

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report



Fiscal Year 2016

July 1, 2015 - June 30, 2016
Rockville, Maryland



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Montgomery County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report

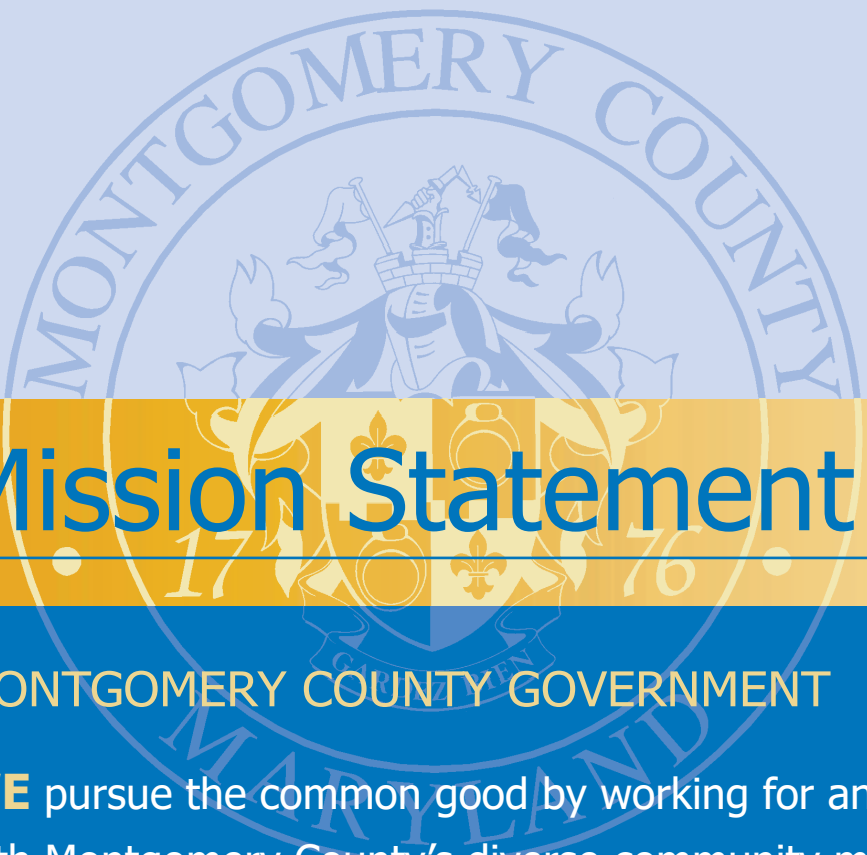


Prepared by the
DEPARTMENT OF FINANCE

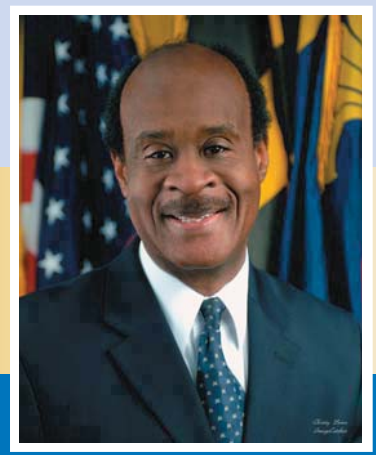
Alexandre A. Espinosa, Director
101 Monroe Street
Rockville, Maryland 20850
240-777-8860

Fiscal Year 2016

July 1, 2015 - June 30, 2016



Mission Statement



Isiah Leggett
ISIAH LEGGETT

MONTGOMERY COUNTY GOVERNMENT

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

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

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

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

Montgomery County, Maryland
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2016
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INTRODUCTORY SECTION

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DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Alexandre A. Espinosa
Director

December 9, 2016

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of Montgomery County, Maryland (the County) for the fiscal year ended June 30, 2016.

FORMAL TRANSMITTAL OF THE CAFR

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

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

The public accounting firm of CliftonLarsonAllen, LLP has performed an independent audit of, and issued an unmodified opinion on, the County's financial statements as of and for the year ended June 30, 2016. The independent auditors' report is located at the front of the financial section of this report. This independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The independent auditors' reports associated with the Single Audit are available in a separately issued *Report on Expenditures of Federal Awards*.

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

Office of the Director

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www.montgomerycountymd.gov

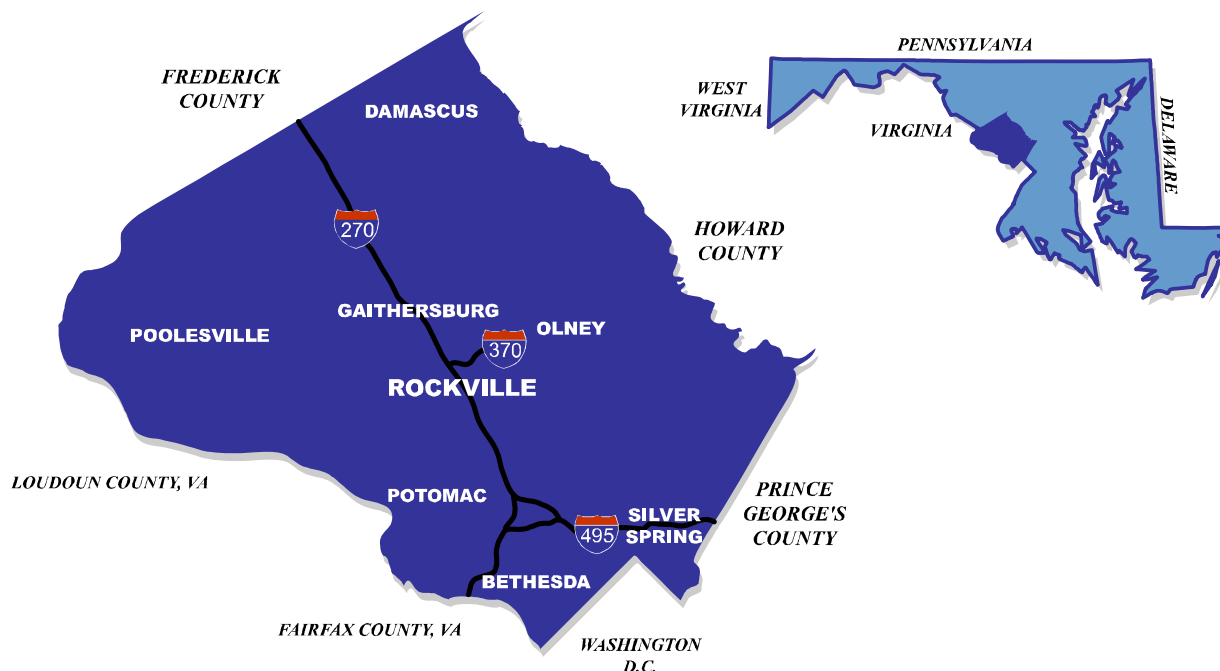
montgomerycountymd.gov/311



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PROFILE OF THE GOVERNMENT

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



Budgetary Overview

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

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

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

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

The Reporting Entity

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

INFORMATION USEFUL IN ASSESSING THE COUNTY'S ECONOMIC CONDITION

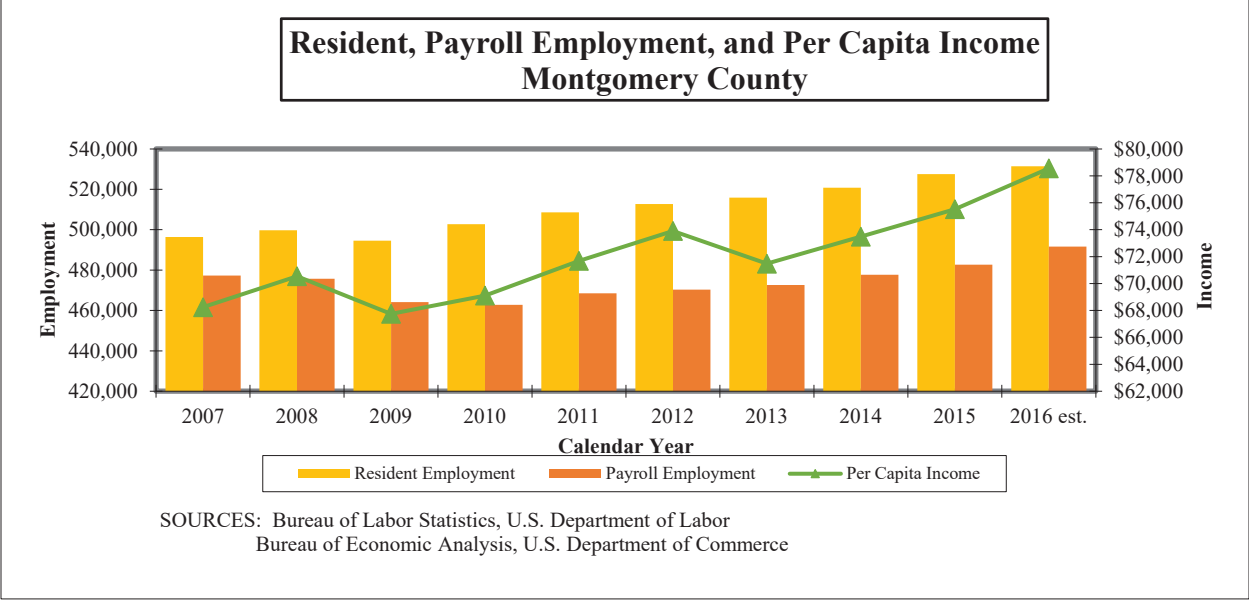
The information presented in the financial statements is best understood in conjunction with the broader perspective of Montgomery County's economic environment.

The Local Economy

Montgomery County's economy improved during fiscal year (FY) 2016 compared to the economic performance in FY15. On a fiscal year basis, the major reasons for the improvement were increases in payroll employment (1.1%) and in resident employment (1.3%). Other economic indicators improved during FY16 as well. The unemployment rate declined from 4.2 percent in FY15 to 3.7 percent in FY16, and sales of existing homes increased from 11,150 in FY15 to 12,315 in FY16 (10.4%). Total new construction increased 1.6 percent in FY16, solely attributed to new non-residential construction which increased 8.8 percent while new residential construction declined 2.9 percent.

Personal Income and Employment

Income tax revenues for the County represented 47.8 percent of total tax revenues for the General Fund in FY16. Two economic indicators, personal income and employment, are the major contributors that drive income tax receipts. On a calendar year basis, per capita personal income increased from \$68,243 in 2007 to an estimated \$78,553 in 2016 – an average annual rate of 1.6 percent. However, over the past ten years, the rate of growth in per capita personal income experienced two distinct cycles. From 2007 to 2010, per capita income grew at a 0.4 percent average annual rate, but it is estimated to grow at an annual rate of 2.1 percent, or 5.25 times the 2007-2010 rate, from 2010 to 2016.



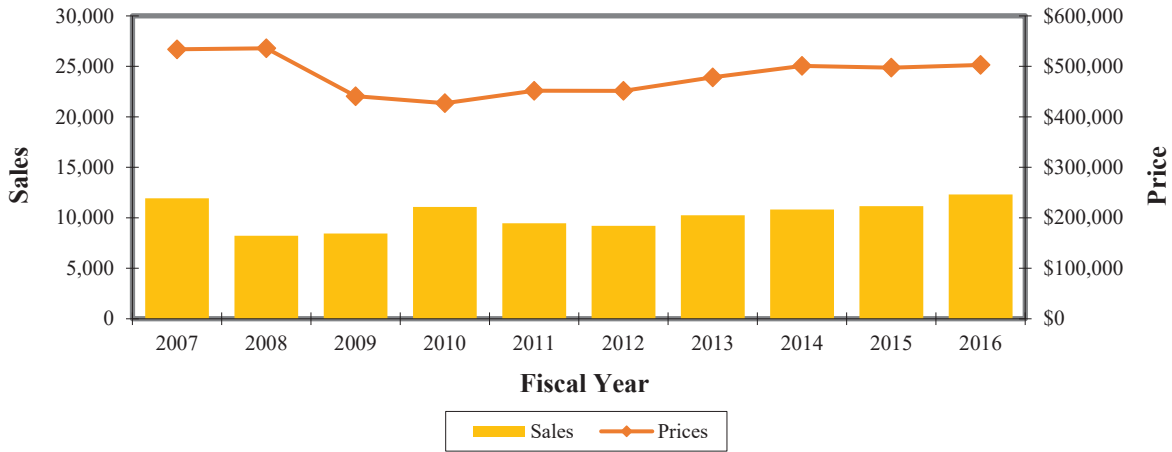
In 2007, resident employment in Montgomery County stood at 496,401. By calendar year 2016, employment is expected to reach approximately 531,400 — an average annual increase of 0.8 percent. However, growth in resident employment has also experienced two distinct cycles. Between 2007 and 2010, resident employment grew at an average annual rate of 0.4 percent, but is expected to increase 0.9 percent between 2010 and 2016, or 2.25 times the 2007-2010 rate.

Payroll employment in the County was approximately 477,300 in 2007 and is expected to experience an increase in 2016 to approximately 491,600 — an increase of 0.3 percent. Payroll employment experienced two distinct cycles over the ten-year period. From 2007 to 2010, payroll employment steadily decreased at an average annual rate of nearly 1.0 percent. From 2010 to 2016, payroll employment is expected to increase at an average annual rate of over 1.0 percent.

