$ 684,501,208</u>	<u>\$ 17,138,409</u>	<u>\$ 57,783</u>	<u>\$ 701,697,400</u>

MCC designated fund balance of \$10,217,734 represents amounts designated for subsequent years' expenditures, amounts allocated for auxiliary enterprises and continuing education, and quasi-endowment funds.

**L) Reconciliation of Beginning Fund Equities**

Effective July 1, 2000, the County's component units implemented GASB 33, as applicable. The primary impact of this statement on MCPS (proprietary funds only), MCRA, and HOC is that capital contributions are recorded as revenues instead of contributed capital. In accordance with GASB 33, contributed capital arising from periods prior to July 1, 2000, has not been restated.

Additional changes impacting beginning fund equities of component units include the following:

MCPS

Effective July 1, 2000, MCPS increased the capitalization threshold to \$5,000 for equipment accounted for in its General Fixed Assets Account Group. The beginning balance of furniture and equipment has been restated by \$93,582,336 to account for the write-off of assets below the \$5,000 threshold.

In prior years, certain reclassifications were made to MCPS's financial data for inclusion in the accompanying financial statements to conform with the reporting entity concept. In conjunction with the County's implementation of GASB 33, these reclassifications are no longer necessary. Therefore, MCPS's fund balance at July 1, 2000, in the accompanying financial statements has been restated by \$28,520,097 to eliminate the effect of the FY00 reclassifications.

HOC

During FY01, HOC determined that 17 real estate limited partnerships, in which HOC is the managing general partner, should be included in HOC's financial reporting entity as discretely presented component units. As a result, HOC's fund equity and cash has been restated to include \$19,729,963 and \$2,189,588 respectively, for these entities as of July 1, 2000.

**M) Reconciliation of Ending Fund Equities**

A reconciliation of MCPS fund equities 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, at June 30, 2001, is as follows:

	Net Assets of Component Units	Contributed Capital	Retained Earnings		Fund Balance (Deficit)		Total
			Reserved	Unreserved	Reserved	Unreserved	
Fund Balance (Deficit) per							
Exhibit A-3	\$ -	\$ -	\$ -	\$ -	\$ 11,262,650	\$ (12,237,745)	\$ (975,095)
Fund Equity per							
Exhibit A-6	1,852,288	4,874,552	34,929,204	962,059	-	-	42,618,103
Net Assets per							
Exhibit A-12	-	-	-	-	673,238,558	-	673,238,558
Totals	<u>\$ 1,852,288</u>	<u>\$ 4,874,552</u>	<u>\$ 34,929,204</u>	<u>\$ 962,059</u>	<u>\$ 684,501,208</u>	<u>\$ (12,237,745)</u>	<u>\$ 714,881,566</u>

**N) Deficit Fund Balance**

The \$12,237,745 MCPS unreserved deficit results primarily from fund balance reservations for inventories and prepaids, and a shortfall in planned construction funds from the State of Maryland.

## **NOTE 12. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

### **A) Risk Management**

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

One fund is maintained for Liability and Property Coverage under which participants share the costs of workers' compensation, comprehensive general, automobile and professional liability, 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 the 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. 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 complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. During the year, there were no significant reductions in commercial insurance coverage in either fund from the prior year. For the past four years, no insurance settlements exceeded commercial insurance coverage in either fund.

Changes in the balances of Claims Payable for the self-insurance funds for FY01 and FY00 are as follows:

	<u>Liability and Property Coverage</u>	<u>Employee Health Benefits</u>
Balance July 1, 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	41,210,000	4,975,119
Claims and changes in estimates	18,442,892	63,465,536
Claim payments *	<u>(15,634,892)</u>	<u>(61,748,144)</u>
Balance June 30, 2001 **	<u>\$ 44,018,000</u>	<u>\$ 6,692,511</u>

\* Includes non-monetary settlements.

\*\* Includes incurred but not reported claims of \$20,425,000 and \$6,692,511, for the Liability and Property Coverage and the Employee Health Benefits Self-Insurance Funds, respectively.