Construction and Real Estate

The property tax and the transfer and recordation taxes consisted of 37.8 percent share and 5.4 percent share, respectively, of total tax revenues for the General Fund in FY16. Construction and real estate activity play a significant role in Montgomery County’s economy and their effects on the amount of property taxes and transfer and recordation taxes collected. Non-residential and residential construction help maintain the value of existing assessable property tax base by replacing technologically obsolescent property (equipment and real estate) and grow the base by providing additional capacity to meet increases in employment and new households. Changes in home prices affect both the property tax assessments and the transfer and recordation taxes. However, changes in home prices may affect property tax revenues with a lag because of the homestead tax credit. Average prices for existing homes were up 1.1 percent in FY16, and sales of existing homes increased 10.4 percent. That increase in home sales followed a decrease of 2.7 percent in FY12, an increase of 11.4 percent in FY13, an increase of 5.5 percent in FY14, and an increase of 3.1 percent in FY15. The increase in average sales price and the increase in sales in FY16 resulted in an increase of 7.7 percent from residential transfer taxes. Receipts from non-residential transfer taxes also increased 12.6 percent in FY16. Overall, transfer taxes collected for the General Fund were up 9.2 percent and recordation taxes were up 10.1 percent in FY16 compared to FY15.

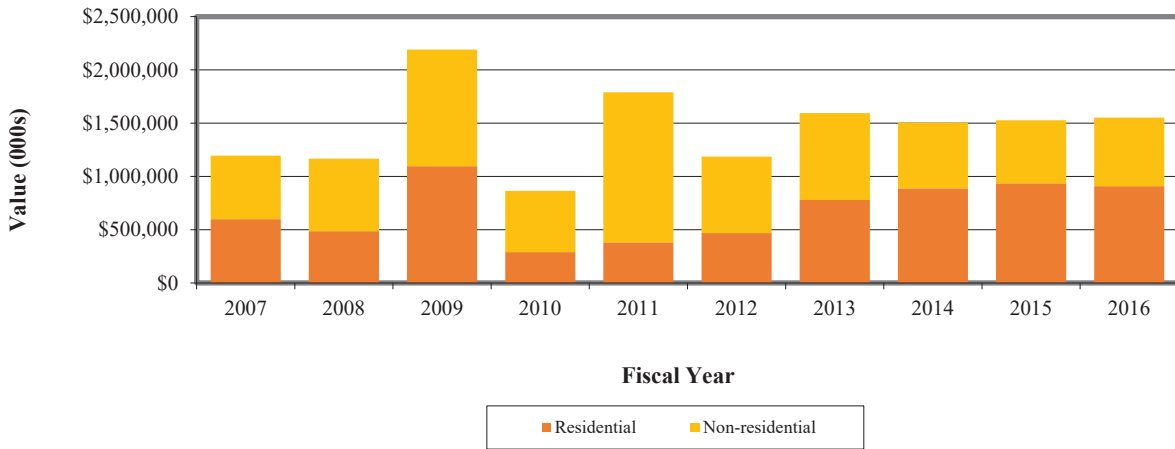
Home Sales and Average Home Prices Montgomery County



SOURCES: Metropolitan Regional Information System, Inc.

Residential construction decreased 2.9 percent in FY16. Total value of new residential construction at \$908.0 million was up \$250.0 million compared to the nine-year average between FY07-FY15. Residential construction starts of both multi-family and single-family units, which added a total value \$908.0 million in FY16, decreased 1.4 percent over FY15. The number of new detached single-family units decreased 8.7 percent from 1,445 units in FY15 to 1,320 units in FY16. Construction of multi-family units declined in FY16 to 3,229 (7.6%) but was the second highest number the past ten fiscal years. Compared to the decrease in residential sector construction, the total value of non-residential construction at \$644.0 million was up 8.8 percent in FY16.

Total Value of New Construction Montgomery County

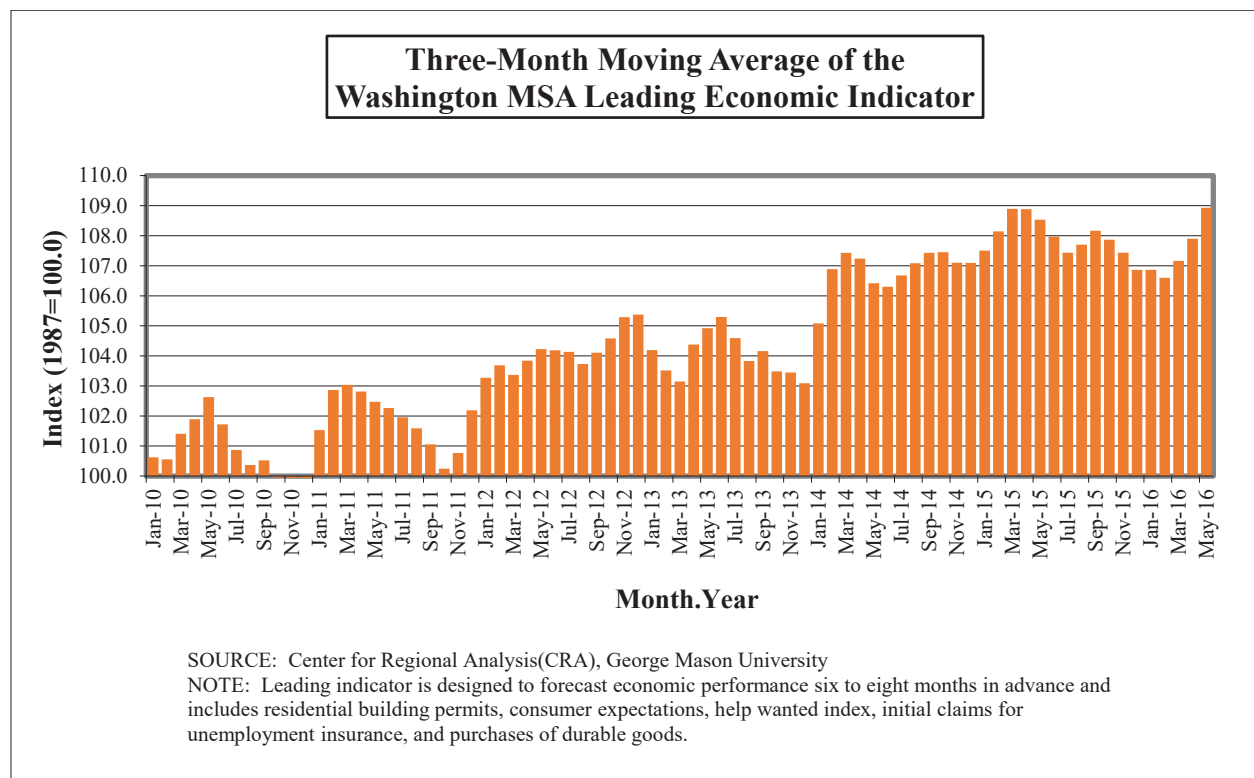


SOURCES: McGraw-Hill Construction
Montgomery County Department of Finance

Future Economic Outlook

Following FY16 in which the County’s economy experienced an increase in resident employment (1.0% in FY16), a decline in the average monthly unemployment rate to 3.7 percent in FY16, an estimated increase in personal income (4.9% in CY16), and an increase in the sales of existing homes, the outlook for FY17 is expected to see a modest continuation of economic growth. Because of the uncertainty of the increase in interest rates – both the rate and the number of increases - attributed to the actions by the Federal Reserve, the number of mortgage refinancings may continue to experience a slowdown in FY17 and affect recordation tax revenues. Second, the decision by the U.S. Supreme Court in *Comptroller of the Treasury of Maryland v. Wynne et ux.* will affect income tax revenues from taxpayers who filed protective claims beginning with tax year 2007. The refunds and tax revenues from those taxpayers will offset the growth in collections from withholdings attributed to an improved labor market in future fiscal years.

According to the Center for Regional Analysis (CRA), George Mason University, the Washington Area Leading Index, which forecasts the performance of the region’s economy six to eight months in advance, is estimated to decrease a modest 0.2 percent from the first eleven months of FY15 to the first eleven months of FY16, based on a three-month moving average, and 11.3 percent as of May 2016 from its trough in March 2009. However, the strength and sustainability of the region’s economy will depend on consumer confidence in the economy as reflected by labor market conditions, the housing market, and action by the Maryland State (State) and Federal government. While the labor market lags the economic recovery, the risk to short- and long-term economic performance in the region will depend on the fiscal decisions made by both the State and Federal government.



Collective Bargaining

International Association of Fire Fighters (IAFF)

Full funding was appropriated for the following contract provisions in FY17 for the Local 1664, Montgomery County Career Fire Fighters Association of the International Association of Fire Fighters, AFL-CIO:

- 1% general wage adjustment for all bargaining unit members on the first full pay period after July 1, 2016
- 3.5% longevity increment for bargaining unit members with either 20 or 28 years of service.
- 3.5% service increments for all eligible bargaining unit members on their anniversary date.

Fraternal Order of Police (FOP)

Full funding was appropriated for the following contract provisions in FY17 for the Fraternal Order of the Police, Lodge 35:

- 0.5% general wage adjustment for all bargaining unit members on the first full pay period after July 1, 2016 and a 0.5% general wage adjustment on the first pay period after January 1, 2017.
- 3.5% service increments for all eligible members on their anniversary date.
- 3.5% longevity increments for members who have completed 20 years of service.

Municipal and County Government Employees Organization (MCGEO)

Full funding was appropriated for the following contract provisions in FY17 for Local 1994, Municipal and County Government Employees Organization of the United Food and Commercial Workers, AFL-CIO (MCGEO):

- 0.5% general wage adjustment payable on the first full pay period after July 1, 2016 and a 0.5% general wage adjustment on the first full pay period after January 1, 2017.
- 3.5% service increment for all eligible bargaining unit members.
- 1% lump sum for bargaining unit members who are at the maximum salary for their grade and are not newly eligible for a longevity increment.
- 3% longevity increments for eligible members with 20 years of service.

Long-term Financial Planning

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

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

As part of the annual operating budget process, the County develops a structurally balanced six-year fiscal plan. This plan addresses long-term structural issues in the budget, maintains the General Fund reserves at the required policy levels, and emphasizes the priorities of education, public safety, affordable housing, transportation, and health and human services.

Significant budget challenges include rising retirement and medical costs, recognition of retiree health expenses, addressing deferred maintenance, and funding program improvements. In addition to these challenges, actions implemented at the Federal and State level may complicate the County's ability to plan for the FY17 – FY22 period. The County Government is closely monitoring proposed changes in the federal budget and tax policy, and analyzing the potential impact on the County's economy and financial position.

Relevant Financial Policies

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

Major Initiatives

Major Initiatives of the County during FY16 that are expected to affect future financial position include the following:

Housing

The County invested over \$47.0 million in Affordable Housing including the Montgomery Housing Initiative (MHI) fund and utilized \$16.0 million from the Affordable Housing Acquisition and Preservation CIP project. This increase in dedicated funding provides for the renovations of distressed housing, the acquisition and preservation of affordable housing units, for special needs residents, services to the "Building Neighborhoods to Call Home" and "Housing First" programs, and the creation of mixed income housing.

Transportation

The Federal Transit Administration awarded the County a two-year \$138,000 Enhancing Montgomery's Mobility grant to increase public awareness of transportation options for seniors and people with disabilities, and to help expand the pool of volunteer drivers in the County.

The County completed construction of two new compressed natural gas (CNG) sites supporting transit, heavy, and administrative fleets. One of the new sites is open to the public. The new facilities, through an increase in CNG bus fleet size, aids the County in displacing more than 1.0 million gallons of diesel fuel a year and will achieve a savings of \$2.2 million in operational and maintenance costs over the next 10 years.

Further, the County also converted five new diesel transit buses to CNG for petroleum reduction initiatives, eliminating over 825,000 gallons of fuel use over the next 12 years and saving the County more than \$1.0 million in future fuel costs.

Working with the Maryland Congressional Delegation, the County was able to secure \$100.0 million in federal transportation funding towards the construction of the Purple Line. The Purple Line is a 16 mile light rail project linking Bethesda in Montgomery County to New Carrollton, in Prince George County. The project is scheduled to be completed in 2022.

Environment

The County expanded the County's Clean Energy Financing programs to include Commercial Property Assessed Clean Energy (PACE) program to provide financing for commercial property clean energy improvements; and use of Qualified Energy Conservation Bonds for County facilities as well as to support the implementation of the Green Bank for public and private energy and environmental efficiency programs.

The Departments of Finance and Environmental Protection collaborated on the development of the Commercial Property Assessed Clean Energy (PACE) program, which will allow commercial property owners to borrow money for energy efficiency improvements and renewable energy projects, and repay the loan via their property tax bill.

The County will retain the energy tax at the level approved by the council for FY16, thus preserving a broad based revenue source that includes federal institutions located in the County.

Culture and Recreation

Montgomery County Public Libraries (MCPL) opened the new, state-of-the-art, Silver Spring Library, increased weekly branch hours at 16 branches; opened the KID Museum Partnership Makerspace at the Davis Library; and held health, cooking, small business, and other programs at library branches across the County.

The County opened the North Potomac Community Recreation Center in September 2016, which includes a full Senior facility. The Senior Program Team plans to add an additional nutrition program as well as offer classes, programs and services in Fall/Winter of 2016.

The County has continued the growth of the financial assistance program (RecAssist) providing the community with an improved needs-based service; the number of families served continues to increase and the subsidy has grown to approximately \$1.0 million per year.

Education

The County increased the contribution to MCPS by \$135.9 million or 5.9%. Within this total, the County contribution is \$89.3 million over the maintenance of effort level of funding.

The County increased funding for Montgomery College's tax-supported programs by \$4.8 million. County funding is \$2.0 million over maintenance of effort for the fifth year in a row. The County contribution increases by 37% in total and 50% on a per student full-time enrollment basis since 2013.

General Government

Lease savings were identified that could be used to fund the renovation of the historic Grey Courthouse, maximizing use of existing County assets. The County also developed a plan to efficiently fund the co-location of additional departments at the new M-NCPPC headquarters building being constructed as part of the Wheaton Redevelopment project.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County, Maryland for its CAFR for the fiscal year

ended June 30, 2015. Montgomery County has received the Certificate of Achievement more than any other county in the nation; 46 times since 1951, and consecutively for 44 years since 1972.

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

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

Distinguished Budget Presentation

GFOA presented the Distinguished Budget Presentation Award to Montgomery County, Maryland for its annual budget for the fiscal year beginning July 1, 2016. In order to receive this award, a government must publish a document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. Montgomery County has received this award every year since 1984, the year the program was established. The Office of Management and Budget believes the current budget continues to conform to program requirements and is submitting it to GFOA to determine its eligibility for another award.

Acknowledgments

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

USE OF THIS REPORT

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

Respectfully submitted,



Alexandre A. Espinosa
Director of Finance

ACKNOWLEDGMENTS

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

Department of Finance, The Division of the Controller

Douglas Campbell	Estela de Gomes	Priti Mehta	Laleh Shabani
Chander Chadha	Jayanthi Hariprasadh	Heidi Metzger	Karen Smith
Sheenu Chopra	Jason Hsu	Lenny Moore	Philip Smith
Melissa Chui	Rachel Hsu	Jay Narang	Sarita Swar
Sean D'Costa	Tim Hughes	Courtney Orsini	Michael Toney
Neressa Darroux	Joelle Kabala	Leonard Raymo	Almon Turner
William Davis	Susan Kaplan	Lal Sangliani	Kim Williams
Mauricio Delgado	Chong Lee	Stephanie Sawyer	Sarah Xue
Melody Falaki	Xuerong Liu	Lisa Sesny	Rami Zackaria

Department of General Services

Bill Griffiths
Quinton McHenry
Gary Tillman and the Print Shop

Michelle West
Rick Taylor

Department of Liquor Control

Marty Utermohle

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

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

Department of Environmental Protection

Richard Hands
Peter Karasik
Rao Malladi

Scott McClure
Anthony Skinner

Office of Management and Budget

Chris Mullin

Office of Public Information

David Jeo

Department of Transportation

Michael Lee
Carolyn McKenzie
Flor Reichers
Luz Rodriguez

Office of Human Resources

Kay Russell Deerin
George Lacy

Belinda Fulco
Jennifer Shovlin

Montgomery County Employee Retirement Plans

Linda Herman
Akiko Kawashima
Dongmei Li

Component Units

Bethesda Urban Partnership, Inc.

Jeff Oyer

Montgomery County Public Schools

Bei (Susan) Chen
Susanne G. DeGraba
Jack Dodson

Housing Opportunities Commission

Eugenia Pascual
Gail Willison

Montgomery College

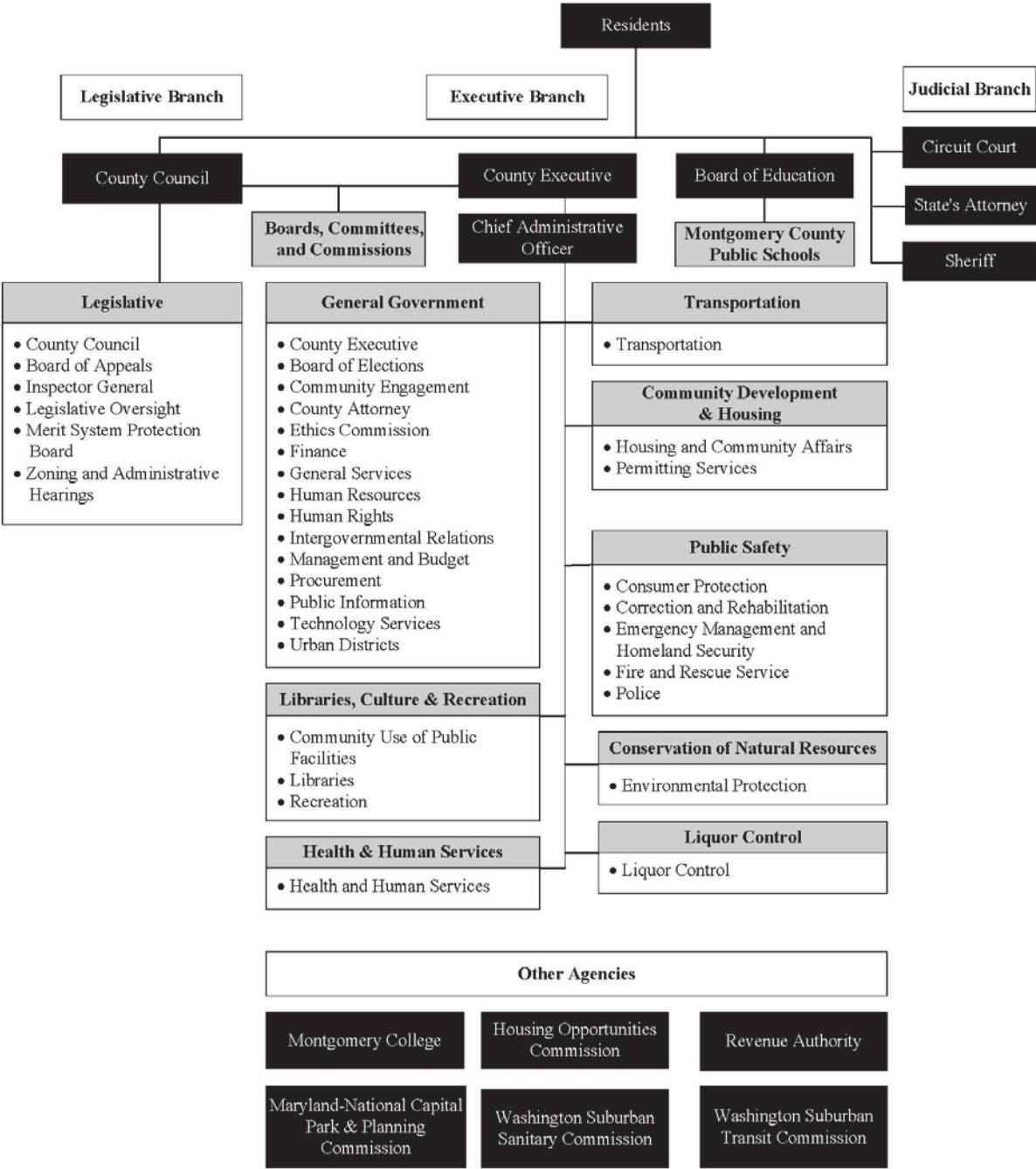
Phillip Howard
Ruby Sherman
Monica Wong

Montgomery County Revenue Authority

Michael Boone

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

Montgomery County, Maryland Functional Organization Chart



**MONTGOMERY COUNTY, MARYLAND
ELECTED OFFICIALS
June 30, 2016**

**COUNTY EXECUTIVE
Isiah Leggett**

COUNTY COUNCIL

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

Other Elected Officials

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

APPOINTED OFFICIALS

Chief Administrative Officer	Timothy L. Firestine
Board of Appeals	Barbara Jay
Consumer Protection	Eric Friedman
Correction and Rehabilitation	Robert Green
County Attorney	Marc Hansen
County Council	Stephen B. Farber
Economic Development (Eliminated in FY16)	Sally Sternbach, Acting
Environmental Protection	Lisa Feldt
Ethics Commission	Robert Cobb
Finance	Alexandre A. Espinosa
Fire and Rescue Service	Scott Goldstein
General Services	David E. Dise
Health and Human Services	Uma S. Ahluwalia
Housing and Community Affairs	Clarence J. Snuggs
Human Resources	Shawn Y. Stokes
Inspector General	Edward L. Blansitt, III
Intergovernmental Relations	Melanie L. Wenger
Legislative Oversight	Dr. Chris Cihlar
Liquor Control	Fariba Kassiri, Acting
Management and Budget	Jennifer Hughes
Merit System Protection Board	Bruce P. Martin
Permitting Services	Diane Schwartz-Jones
Police	J. Thomas Manger
Procurement	Cherri Branson
Public Information	Patrick Lacefield
Public Libraries	Parker Hamilton
Recreation	Gabriel Albornoz
Technology Services	Sonny Segal
Transportation	Al Roshdieh
Zoning and Administrative Hearings	Martin L. Grossman

COMPONENT UNIT OFFICIALS

Montgomery County Public Schools

Board of Education:

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

Christopher S. Barclay Shirley Brandman
Philip Kauffman Rebecca Smondrowski
Patricia O'Neill
Eric Guerci, Student Member

Dr. Jack Smith, Superintendent of Schools

Montgomery County Revenue Authority

Board of Directors:

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

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

Keith Miller, Chief Executive Officer

Bethesda Urban Partnership, Inc.

Board of Directors:

Patrick O'Neil, Chair
Elaine Joost, Vice Chair
Robert Donohoe, Jr., Treasurer
Jack Alexander, Secretary

Jane Fairweather Gregory Rooney
Deborah Michaels Len Simon

Kenneth B. Hartman, Ex-Officio: County Executive Rep
W. David Dabney, Executive Director

Montgomery College

Board of Trustees:

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

Dr. Kenneth J. Hoffman Robert F. Levey
Dr. Robert J. Hydorn Michael D. Priddy
Dr. Leslie S. Levine Benjamin H. Wu
Luis D. Rosales, Student Trustee

Dr. DeRionne Pollard, President and Secretary-Treasurer

Housing Opportunities Commission of Montgomery County

Commissioners:

Sally Roman, Chair
Jackie Simon, Vice Chair
Richard Y. Nelson, Jr., Chair Pro Tem

Pamela Byrd
Linda Croom
Christopher Hatcher
Margaret McFarland

Stacy L. Spann, Executive Director

INDEPENDENT AUDITORS

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

Elected Officials

Montgomery County, Maryland



Isiah Leggett
County Executive



Nancy Floreen
Council President



Roger Berliner
Council Vice-President



Marc Elrich
Council Member



Tom Hucker
Council Member



Sidney Katz
Council Member



George Leventhal
Council Member



Nancy Navarro
Council Member



Craig Rice
Council Member



Hans Riemer
Council Member





FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., which represent 16 percent, 6 percent, and 8 percent, respectively, of the assets, net position and revenues of the non-major component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Bethesda Urban Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining

fund information of the County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 25 and the budgetary comparison information for the general, housing initiative and grants funds, the Consolidated Retiree Health Benefits Trust, Employees' Retirement System, Maryland State Retirement and Pension System, and the notes to required supplementary information on pages 137 through 152 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 09, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

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

Financial Highlights

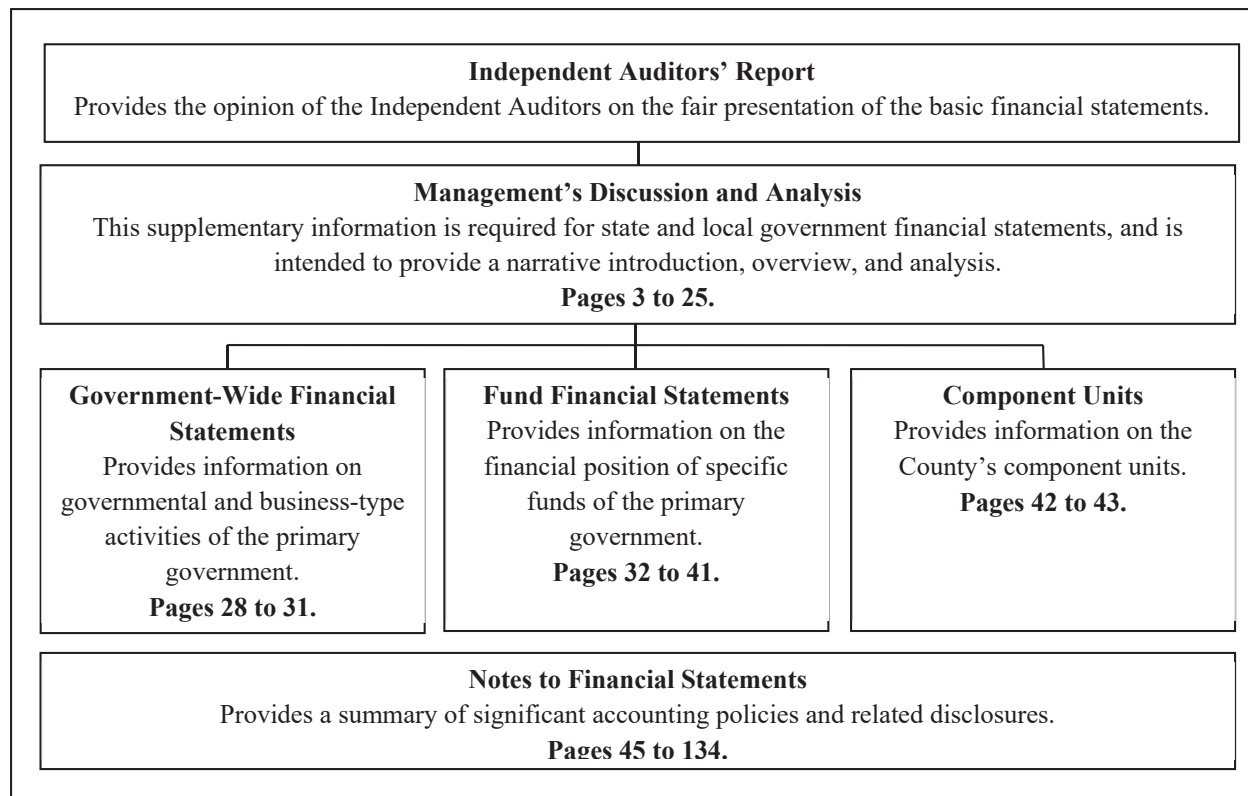
- The government-wide assets and deferred outflows of the County exceeded its liabilities and deferred inflows of resources at the close of FY16 by \$1,019.7 million. That amount is net of a \$1,903.3 million unrestricted deficit. The deficit occurs mainly because the County issues debt to fund construction costs for Montgomery County Public Schools (MCPS) and Montgomery College (MC), two of its component units, and for Maryland-National Capital Park and Planning Commission (M-NCPPC), a joint venture. Debt outstanding for these entities amounted to \$1,665.0 million at June 30, 2016. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of \$238.3 million.
- The County's total government-wide net position increased by \$18.0 million.
- As of the close of FY16, the County's governmental funds reported combined ending fund balances of \$895.6 million; a decrease of \$89.4 million over the prior year's ending fund balances. Of the total ending fund balances, \$113.0 million is available for spending at the County's discretion.
- At the end of FY16, unassigned fund balance for the General Fund was \$113.0 million, or 4.0 percent of total General Fund expenditures.
- The County's government-wide long-term debt and obligations increased by \$248.8 million during FY16. The key factors in this increase are:
 - The issuance of \$300 million in general obligation (GO) bonds, used to refund \$300 million in bond anticipation notes (BANS). Included in this issuance was an addition of \$26.7 in GO premiums.
 - The issuance of an additional \$300 million in BANS.
 - The issuance of \$46.5 million in Water Quality Protection Charge revenue bonds. Included in this issuance was an addition of \$2.0 million in revenue bond premium.
 - The issuance of \$9.2 million in Parking Lot District (PLD) revenue refunding bonds, used to refund \$10.2 million of existing PLD revenue bonds.
 - An increase in the Net Pension Liability of \$115.6 million.
 - The retirement of \$187.5 million in GO bond principal and amortization of related premiums of \$39.5 million