During FY01, the Liability and Property Coverage Fund paid \$1,609,950 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, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed \$6,375,000. In accordance with generally accepted accounting principles, \$500,000 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, entitlement, and/or reimbursement programs, principal of which are the Community Development Block Grant, the Head Start Grant, Community Mental Health Grant, and the Medical Assistance Grant. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of most of these programs for, or including, the year-ended June 30, 2001, have not yet been completed. In accordance with the provisions of the Single Audit Act of 1984 and Circular A-133, issued by the U.S. Office of Management and Budget, the County participates in single audits of federally assisted programs. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe amounts ultimately disallowed, if any, would be material.

**D) Landfill**

The County, in its effort to provide for estimated landfill capping and postclosure maintenance costs, accrues such costs and recognizes those expenses as the landfill is utilized. The October 9, 1991 U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Criteria," established closure requirements for all municipal solid waste landfills (MSWLFs) that receive waste after October 9, 1991. The County has been accruing closure expenses since FY91 in an attempt to match the costs of closure against the revenues associated with the use of the landfill. GASB Statement No. 18, issued in August 1993, expanded the items considered in the original EPA calculation of closure costs. The expanded requirements include postclosure care for thirty years for landfills accepting refuse materials after October 1991. The Oaks Landfill closed on October 22, 1997, and the County began using out-of-County waste hauling during FY98. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons. The total closure and postclosure costs are estimated at \$51,717,459, which has been fully accrued through June 30, 2001. Of the total amount accrued, \$23,996,100 in actual costs has been paid out in prior years, and \$3,189,000 was paid in FY01, resulting in a net liability of \$24,532,359 at June 30, 2001. The current and non-current portions of the adjusted liability at year-end are estimated at \$1,285,000 and \$23,247,359 respectively. These costs are subject to change based on cost differences, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and postclosure costs as they are incurred in the future.

**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, 2001, are as follows:

<u>Enterprise Funds:</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Liquor	\$ 227,659	\$ -	\$ 227,659
Solid Waste Disposal	5,410,100	1,185,422	6,595,522
Solid Waste Collection	2,568	-	2,568
Permitting Services	376,524	-	376,524
Community Use of Public Facilities	25,506	-	25,506
Silver Spring Parking	271,308	2,791,443	3,062,751
Bethesda Parking	345,736	13,157,830	13,503,566
Wheaton Parking	54,162	136,024	190,186
Montgomery Hills Parking	6,265	-	6,265
Total Enterprise Service Funds	<u>6,719,828</u>	<u>17,270,719</u>	<u>23,990,547</u>
<u>Internal Service Funds:</u>			
Motor Pool	3,601,712	-	3,601,712
Central Duplicating	78,623	-	78,623
Liability and Property Coverage Self-Insurance	121,758	-	121,758
Employee Health Benefits Self-Insurance	195,883	-	195,883
Total Internal Service Funds	<u>3,997,976</u>	<u>-</u>	<u>3,997,976</u>
Total Proprietary Funds	<u>\$10,717,804</u>	<u>\$ 17,270,719</u>	<u>\$ 27,988,523</u>

The Mass Transit Facilities Special Revenue Fund reported an unreserved deficit at year-end (See Note 11E). If sufficient unreserved fund balance had been available, the fund would have reported designations of \$4,703,467 for transfers to the Capital Projects Fund.

As of June 30, 2001, the County has \$2.78 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 June 26, 2001, the County Council introduced, and subsequently approved, legislation to increase the level of authorized general obligation bond principal by an additional \$212,285,000, effective October 29, 2001.

Commercial paper bond anticipation notes (BANs) amounting to \$75,000,000 were issued on October 3, 2001.

On August 30, 2001, the County issued \$3,060,000 in variable rate Economic Development Revenue Bonds (conduit debt obligations) on behalf of Rehabilitation Opportunities, Inc. 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.