Overview of the Financial Statements

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

financial conditions. The structure of the financial statements is presented below. This MD&A is intended to be an introduction to Montgomery County’s basic financial statements. Montgomery County’s basic financial statements comprise three components, including government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Organization and Flow of Financial Section Information



Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

reimbursement basis. Although both the fund and government-wide financial statements provide a long-term and short-term focus, reconciliations between these two sets of statements are still required. This is due to the fact that the excess income/loss for the internal service funds has been redistributed to the customers, including business-type activities; such reconciliations are reflected on the bottom of the proprietary fund financial statements.

Fiduciary Funds

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

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

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

Statement of Net Position

The following presents a summary of the Statements of Net position for the County as of June 30, 2016 and 2015:

Summary of Net Position * June 30, 2016 and 2015						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets and Deferred Outflows of Resources:						
Current and other assets	\$ 1,746,800,903	\$ 1,696,582,643	\$ 225,735,790	\$ 220,135,223	\$ 1,972,536,693	\$ 1,916,717,866
Capital assets, net	4,317,030,553	4,075,212,346	272,409,833	280,760,328	4,589,440,386	4,355,972,674
Deferred outflows of resources	322,344,019	188,194,999	13,009,404	6,369,148	335,353,423	194,564,147
Total Assets and Deferred Outflows of Resources	6,386,175,475	5,959,989,988	511,155,027	507,264,699	6,897,330,502	6,467,254,687
Liabilities and Deferred Inflows of Resources:						
Long-term liabilities outstanding	4,931,691,883	4,681,801,356	160,944,227	162,056,261	5,092,636,110	4,843,857,617
Other liabilities	552,978,496	343,067,659	43,810,425	43,564,919	596,788,921	386,632,578
Deferred inflows of resources	180,450,501	225,285,936	7,749,588	9,803,898	188,200,089	235,089,834
Total Liabilities and Deferred Inflows of Resources	5,665,120,880	5,250,154,951	212,504,240	215,425,078	5,877,625,120	5,465,580,029
Net position:						
Net investment in capital assets	2,280,466,863	2,099,290,326	139,122,346	186,001,533	2,419,589,209	2,285,291,859
Restricted	415,275,255	493,320,702	88,115,316	48,386,118	503,390,571	541,706,820
Unrestricted (deficit)	(1,974,687,523)	(1,882,775,991)	71,413,125	57,451,970	(1,903,274,398)	(1,825,324,021)
Total Net Position	\$ 721,054,595	\$ 709,835,037	\$ 298,650,787	\$ 291,839,621	\$ 1,019,705,382	\$ 1,001,674,658
* Primary Government						

The County's current and other assets increased by \$55.8 million or 2.9 percent from FY15. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of FY16 by \$1,019.7 million. By far the largest portion of the County's net position reflects its investment in capital assets (e.g., land, buildings, improvements, furniture and equipment, infrastructure), less any related outstanding debt used to construct or acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

It is also important to note that although counties in the state of Maryland issue debt for the construction of schools, those school buildings are owned by each county's Board of Education. The County also funds projects for MC and M-NCPPC. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. Debt outstanding for these entities amounted to \$1,665.0 million at June 30, 2016. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of \$238.3 million. An additional portion of the County's net position (\$503.4 million or 49.4 percent) represents resources that are subject to restrictions on how they may be used.

The County's total net position increased by \$18.0 million for FY16 or 1.8 percent over FY15.

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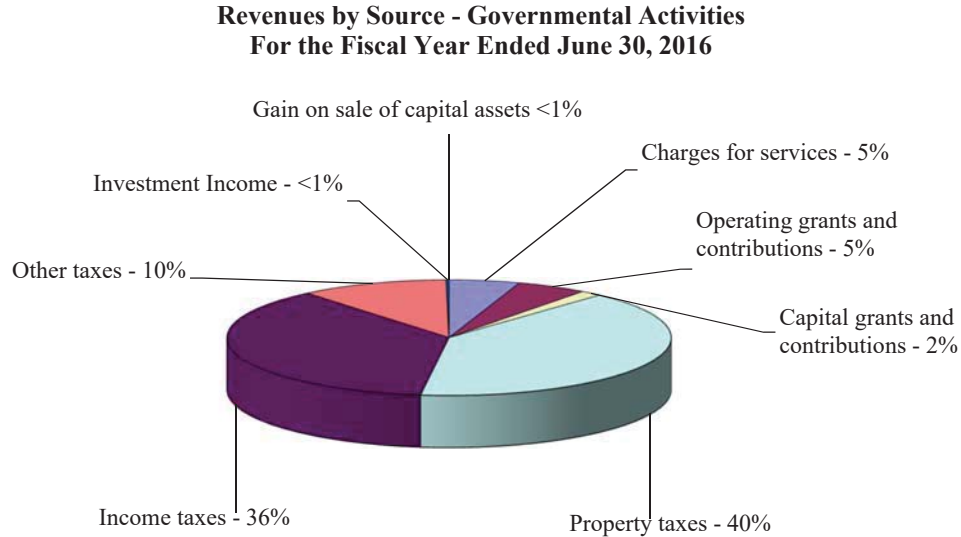
Statement of Activities

The following table summarizes the County's change in net position for the years ended June 30, 2016 and 2015:

Summary of Changes in Net Position *						
For the Fiscal Years Ended June 30, 2016 and 2015						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for services	\$ 204,117,528	\$ 237,757,263	\$ 491,983,515	\$ 474,835,325	\$ 696,101,043	\$ 712,592,588
Operating grants and contributions	204,015,609	201,925,033	-	-	204,015,609	201,925,033
Capital grants and contributions	62,338,151	34,370,853	-	-	62,338,151	34,370,853
General revenues:						
Property taxes	1,593,880,896	1,528,093,085	(657,506)	10,903,699	1,593,223,390	1,538,996,784
Income taxes	1,464,946,447	1,276,415,595	-	-	1,464,946,447	1,276,415,595
Other taxes	429,329,869	423,734,468	-	-	429,329,869	423,734,468
Investment income	7,907,133	6,787,434	415,329	215,823	8,322,462	7,003,257
Gain/(loss) on sale of capital assets	172,639	3,882,648	9,855,423	175,100	10,028,062	4,057,748
Total Revenues	<u>3,966,708,272</u>	<u>3,712,966,379</u>	<u>501,596,761</u>	<u>486,129,947</u>	<u>4,468,305,033</u>	<u>4,199,096,326</u>
EXPENSES						
Governmental Activities:						
General government	624,551,802	470,405,790	-	-	624,551,802	470,405,790
Public safety	620,407,666	591,702,869	-	-	620,407,666	591,702,869
Public works and transportation	279,744,940	288,226,716	-	-	279,744,940	288,226,716
Health and human services	292,252,497	296,567,081	-	-	292,252,497	296,567,081
Culture and recreation	116,004,130	95,703,122	-	-	116,004,130	95,703,122
Community development and housing	42,140,359	32,001,034	-	-	42,140,359	32,001,034
Environment	29,886,401	30,905,863	-	-	29,886,401	30,905,863
Education	1,899,997,038	1,826,117,289	-	-	1,899,997,038	1,826,117,289
Interest on long-term debt	99,889,037	112,420,639	-	-	99,889,037	112,420,639
Business-type Activities:						
Liquor control	-	-	264,763,943	248,982,109	264,763,943	248,982,109
Solid waste activities	-	-	105,838,154	109,351,706	105,838,154	109,351,706
Parking lot districts	-	-	33,453,769	37,103,525	33,453,769	37,103,525
Permitting services	-	-	31,042,939	29,002,673	31,042,939	29,002,673
Community use of public facilities	-	-	10,301,634	9,444,551	10,301,634	9,444,551
Total Expenses	<u>4,004,873,870</u>	<u>3,744,050,403</u>	<u>445,400,439</u>	<u>433,884,564</u>	<u>4,450,274,309</u>	<u>4,177,934,967</u>
Net Position Before Transfers	(38,165,598)	(31,084,024)	56,196,322	52,245,383	18,030,724	21,161,359
Transfers	49,385,156	55,489,227	(49,385,156)	(55,489,227)	-	-
Change in Net Position	11,219,558	24,405,203	6,811,166	(3,243,844)	18,030,724	21,161,359
Net Position, beginning of year	<u>709,835,037</u>	<u>685,429,834</u>	<u>291,839,621</u>	<u>295,083,465</u>	<u>1,001,674,658</u>	<u>980,513,299</u>
Net Position, end of year	<u>\$ 721,054,595</u>	<u>\$ 709,835,037</u>	<u>\$ 298,650,787</u>	<u>\$ 291,839,621</u>	<u>\$ 1,019,705,382</u>	<u>\$ 1,001,674,658</u>
* Primary Government						

Governmental Activities

Revenues for the County's governmental activities were \$3,966.7 million for FY16. Sources of revenue are comprised of the following items:

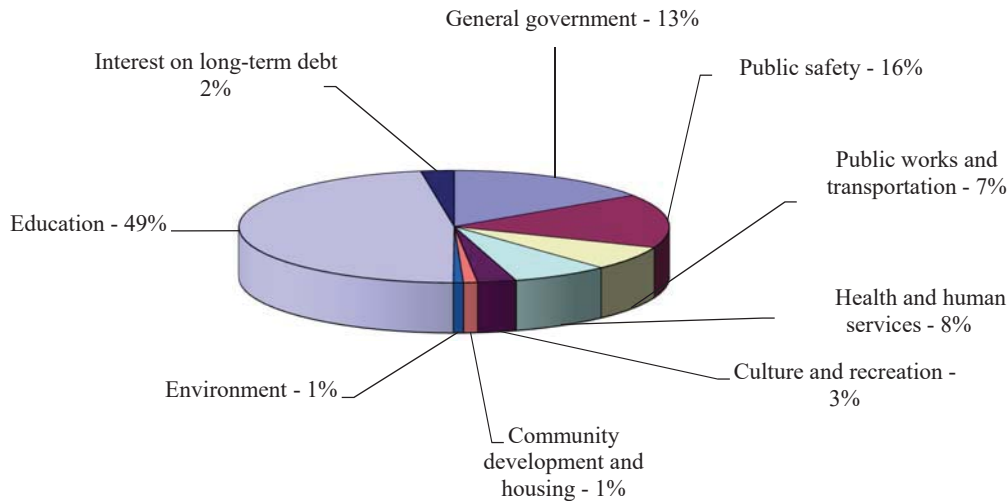


- Taxes constitute the largest source of County revenues, amounting to \$3,488.2 million for FY16.
- Property and local income tax combined comprise 77.1 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 3.2 percent of the State taxable income for calendar years 2016 and 2015. There is no local sales tax in the State of Maryland.
- Operating grants and contributions represent primarily grants from the Federal and State governments and State aid programs. The majority of such revenues are received to fund the following County programs: health and human services (\$103.1 million or 50.6 percent), public works and transportation (\$48.0 million or 23.5 percent) and public safety (\$38.0 million or 18.6 percent).

A more detailed discussion of the County's revenue results for FY16 as compared to what was budgeted can be found in the General Fund Budgetary Highlights section of this MD&A.

The cost of all governmental activities for FY16 was \$4,004.9 million. As the chart on the next page indicates, education constitutes the County's largest program and highest priority; education expenses totaled \$1,899.9 million. Public safety expenses totaled \$620.4 million, general government services totaled \$624.4 million, and health and human services, the fourth largest expense for the County, totaled \$292.3 million.

**Expenses by Function - Governmental Activities
For the Fiscal Year Ended June 30, 2016**



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

Net Cost of County's Governmental Activities						
For the Fiscal Years Ended June 30, 2016 and 2015						
	Expenses		Revenues		Net Cost of Services	
	2016	2015	2016	2015	2016	2015
Education	\$ 1,899,997,038	\$ 1,826,117,289	\$ -	\$ -	\$ 1,899,997,038	\$ 1,826,117,289
Public safety	620,407,666	591,702,869	95,505,531	88,107,998	524,902,135	503,594,871
General government	624,551,802	470,405,790	81,021,166	89,903,682	543,530,636	380,502,108
Public works and transportation	279,744,940	288,226,716	125,931,857	91,011,178	153,813,083	197,215,538
Health and human services	292,252,497	296,567,081	107,349,912	117,357,408	184,902,585	179,209,673
Culture and recreation	116,004,130	95,703,122	44,982,761	49,774,679	71,021,369	45,928,443
Other	171,915,797	175,327,536	15,680,061	37,898,204	156,235,736	137,429,332
Total	\$ 4,004,873,870	\$ 3,744,050,403	\$ 470,471,288	\$ 474,053,149	\$ 3,534,402,582	\$ 3,269,997,254

Of the total cost of governmental activities of \$4,004.9 million, \$470.4 million was paid by those who directly benefited from the programs (\$204.1 million) and other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$266.4 million). Of the \$3,534.4 million net cost of services, our taxpayers paid for these activities through County taxes which totaled \$3,488.2 million; also available to contribute towards such net costs were investment income and other contributions not restricted to a specific program.

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

- Education:
\$73.9 million increase in resources spent on education.
- Public Safety:
\$28.7 million increased in expenses primarily due to an increase in pension expenses. Pension expenses are expected to fluctuate based on the calculation of the net pension liability.
- Culture and Recreation:
\$20.3 million increase in expenses is due to an increase in reimbursement requests from M-NCPPC.

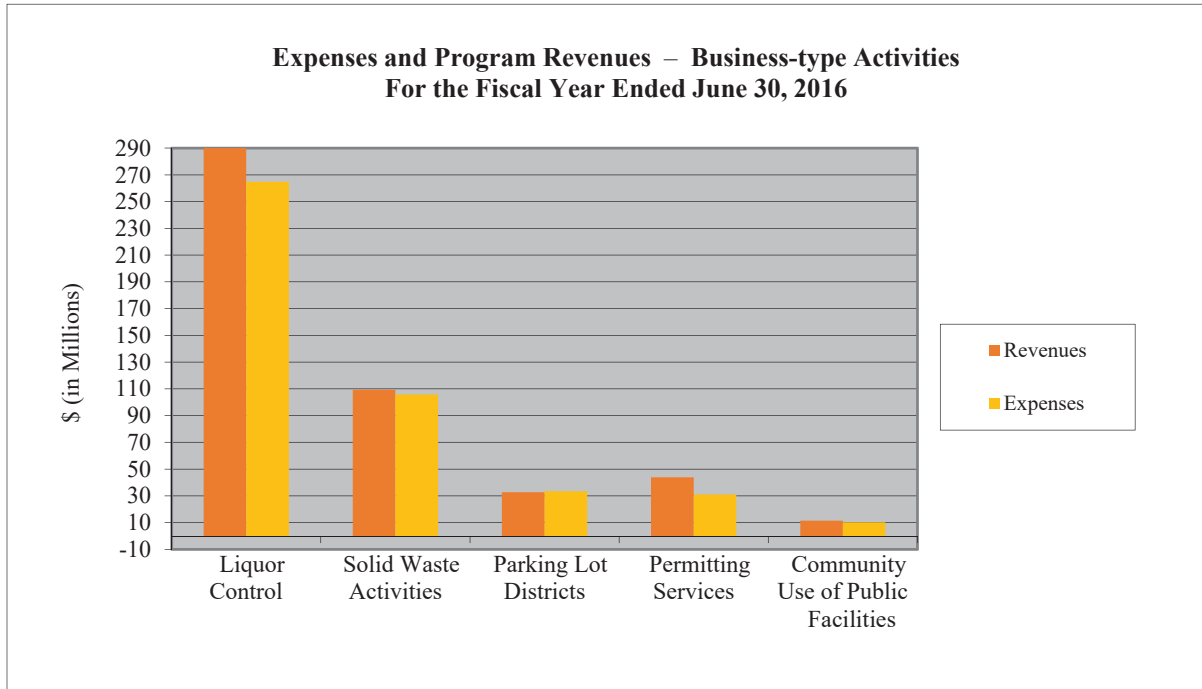
Business-type Activities

Highlights of the County's business-type activities for FY16 are as follows:

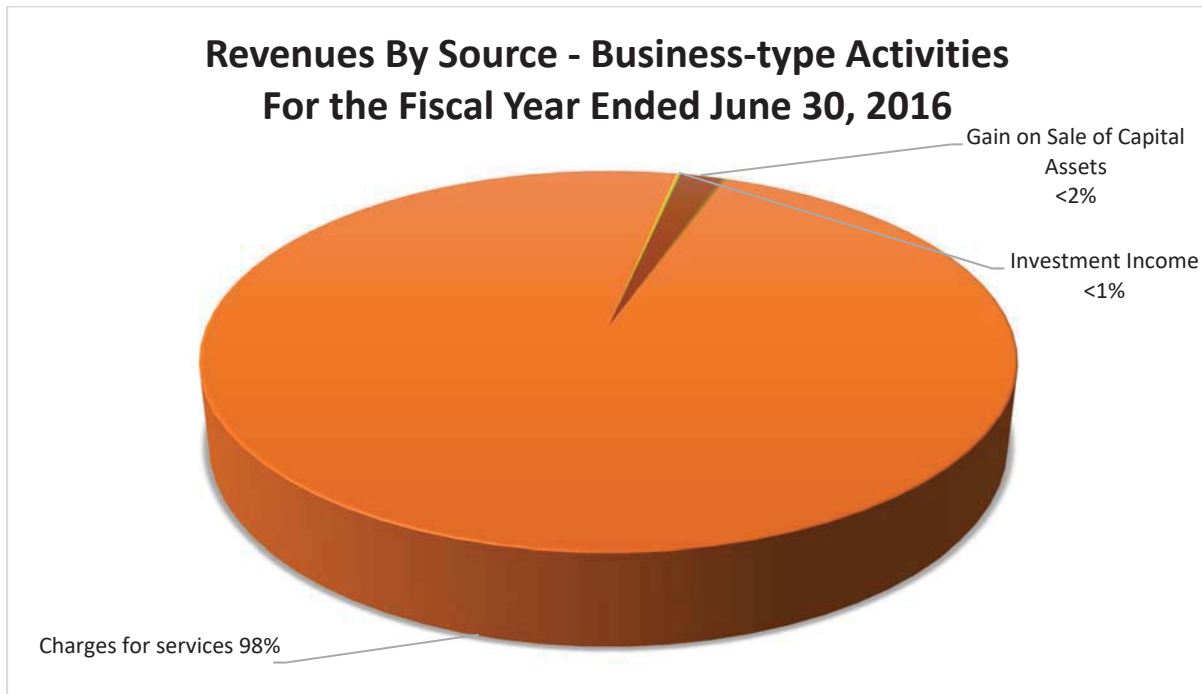
- Business-type activities experienced an increase in net position of \$6.8 million for FY16. This amount is reported after total net transfers out of \$49.4 million. The most significant components of the change include:
 - \$1.0 million decrease in net position related to liquor control,
 - \$2.5 million decrease in net position related to parking lot districts; and
 - \$8.6 million increase related to permitting services.
- Charges for services to users comprise 98.1 percent of revenues, with \$294.6 million (60.0 percent of charges for services revenue) attributable to liquor control operations and \$109.3 million (22.2 percent) attributable to solid waste activities. The remaining charges for services are generated from operations relating to parking lot districts, permitting services, and community use of public facilities.
- Investment income of \$0.42 million reflects an increase of \$0.2 million or 92.4 percent from FY15, primarily because of the increase in pooled cash and investments during the year.

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



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



Financial Analysis of the Government’s Funds

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

Governmental Funds

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

At the end of FY16, the County's governmental funds reported combined ending fund balances of \$895.6 million, a decrease of \$89.4 million from the end of FY15. Of the total ending fund balances, \$113.0 million constitutes the unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of \$782.6 million is unavailable for new spending because it has been set aside for prior period commitments and legal restrictions.

The General Fund

The General Fund is the primary operating fund of the County. At the end of FY16, the General Fund had \$113.0 million of unassigned fund balance and total fund balance was \$480.3 million. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 16.8 percent of total General Fund expenditures.

The fund balance of the County's General Fund decreased by \$15.2 million during FY16, primarily due to unplanned snow related costs not fully offset by mid-year expenditure savings.

Housing Initiative Fund

The Housing Initiative Fund (HI) is used to account for the fiscal activity of financing, supplementing, and constructing affordable residential facilities for eligible participants. At the end of FY16, HI had a fund balance of \$253.9 million, which is entirely restricted for legal reasons. The HI fund balance represents an increase of \$10.2 million over FY15. Mortgage Receivables for this fund, which is a measure of its financing activities, increased \$5.5 million or 3.0 percent over FY15.

Grants Fund

The Grants Fund is used to account for Federal and State grant-funded activities of the tax-supported General and special revenue funds. The Grants Fund normally does not have fund balance at the end of each fiscal year as revenues equal expenditures - that is, expenditures of this fund are either billable to one or more federal or state agencies or paid via a transfer from another fund. However, the Grants Fund has a fund balance of \$216,033 which represents restricted assets held by the County pursuant to a grant agreement. Grants Fund received \$105.6 million in revenues for FY16. This is a \$2.1 million decrease from FY15.

Debt Service Fund

The Debt Service Fund accumulates resources for the payment of general long-term debt principal, interest, and related costs. This fund does not maintain an unassigned fund balance; the restricted fund balance of \$26.4 million represents a debt service reserve account.

Capital Projects Fund

The Capital Projects Fund (CIP) has a total fund balance of \$49.0 million, a decrease of \$101.2 million from the end of FY15. The fund balance of this fund can increase or decrease significantly depending on the timing of source of funds for larger capital projects. In FY15 the fund received \$583.0 million in new debt proceeds and only \$357.0 million in FY16. The expenditures in FY16 also increased by \$47.0 million.

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

Proprietary Funds

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

The unrestricted net position of the Liquor Fund at the end of FY16 amounted to \$16.2 million, and operating income was \$31.2 million. After a subsidy transfer to the General Fund of \$30.4 million, the fund ended FY16 with a decrease in net position of \$1.0 million.

The Solid Waste Activities Fund total net position amounted to \$52.7 million, of which the unrestricted net position was \$13.0 million. Restricted net position of \$39.7 million is attributable to the net investment of capital assets.

The Parking Lot Districts Fund decrease in net position amounted to \$2.5 million in FY16, resulting in a total ending net position of \$174.0 million. Of this amount, \$138.5 million (79.6 percent) represents the net investment in capital assets; \$6.6 million (3.8 percent) is restricted for debt service on revenue bonds; and \$28.9 million (16.6 percent) is unrestricted.

A discussion of enterprise fund long-term debt can be found in the Long-Term Debt section presented later in this MD&A. Other factors concerning the finances of the enterprise funds are addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Revisions to the General Fund expenditure original budget (excluding transfers) to arrive at the final budget amounted to \$49.2 million, which included County Council approved supplemental and special appropriations and the year-end County Council transfer and County Executive supplemental appropriations. Major components of the appropriation increases include the following:

- \$31 million increase for snow removal and wind and rain storm cleanup relating to 14 snow/ice events with a total accumulation of approximately 53.5 inches.
- \$1.3 million to implement State mandated changes for a new paper-based voting system implemented in the State of Maryland.
- \$.8 million for the Children's Opportunity Fund Non-Departmental Account to participate in the Building Educated Leaders for Life (BELL) program.

Actual revenues were less than budget amounts by \$6.5 million, while actual expenditures and net transfers out were less than final budget by \$12.1 million and \$46.0 million, respectively. Highlights of the comparison of final budget to actual figures for expenditures and net transfers for the fiscal year-ended June 30, 2016, include the following:

- Actual expenditures of \$1,170.3 million were \$12.1 million less than the final budget, which represents 1.0 percent of the final budget, and is attributable to savings achieved across numerous departments.
- Actual transfers to the Capital Projects Fund and component units for capital purposes were less than budgeted by \$71.7 million. This is due both to the multi-year nature of capital projects, and to time delays that can be encountered for certain projects.

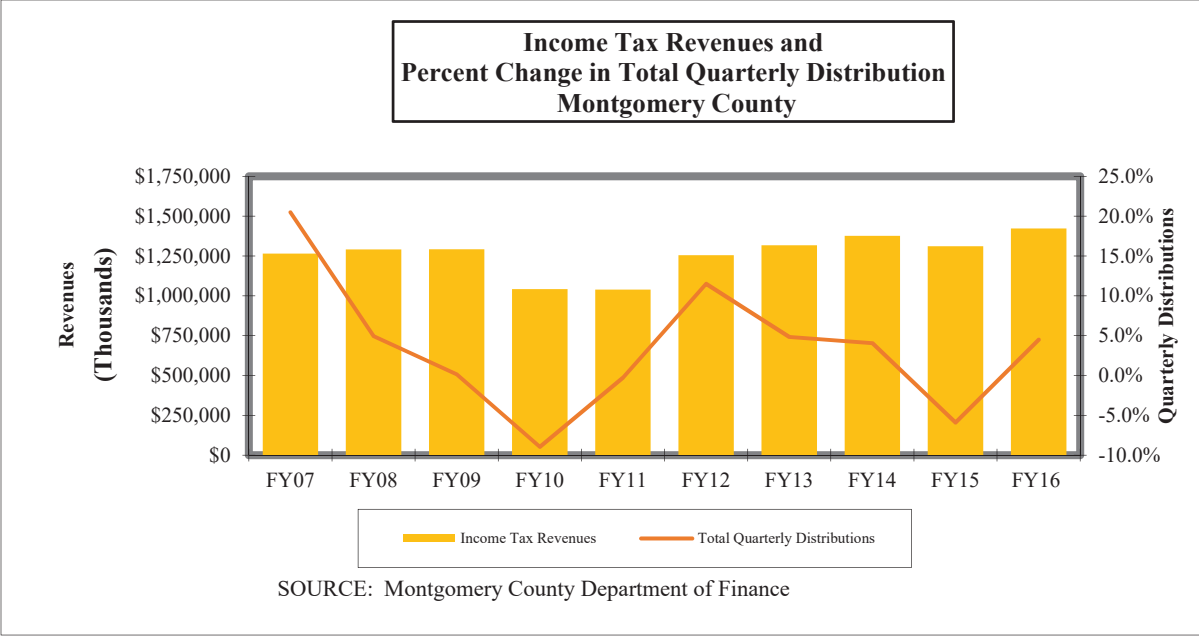
A more detailed comparison of final budget to actual figures for revenues is presented below:

Overview

Actual revenues for the General Fund totaled \$3,094.2 million and were 0.2 percent below the budget estimate for the fiscal year but 5.4 percent above actual tax revenues for FY15. The two largest contributors to the decline between the budget estimate and actual revenues were the income tax (\$11.0 million) and the fuel and energy tax (\$12.9 million). Revenues from the property tax amounted to \$1,126.7 million (\$10.0 million), or 0.9 percent, above the budget estimate and 3.5 percent above actual tax revenues for FY15. Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and other taxes, were \$266.3 million in FY16. That amount was \$14.0 million or 5.0 percent below the budget estimate and that decrease was driven by the fuel and energy tax (\$12.9 million or 6.3%) below the budget estimate, hotel-motel tax (\$0.9 million or 4.4%) and the telephone tax (\$0.7 million or 1.4%). Investment income was \$0.7 million below the budget estimate. Licenses and Permits came in below the budget estimate (6.4%), while Charges for Services also came in below the budget estimate (3.6%). Intergovernmental revenues were \$0.4 million (or 0.7%) below the budget estimate. This decrease was attributed to federal and other (non-state) reimbursements, which came in 15.6 percent and 8.7 percent below budget estimates, respectively.