The County issued \$143,375,000 in general obligation refunding bonds on November 27, 2001, the proceeds of which, along with premium and accrued interest, will refund \$143,000,000 in outstanding general obligation bonds. After adjustments, the true interest cost to the County was 4.53 percent and savings of almost \$4.2 million will be realized, primarily in fiscal years 2002 - 2004.

### **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 M-NCPPC issued for its jurisdiction.

At June 30, 2001, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$165,509,725, of which \$19,249,725 was self-supporting. Of the total amount payable, \$11,084,053 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, 2001, is \$35,845,000, 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, 2001, WSSC had outstanding notes payable and bonds payable in the amount of \$1,603,521,137, of which \$1,592,496,137 was self-supporting. Of the total amount payable, \$133,992,000 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, 2001, 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 \$53,025 to WSTC during FY01. The FY01 WSTC Annual Financial Report was not available when this report was published.

#### Washington Metropolitan Area Transit Authority (WMATA)

WMATA was created in 1967 by interstate compact among the states of Maryland and Virginia and the District of Columbia. WMATA's primary function is to plan, 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 WMATA and its regional Metro Rapid Rail and Metro Bus programs. Pursuant to Section 87-13 of the County Code, the County guarantees its obligations imposed on WSTD by contracts or agreements with WMATA. As a result of State legislation, the State of Maryland is required to fund 100 percent of the County's share of rail and bus operating expenses. In addition, the State is required to fund 100 percent of the annual debt service on revenue bonds issued by WMATA in connection with the construction of the Metro 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 County Ride-On operations 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 the County's share of WMATA's activities for FY01, which are fully funded by the State, is as follows:

Bus operating subsidy	\$ 25,809,264
Rail operating subsidy	23,608,956
ADA Service	9,612,760
Metrobus and Metrorail capital replacement	22,134,282
Debt service on WMATA revenue bonds	4,867,451
Local bus program	<u>20,674,278</u>
Total	<u>\$106,706,991</u>

Beginning in FY00, it was determined that the State's funding no longer qualified for reporting in the Mass Transit Facilities Special Revenue Fund. Due to the timing of the County's budget process and this accounting change, for FY01 the fund's budget included an appropriation for the State's funding of the County portion of WMATA. As a result, significant budget to actual variances exist for FY01.

At June 30, 2001, WMATA had outstanding debt of \$245,683,000, of which \$14,735,000 represented debt due within one year. All of this debt is payable from resources of WMATA.

#### Metropolitan Washington Council of Governments (COG)

COG is a multi-governmental organization in which local governments unite to solve area-wide problems. The County is a participant in COG along with other Washington metropolitan area 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, the County paid FY01 membership dues amounting to \$579,503. The FY01 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, 2001, NEMWDA had outstanding bonds payable in the amount of \$317,605,000. All of these outstanding bonds are related to this Project and are limited obligations of NEMWDA, payable solely from the Project revenues and other sources. Since the Project is owned and operated by NEMWDA, the bonds and related activities are included in the financial statements of NEMWDA.

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

**Summary Financial Information**

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

	<u>M-NCPPC (a)</u>	<u>WSSC (a)</u>	<u>WMATA (a)</u>	<u>WSTC (e)</u>	<u>COG (e)</u>	<u>NEMWDA (a)</u>
Total Assets	\$ 1,493,289	\$ 3,816,057	\$ 9,288,922	\$ 7,630	\$ 10,664	\$ 338,693
Total Liabilities	254,291	1,738,590	1,791,772	7,061	6,123	339,404
Total Equity (Deficit)	1,238,998	2,077,467	7,497,150	569	4,541	(711)
Total Revenue/Resources	275,546	422,500	425,695	180,812 (c)	20,469	67,498
Total Expenditures/Expenses	298,935	266,421	1,069,917	180,284 (d)	20,541	63,901
Other Financing Sources	32,316	46,247	905,166	-	124	-
Other Financing Uses	(26,616)	(93,259)	(84,223)	-	-	-
Capital Contributions	312	81,169	-	-	-	-
Other Changes in Fund Equity	-	-	-	-	-	-
Net Increase (Decrease) in						
Fund Balance/Retained Earnings	(17,377)	190,236	176,721	528	52	3,597
Total County Contributions						
During Year	-	-	-	53 (a)	580 (a)	44,403
Year-end Net Liability of County	-	474 (b)	-	-	-	-