Income Taxes

One of the largest revenue sources for the General Fund is the County income tax. Revenues from the income tax were \$1,422.4 million and represented 47.8 percent of actual tax revenues in FY16 and 46.0 percent of total actual revenues. The increased reliance on the income tax as a major source of revenue in recent years can be attributed to three factors: growth in the employment base as reflected in resident employment, steady increases in wage and salary income in the County, and growth in capital gains. This contrasts with the County's second largest revenue source – property taxes – which is held at the Charter Limit and thus generally represents revenue growth limited to the rate of inflation. However, while capital gains, on average, increases over time, the Standard & Poor's 500 index, representing a proxy for capital gains, experienced significant volatility over the past ten calendar years (2006 – 2015) - ranging from a decrease of 38.5 percent in 2008 to an increase of 29.6 percent in 2013. In addition, resident employment experienced volatility during this period - an average annual rate of decline of 1.0 percent in the County's resident employment during the 2006-2009 period followed by an increase of 1.1 percent between 2009 and 2015. As the chart below illustrates, total quarterly distributions for withholding and estimated payments increased 4.5 percent in FY16, which followed a decrease of 5.9 percent in FY15, an increase of 4.1 percent in FY14, an increase of 4.9 percent in FY13, an increase of 11.5 percent in FY12, a decrease of 0.3 percent in FY11, another decrease of 9.0 percent in FY10, and an increase of 0.2 percent in FY09.



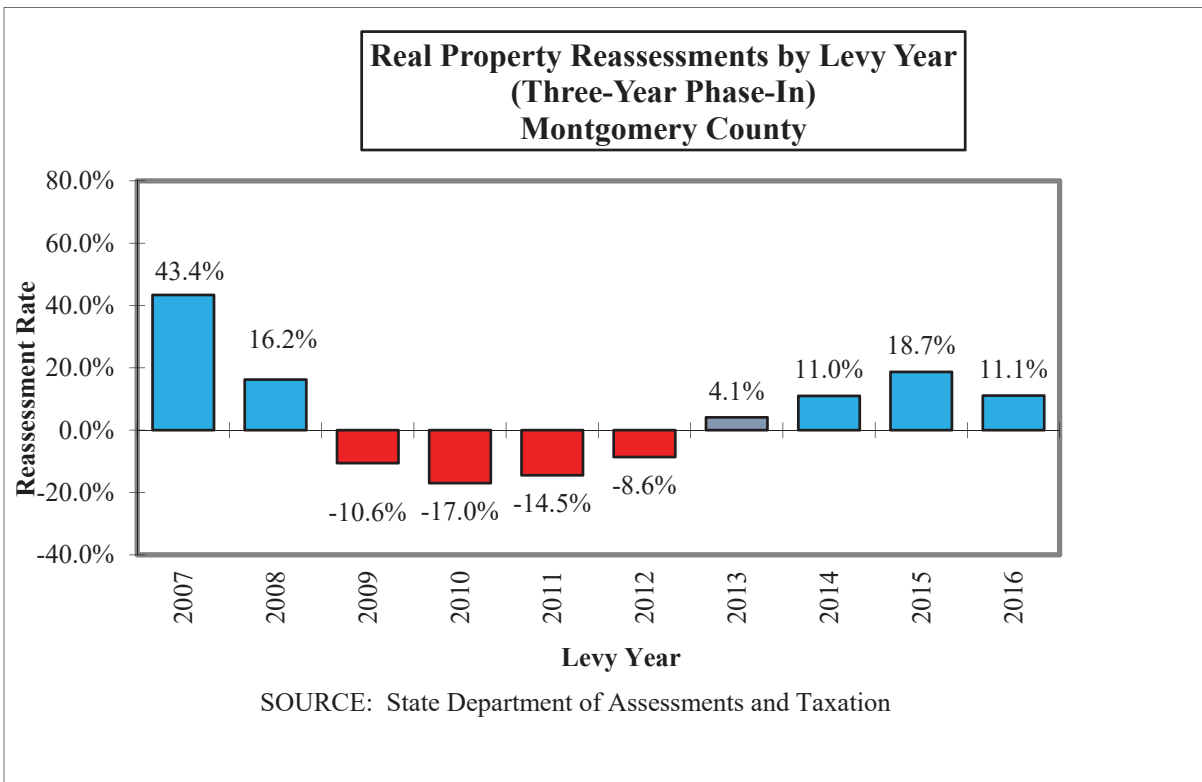
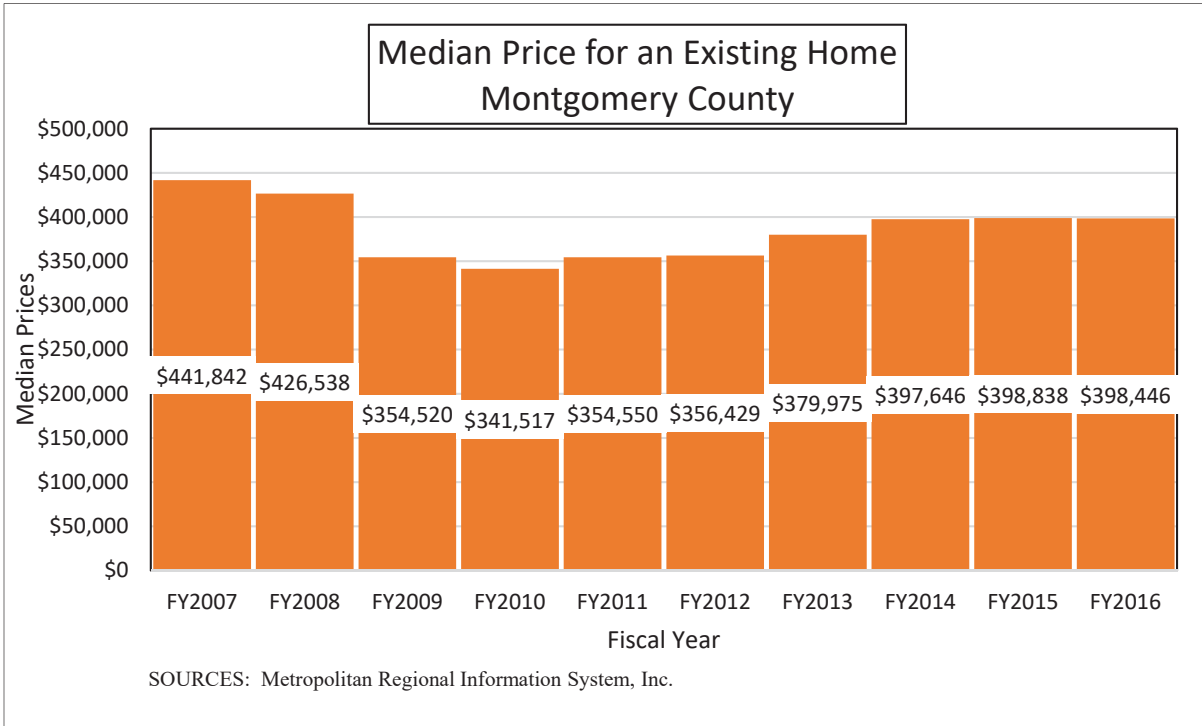
On May 18, 2015, the U.S. Supreme Court made a final ruling in the long-standing court case of *Comptroller of the Treasury of Maryland v. Wynne et. ux.* The case involved a dispute over the credit a state taxpayer should get for taxes paid to other states for income earned in those states. While the State of Maryland allowed a credit against the State income tax, it did not allow a credit against local (county and municipal) income taxes. The U.S. Supreme Court ruled in favor of the litigants. As a result, the State of Maryland owes refunds to all taxpayers who filed amended returns requesting the additional credit against the local income tax. Based on data provided by the Revenue Administration Division, Comptroller of Maryland (Comptroller), as of October 2016, the total amount of income tax refunds for tax years 2007 through 2014, including interest that have been processed by the State and are attributable to the Wynne case is \$132.6 million. As the Comptroller issues refunds to eligible taxpayers, the refunds are paid from the Local Reserve Account (Account) which is maintained by the State, and the State will replenish the fund through financial transactions with counties and municipalities. In 2016, the Maryland General Assembly passed legislation that will allow counties and municipalities to replenish the fund by reducing quarterly income tax distributions to the counties and municipalities starting with the third distribution (May) in FY19 with a total of twenty equal installments ending in FY24. Although the majority of refund claims have been processed and issued, refund claims are still pending and amended returns for the most recent tax years can still be filed. Also, starting with tax year 2015 taxpayers have been reducing their tax payments to reflect the new credit.

Property Taxes

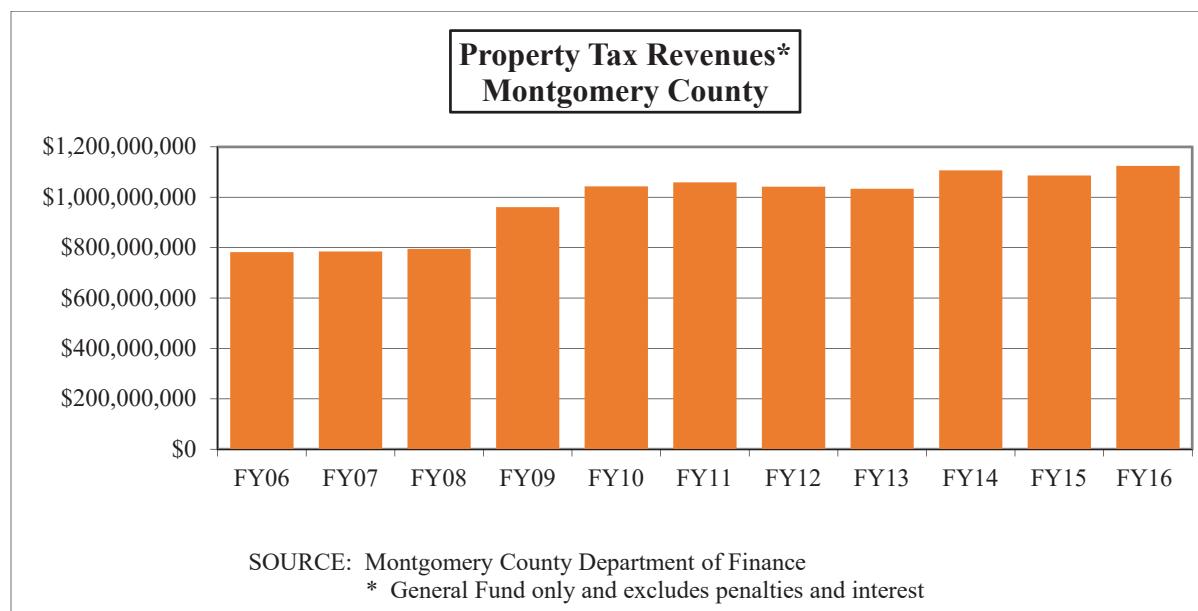
Property tax collections, which represent another major contributor of actual tax revenues to the General Fund and the second largest in FY16, amounted to \$1,126.7 million in FY16, which were only \$9.971 million (0.9%) above the budget estimate and 3.4 percent above actual revenues in FY15. Actual property taxes, excluding penalties and interest and other items, were \$1,124.5 million in FY16 – an increase of 3.5 percent from the previous fiscal year. Collections from penalties and interest and other items were \$2.2 million – a 40.1 percent increase from FY15.

The taxable assessments for real property increased 4.0 percent from FY15 to FY16. This was the third consecutive increase starting in FY14. Following the real estate market boom and bust cycle in the previous

decade, the triennial reassessment rates experienced the same trend albeit with a lag. The recent residential and commercial real estate market recovery resulted also in a recovery of property assessments. After an unprecedented four-year decline in triennial reassessment rates (LY09 - LY12), reassessments increased 4.1 percent (LY13 or LY14), 11.0 percent in LY14, 18.7 percent in LY15, and 11.1 percent in LY16.



The homestead tax credit limits annual increases in homeowners' taxable assessments to 10 percent per year although other taxable assessments such as for commercial and investment residential properties are not limited by this credit. The homestead credit is the amount of annual assessment growth above the 10 percent limit. Following several years of declining reassessments, most properties that had built up a significant amount of homestead credit during the housing boom cycle, used up their homestead credit during the housing bust cycle. As a result, the remaining amount of the aggregate homestead credit added only \$17.8 million to the assessable base in FY16 down from \$26.6 million in FY15.

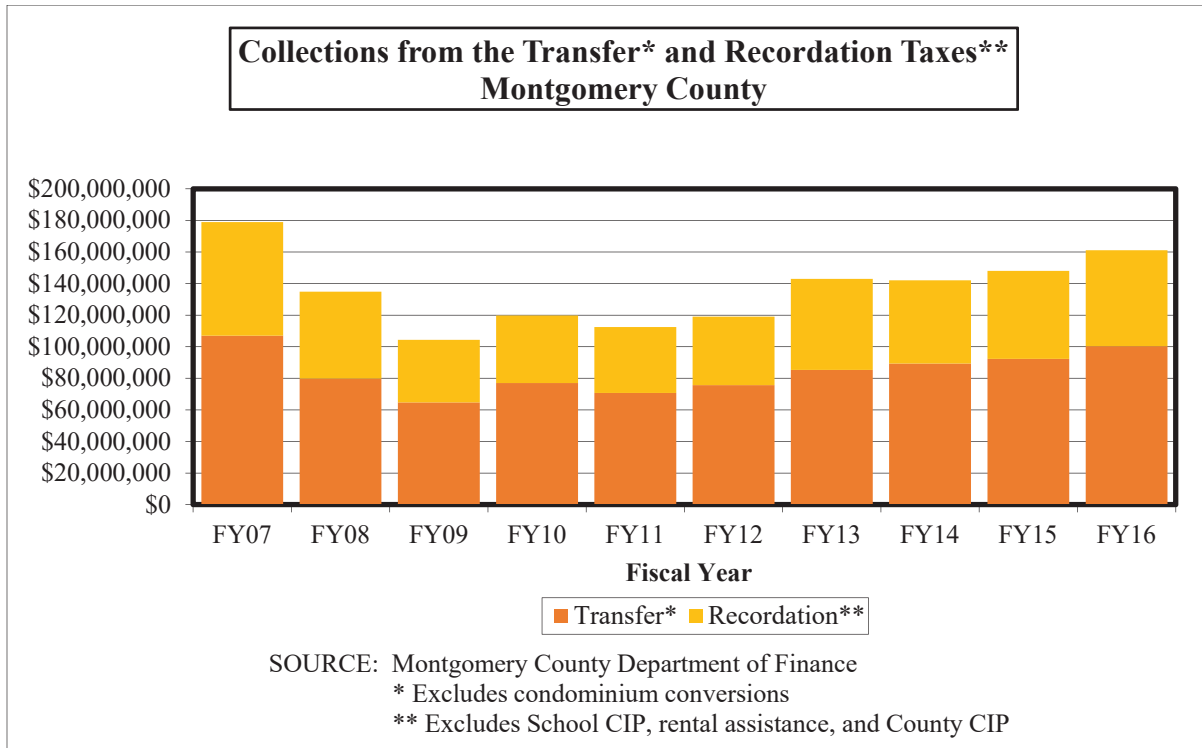


Assessments of personal property increased 6.3 percent in FY16 due to increases in all three categories: individual, public utility, and corporate to \$3.884 billion. Assessments in personal property experienced declines in FY09 and between FY11 and FY13. Due to a rebound in personal property for public utilities, assessments increased 3.1 percent in FY07 and a modest 0.5 percent in FY08. However, because of declines in individual and corporate personal property and public utility tax assessments, total personal property assessments declined 1.3 percent in FY09 rebounding in FY10 (5.2%) attributed to increases in corporate and public utility assessments, declined 6.5 percent in FY11 to \$3.856 billion, declined again in FY12 to \$3.719 billion, and declined further in FY13 to \$3.605 billion attributed to declines in corporate and utility personal property, but increased 2.9 percent in FY14 to \$3.709 billion, then decreased 1.5 percent in FY15 to \$3.655 billion. For the previous five fiscal years (FY11 – FY15), taxable assessments for personal property averaged \$3.708 billion ranging from a low of \$3.605 billion in FY13 to a high of \$3.856 billion in FY11.

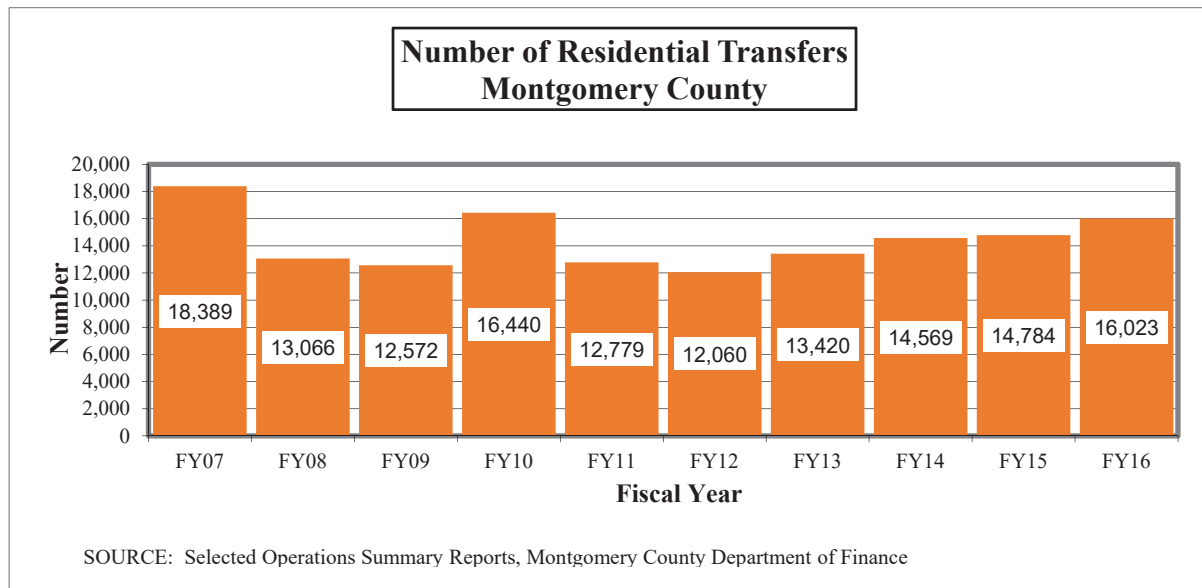
Transfer and Recordation Taxes

Another major tax revenue category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY16 were \$161.7 million (excluding recordation tax revenues earmarked for CIP funding of school construction, rental assistance, and CIP funding for the County; and transfer tax revenues from condominium conversions). While actual revenues increased in FY16, they were also 5.1 percent above the budget estimate. As the accompanying chart illustrates, the total amount collected from these taxes increased to a peak of \$241.7 million in FY06 before declining to \$107.2 million in FY09. In FY10, taxes from the combined transfer and recordation taxes rebounded to \$122.0 million, increased further to

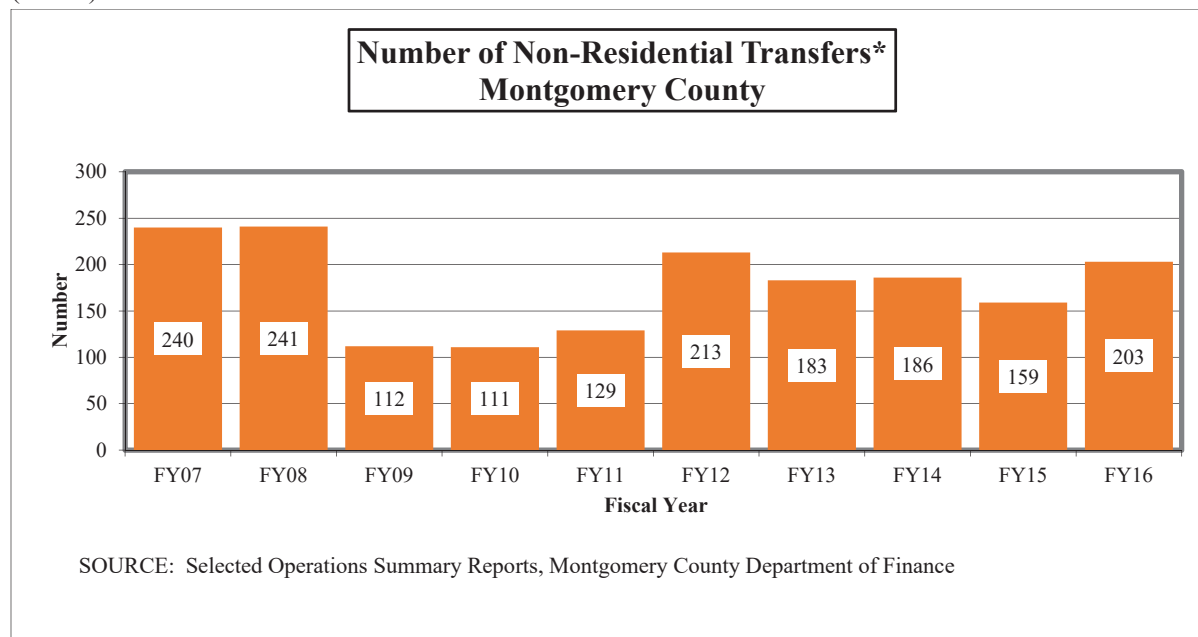
\$129.5 million in FY11, declined to \$127.3 million in FY12, and began a steady increase to \$142.0 million in FY13, \$144.5 million in FY14, \$147.6 million in FY15, and \$161.7 million FY16.



General Fund revenues from the transfer tax experienced an increase of 9.2 percent in FY16 and a 10.1 percent increase in the recordation tax from FY15. Because of the increase in existing home sales in FY16 (10.4%), revenues from the residential sector for both taxes were \$113.9 million, an increase of 8.1 percent from FY15. The number of residential transfers increased to 16,023 (8.4%).



Based on the amount of revenues from the non-residential transfer tax, the commercial market increased 12.6 percent in FY16 from FY15 with revenues at \$19.7 million. The increase in revenues from the commercial market was attributed to strong growth in the number of transactions which increased from 159 in FY15 to 203 in FY16 (27.7%).



Other Revenues

The remaining tax sources – consisting of fuel/energy, telephone, hotel/motel, and other taxes – totaled \$266.3 million and were \$14.0 million, or 5.0 percent, below the budget estimate and 4.2 percent below actual revenues in FY15. Revenues from the fuel/energy tax were \$193.3 million in FY16 and down from the budget estimate (\$12.9 million) as well as a decrease of 6.7 percent from actual revenues in FY15. The decline in actual revenues from FY15 was attributed to reductions in both the residential and non-residential usages of natural gas and a decrease in residential usage of electricity.

Revenues from the telephone tax were 1.4 percent below the budget estimate but 1.8 percent above actual revenues in FY15. Revenues from the hotel/motel industry of \$19.4 million in FY16 were 4.4 percent below the budget estimate but 2.3 percent above actual revenues in FY15. Other tax revenues were 16.3 percent above the budget estimate and 28.4 percent above actual revenues in FY15. That increase was attributed to the adoption by the County Council of the E-Cigarette tax in FY16 which yielded approximately \$372,930 in revenues. Excluding revenues from the E-Cigarette tax, other tax revenues increased 16.2 percent above actual revenues in FY15.

In the General Fund, actual investment income increased from \$105,948 in FY15 to \$352,107 in FY16 but was \$731,383 lower than the budget estimate. The shortfall in FY16 from the budget estimate was the result of the continued accommodative policy of the Federal Open Market Committee (FOMC) of the Federal Reserve. Between September 2007 and December 2008, the FOMC decreased the target interest rate for federal funds from 5.25 percent to a range of between 0.00 and 0.25 percent — a decline of 500-525 basis points. In December 2015, the FOMC increased the range for the target federal funds rate to between 0.25 and 0.50 percent which was the only rate increase in FY16. The justification for such low rate monetary policy has been the global economic and financial crises, the Great Recession from December 2007 to June 2009, and the FOMC’s monetary policy of stimulating investment and reducing the national unemployment rate. The expectation of many forecasters and specific members of the FOMC was that interest rates would steadily increase during FY16 with a concomitant

increase in the County's investment yield rates. That did not occur. Because of this low level of interest rate environment during FY16, short-term or money market rates remained at historic low levels as well, hence the average portfolio yield for the County increased from 0.18 percent in FY15 to 0.39 percent in FY16. The average daily portfolio balance increased from \$705.2 million in FY15 to \$729.6 million in FY16.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets at June 30, 2016, amounted to \$4,589.4 million (net of accumulated depreciation and amortization), as summarized below:

Capital Assets, Net of Depreciation				
June 30, 2016				
	Governmental	Business-type	Total	Total
	Activities	Activities	FY16	FY15
Land	\$ 930,232,831	\$ 58,816,802	\$ 989,049,633	\$ 967,098,526
Buildings	444,672,864	150,670,986	595,343,850	585,708,074
Improvements other than buildings	25,128,548	47,255,853	72,384,401	80,605,052
Furniture, fixtures, equipment and machinery	42,490,163	14,257,303	56,747,466	61,096,797
Leasehold improvements	4,488,278	-	4,488,278	5,046,547
Automobiles and trucks	144,235,358	1,117,763	145,353,121	124,764,148
Infrastructure	1,167,587,379	8,754	1,167,596,133	1,149,033,303
Other assets	20,477,885	-	20,477,885	24,506,321
Construction in progress	1,537,717,247	282,372	1,537,999,619	1,358,113,906
Total	\$ 4,317,030,553	\$ 272,409,833	\$ 4,589,440,386	\$ 4,355,972,674

Changes in the County's capital assets for FY16 are summarized as follows:

Change in Capital Assets				
For the Fiscal Year Ended June 30, 2016				
	Governmental	Business-type	Total	Total
	Activities	Activities	FY16	FY15
Beginning Balance	\$ 4,075,212,346	\$ 280,760,328	\$ 4,355,972,674	\$ 4,144,146,789
Additions*	350,588,661	8,418,703	359,007,364	317,144,682
Retirements, net*	16,828,800	1,108,893	17,937,693	1,018,757
Depreciation expense	91,941,654	15,660,305	107,601,959	104,300,040
Ending Balance	<u>\$ 4,317,030,553</u>	<u>\$ 272,409,833</u>	<u>\$ 4,589,440,386</u>	<u>\$ 4,355,972,674</u>

* Presented net of transfers from construction in progress; retirements are also net of related accumulated depreciation.