NOTE: All fiscal years end on June 30

a) FY01 data

b) Amount represents unremitted front foot benefit charges and prior period sanitary tax as of June 30, 2001, 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) FY00 data

**NOTE 15. EMPLOYEE BENEFITS**

**A) Deferred Compensation**

Employees of the County 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. The Plan therefore is accounted for and included in the accompanying 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 participants. A separate account, which reflects the monies deferred, the investment of the monies, and related investment earnings, is maintained for each participant. Withdrawals are made upon retirement, termination of employment, death, and/or in unforeseeable emergencies.

**B) Vacation, Sick Leave, and Other Compensated Absences**

Employees of the County earn vacation, compensatory, and sick leave in varying amounts. In the event of termination, employees are reimbursed for accumulated vacation and compensatory leave. Under the Employees' Retirement System of Montgomery County, covered employees are given credited service toward retirement benefits for accumulated sick leave at retirement. Earned but unused 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, 2001, totaling 4,793,565 hours approximates \$140,193,110 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**

The County 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 FY01, the County and its employees contributed \$31,828,294 and \$8,709,609, respectively. Employees of MCRA, HOC, and BUPI participate in the comprehensive insurance program of the County. Employer contributions totaled \$59,170, \$1,205,576, and \$40,407 for these component units, respectively, for FY01.

**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, 3,326 retirees meet those eligibility requirements.

Postemployment benefits are funded with 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 \$7,640,080 for FY01; retired employee contributions were \$4,156,638. 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 cost-sharing multiple-employer defined benefit pension plan sponsored by the County. Other agencies and political subdivisions have the right to elect participation. The County is responsible for substantially all employer contributions, since 96 percent of participants are County employees. Therefore, County reporting is consistent with that required for a single-employer plan.

This Plan is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. Substantially all employees hired prior to October 1, 1994, of the County, 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.

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 the 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. Membership at year-end is as follows:

Number of retirees and beneficiaries currently receiving benefits	3,989
Number of terminated employees entitled to benefits but not yet receiving them	390
Number of current active employees	6,024

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 provides full retirement benefits until the member reaches age 65, with supplemental benefits to Social Security thereafter, and the Optional Retirement Group 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 to 4.75 percent of regular annual earnings up to the maximum Social Security wage base, and 6 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 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 County's 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. During FY01 total disbursements under these DROP Plans amounted to \$79,731.

Derivatives – At June 30, 2001, direct investments in derivatives represented 1 percent of the total fair value of the System's portfolio. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain mutual funds which hold derivative financial instruments.

Concentrations - At June 30, 2001, \$250,118,971 (13.7%) 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 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 County and the participating agencies and political subdivisions for FY01 were as follows:

	<u>Amount</u>
Annual required employer contributions (ARC)	\$ 43,345,296
Contributions made (100% of ARC)	<u>(43,345,296)</u>
Net Pension Obligation	<u>\$ -</u>

The annual required contributions for FY01 were based on an actuarial valuation as of June 30, 1999, 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, 2001, 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 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 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 0.2 percent to 8 percent based on years of service.
- Mortality: 1983 Group Annuity Mortality Table.
- Disability: Based on County experience, rates varying from 0.1 to 7.8 percent, depending on age, gender, and job type.
- 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**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1999	\$ 47,462,625	100 %	\$ -
2000	44,347,078	100	-
2001	43,345,296	100	-

Prior Period Adjustment - On August 1, 1986, the 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, the 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 was 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, was \$67,209,405.

As a result of a recent review by the County and clarification received from Aetna, it was determined that the agreement meets the definition of an allocated insurance contract. Effective in FY97, generally accepted accounting principles required that allocated insurance contracts be excluded from plan assets. Net assets held in trust for pension benefits at July 1, 2000, has been restated by \$67,209,405, and this contract is no longer reflected as an asset in the accompanying financial statements (see Note 11D).

**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
1999	\$1,707,450,187	\$ 1,818,990,623	\$ 111,540,436	93.9 %	\$ 282,220,066	39.5 %
2000	1,911,114,401	1,931,914,313	20,799,912	98.9	299,649,316	6.9
2001	1,990,882,017	2,111,946,453	121,064,436	94.3	290,751,709	41.6

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

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, 2001, includes \$121.9 million relating to plan benefit changes resulting from labor negotiations. The AAL as of June 30, 2001, also includes an increase in the minimum member contribution from 3 to 4 percent of regular annual earnings up to the maximum Social Security wage base.

**B) Defined Contribution Plan**

Plan Description - Employees' Retirement Savings Plan (Plan) is a cost-sharing multiple-employer defined contribution plan established by the County under Chapter 33 of the County Code. Other agencies or political subdivisions have the right to elect participation. The County is responsible for substantially all employer contributions, since 91 percent of participants are County employees. Therefore, County reporting is consistent with that required for a single-employer plan. 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 the 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 FY01, there were 2,536 employees who were covered under this Plan.



Under this Plan, employees contribute 3 percent of regular earnings up to Social Security wage base and 6 percent above Social Security wage base. The employer contributes 6 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. The 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 FY01 were \$4,866,825 and \$2,582,452, respectively.

**C) Other**

The County contributed \$634,003 during FY01 for pension costs for a limited number of employees/retirees who elected to remain in the State plan. This amount includes the current service costs plus an amount sufficient to amortize the prior service cost over a forty-year period ending June 30, 2020.

**COMPONENT UNITS**

MCRA and HOC 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. MCPS and MCC 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. BUPI maintains a simplified employee pension plan.

Component Unit Summary Data - Actuarial Accrued Liability and Actuarial Value of Assets (Unaudited)

	MCPS Plan *	MCC State Plans *	MCC Aetna **
Actuarial Accrued Liability	\$ 704,649,000	\$ 30,279,866,730	\$ 9,592,981
Actuarial Value of Assets	<u>(716,842,000)</u>	<u>(30,649,380,445)</u>	<u>(12,681,277)</u>
Unfunded (Net Assets in Excess of) Actuarial Accrued Liability	<u>\$ (12,193,000)</u>	<u>\$ (369,513,715)</u>	<u>\$ (3,088,296)</u>

\* As of July 1, 2000

\*\* As of July 1, 2001

**NOTE 17. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments*, issued June 1999, as amended by GASB Statement No. 37, will impose new standards for financial reporting. GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, modifies existing, and imposes new, disclosure requirements. These statements will be effective for the County and its component units for the fiscal year ending June 30, 2002. Management of the County has not yet completed its assessment of the statements, however, they will have a material effect on the overall financial statement presentation of the County. It is also anticipated that the statements will have a material effect on the overall financial statement presentation of certain component units.

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Silver Spring Urban District Special Revenue	102	103	-	110
Solid Waste Collection Enterprise	134	136	138	140
Solid Waste Disposal Enterprise	134	136	138	140
Strathmore Hall Expendable Trust	153	155	-	-
Tri-centennial Expendable Trust	153	155	-	-
Wheaton Parking Enterprise	135	137	139	141
Wheaton Urban District Special Revenue	102	103	-	111
<b>Component Units:</b>				
Bethesda Urban Partnership, Inc.	9	17	22	-
Housing Opportunities Commission of Montgomery County	9	17	22	-
Montgomery Community College	8	24, 26	-	-
Montgomery County Public Schools	8, 27	13, 17, 29	22	-
Montgomery County Revenue Authority	9	17	22	-