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

- Roads, including the underlying land, valued at \$22.8 million were transferred to the County by various developers.

- The Public Safety Training Academy (PSTA) Relocation project accumulated \$51.9 million in cost this fiscal year. This project relocates the PSTA from its current location at the intersection of Great Seneca Highway and Darnestown Road to a site on Snouffer School Road known as the Webb Tract.
- The Montgomery County Public Schools and Maryland-National Park and Planning Maintenance Facilities Relocation project accumulated \$24.8 million in cost this fiscal year. This project is part of the County Executive's comprehensive Smart Growth Initiative and provides for the design and construction of new facilities to accommodate the relocation of the Montgomery County Public Schools and Maryland-National Park and Planning Maintenance facilities from the County Service Park on Crabbs Branch Way to a site on Snouffer School Road in Gaithersburg known as the Webb Tract.
- The Universities at Shady Grove Expansion accumulated \$10 million in cost this fiscal year. This project provides funding for the construction of a parking garage and related site modifications at the Universities at Shady Grove Campus.
- Montgomery County funded Montgomery County Public School \$189.4 million, and Montgomery College \$36.5 million for construction, renovations of school facilities, and other capital expenditures.

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

Long-Term Debt

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2016:

Long-Term Debt				
June 30, 2016				
	Governmental	Business-type	Total	Total
	Activities	Activities	FY16	FY15
General obligation bonds	\$ 2,657,290,000	\$ -	\$ 2,657,290,000	\$ 2,544,750,000
Variable rate demand obligation	100,000,000	-	100,000,000	100,000,000
Bond anticipation notes	500,000,000	-	500,000,000	500,000,000
Revenue bonds	143,181,716	80,532,284	223,714,000	187,775,000
Lease revenue bonds	25,065,000	-	25,065,000	27,225,000
Other lease and notes payable	17,552,909	-	17,552,909	14,085,125
Equipment notes	36,432,917	5,756,247	42,189,164	51,069,335
Certificates of participation	10,800,000	-	10,800,000	17,685,000
Capital leases	11,158,430	-	11,158,430	13,817,910
Taxable Ltd. Obligation Certificates	82,535,000	-	82,535,000	86,320,000
Compensated absences	76,130,255	6,308,309	82,438,564	82,830,105
Other Postemployment Benefits	445,089,913	3,965,222	449,055,135	440,459,637
Claims payable self-insurance	150,256,294	-	150,256,294	141,444,612
Claims and judgments	1,003,200	-	1,003,200	1,116,395
Net Pension Liability - County	390,909,835	16,945,152	407,854,987	298,751,284
Net Pension Liability - State	24,421,562	-	24,421,562	17,878,357
Landfill closure costs	-	15,539,478	15,539,478	15,405,918
Gude landfill remediation	-	28,500,000	28,500,000	28,500,000
Total	\$ 4,671,827,031	\$ 157,546,692	\$ 4,829,373,723	\$ 4,569,113,678

At June 30, 2016, the County had outstanding general obligation (GO) bonds of \$2,657.3 million, with outstanding variable rate demand obligations (VRDOs) of \$100 million and bond anticipation notes (BANs) of

\$500 million. Over the last ten years, the County issued its GO bonds once a year, with the exception of FY08, when no GO “new money” bonds were issued. The County currently finances capital construction projects with BANs. BANs are subsequently paid off by the issuance of the County’s GO bonds. Montgomery County also issues bonds to finance the capital construction of MCPS, MC, and M-NCPPC not otherwise financed by the State of Maryland.

The County continues to maintain its status as a top rated issuer of municipal securities, with the highest credit ratings possible for a local government. For its GO bonds, the County is a ‘Triple AAA’ rated County, and received ratings of Aaa from Moody’s Investors Service, Inc., AAA from Standard and Poor’s, and AAA from Fitch Ratings. County GO bonds have been consistently awarded the highest credit rating from Moody’s and Standard and Poor’s since 1973 and 1976, respectively, and from Fitch since 1991. Montgomery County is one of only 15 ‘Triple AAA’ rated counties in the nation with a population greater than 900,000.

In November 2015, the County received its annual credit ratings. Fitch cited “key rating drivers” of healthy financial fundamentals, solid operating performance, a balanced fiscal plan, a strong economic core and moderate debt ratios. Fitch also reported that the County continues to exhibit very impressive economic growth, has sound fiscal management and has prudently managed its exposure to long-term liabilities including those related to pension and OPEB.

Moody’s stated that their ratings rationale reflected the County’s sizeable, strong and diverse tax base, strong socio-economic profile, and manageable debt and pension burdens. Moody’s also cited the County’s healthy reserve position, structural budget balance, positive revenue performance and improved liquidity position.

Standard and Poor’s rating reflected their opinion of the County’s strong economy, budgetary flexibility, budgetary performance, liquidity, management and financial policies. Standard and Poor’s also cited the strength of the County’s debt and contingent liability profile, demonstrated resilience to economic pressure and strong management conditions.

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

Significant bond-related debt activities during FY16 were:

- **General Obligation Bonds** – In November 2015, the County’s annual general obligation bond issue was in the amount of \$300.0 million. The proceeds of this bond issue were used to pay off an equivalent amount of the County’s BANs which funded capital expenditures for transportation, education, and other County facilities.
- **Bond Anticipation Notes (BANs)** – Over the course of FY16, the County retired \$300.0 million in BANs with general obligation bond proceeds and issued \$300.0 million in BANs.
- **Bethesda Parking Lot District (PLD) Bonds** – In October 2015, the County issued \$9.2 million of PLD bonds via direct bank placement to refund the outstanding 2005 Bethesda PLD bonds for debt service savings.
- **Water Quality Protection Charge (WQPC) Revenue Bonds** – In April 2016, the County issued \$46.5 million in WQPC revenue bonds to fund stormwater management facilities.

- **Qualified Energy Conservation Bonds (QECCBs)** – In May 2016, the County entered into a 19-year lease purchase agreement with Bank of America Leasing & Capital LLC in the amount of \$3.6 million to finance energy systems modernization on the County’s Health and Human Services buildings. The project is to be implemented under an Energy Performance Contract. The lease purchase qualified as financing under the County’s QECCB allocation which provided a federal tax credit that will reduce the net effective interest rate to approximately .21%.
- Additional information pertaining to the County’s long-term debt can be found in Notes to Financial Statements, Notes I-D8, III-E3, and III-F.

Economic Factors and Next Year’s Budgets and Rates

The following economic factors are reflected in the County’s FY17 budget with updates based on revised economic data subsequent to the approval of the County’s budget:

- Montgomery County experienced positive economic performance during fiscal year FY16 compared to FY15. The major reasons for this were a decrease in the unemployment rate, an increase in resident employment (labor force series), an increase in payroll employment (establishment series), and an increase in the sales of existing homes.
- The County’s economic projections in the FY17 budget assume a modest, yet improving, economic performance in CY16 with the County continuing to experience a decline in the unemployment rate in CY16. On the same calendar basis, the County projects a modest increase in total resident employment (0.7%) and stronger growth in payroll employment (1.8%).
- During the past ten years (CY06 – CY15), total payroll employment in Montgomery County, which is based on the survey of establishments and derived by the Department of Finance, experienced two distinct cycles: a decline from CY06 to CY10 at an average annual rate of 0.9 percent, but an increase at an average annual rate of 0.8 percent from CY11 to CY15. The Department of Finance estimates that total payroll employment is expected to increase 1.8 percent in CY16.
- Resident employment in the County, which is based on a survey of County households, provides a slightly different picture of employment growth. For example, resident employment grew at an average annual rate of 0.3 percent between CY06 and CY10 and increased at an average annual rate of 1.0 percent from CY10 to CY15. Resident employment is expected to increase 0.7 percent in CY16.
- Based in part on employment projection for CY16, personal income will increase 4.9 percent in CY16 with per capita income increasing 4.0 percent. Income data for CY16 are based on estimates derived by the Department of Finance.
- The estimated increases in employment and personal income in CY16 along with the decline in the unemployment rate reflect a positive performance in the County’s economy in FY16 which is expected to continue into FY17.
- The Federal Open Market Committee (FOMC) of the Board of Governors of the Federal Reserve System is expected to increase the targeted federal funds rate from the range of 0.25-0.05 percent to 0.50-0.75 percent before the end of CY16 should economic data on employment and inflation warrant such an increase. Because of that expectation by the FOMC, the County’s budget projections include an increase in the yield on its investments from 0.39 percent in FY16 to 0.50 percent in FY17.
- Inflation, as measured by the Consumer Price Index, is expected to increase 1.80 percent in FY17.

Other Significant Matters

The Department of Economic Development was eliminated during FY16 and a majority of its functions were delegated to the newly created 501(c)(3) non-profit Montgomery County Economic Development Corporation, which will now be responsible for business attraction, business retention and growth, marketing entrepreneurship and innovation programs, and for federal and state grant funded programs related to workforce development. Functions retained by the County and transferred to other County agencies include Finance, Special Projects, Small Business Navigation, marketing of the Small Business Reserve Program and Agricultural Services. The County will fund the new Corporation, and each member of the Corporation's 11-member Board of Directors is appointed by the County Executive and confirmed by the Council, but the Corporation is not an entity or component unit of the County. This type of private economic development organization is common in the National Capital Region, including Fairfax County Economic Development Authority, the Washington DC Economic Partnership, Prince George's County Economic Development Corporation, the Baltimore Development Corporation, the Howard County Economic Development Authority, and the Anne Arundel Economic Development Corporation.

For the status of, and impact to, the County in the case of Comptroller of the Treasury of Maryland v. Wynne et ux., see the Income Taxes section of this Management's Discussion and Analysis. As a result, \$132.6 million has been reflected as a liability to the State of Maryland in the accompanying financial statements.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2016
Exhibit A-1

	Primary Government			Component Units Total
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Equity in pooled cash and investments	\$ 869,403,290	\$ 141,020,426	\$ 1,010,423,716	\$ 71,109,202
Cash with fiscal agents	96,399,352	4,975,144	101,374,496	82,816,642
Cash	420,964	135,933	556,897	13,959,076
Investments - cash equivalents	-	-	-	61,360,022
Investments	-	-	-	44,877,433
Receivables (net of allowance for uncollectibles):				
Income taxes	330,324,050	-	330,324,050	-
Property taxes	17,626,486	422,535	18,049,021	-
Capital leases	25,065,000	-	25,065,000	11,898,895
Accounts	24,758,002	11,639,918	36,397,920	41,379,940
Notes	2,729,597	-	2,729,597	65,038,705
Parking violations	1,246,328	1,447,701	2,694,029	-
Mortgage	227,067,646	-	227,067,646	314,660,325
Interest	-	-	-	4,885,121
Other	-	-	-	58,099,166
Internal balances	(1,026,702)	1,026,702	-	-
Due from primary government	-	-	-	75,838,197
Due from component units	70,806,806	503,465	71,310,271	-
Due from other governments	68,656,363	253,185	68,909,548	45,858,539
Inventory of supplies	12,855,533	31,456,841	44,312,374	10,461,840
Prepays	468,188	205,911	674,099	6,239,903
Other assets	-	-	-	37,967,036
Restricted Assets:				
Equity in pooled cash and investments	-	29,547,358	29,547,358	4,955,646
Cash with fiscal agents	-	-	-	22,878,957
Cash	-	-	-	21,881,064
Investments - cash equivalents	-	-	-	191,013,840
Investments	-	3,100,671	3,100,671	66,692,439
Capital Assets:				
Nondepreciable assets	2,467,950,078	59,099,174	2,527,049,252	287,771,237
Depreciable assets, net	1,849,080,475	213,310,659	2,062,391,134	3,530,184,813
Total Assets	<u>6,063,831,456</u>	<u>498,145,623</u>	<u>6,561,977,079</u>	<u>5,071,828,038</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	33,494,175	130,724	33,624,899	918,791
Pension deferrals	288,849,844	12,878,680	301,728,524	229,194,392
Accumulated decrease in fair value of hedging derivatives	-	-	-	11,383,399
Total Deferred Outflows of Resources	<u>322,344,019</u>	<u>13,009,404</u>	<u>335,353,423</u>	<u>241,496,582</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2016
Exhibit A-1 (Concluded)

	Primary Government			Component Units Total
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	85,905,780	4,873,790	90,779,570	105,558,087
Interest payable	43,124,208	668,581	43,792,789	16,308,063
Retainage payable	29,720,700	177,609	29,898,309	9,085,109
Accrued liabilities	105,375,086	21,143,689	126,518,775	91,988,650
Deposits	164,554	9,185,749	9,350,303	20,200,555
Due to primary government	-	-	-	71,495,613
Due to component units	75,053,471	784,726	75,838,197	-
Due to other governments	139,999,282	3,557,984	143,557,266	373,939
Unearned revenue	73,635,415	3,318,297	76,953,712	43,661,499
Other liabilities	-	100,000	100,000	60,284,825
Noncurrent Liabilities:				
Due within one year	841,298,100	11,561,296	852,859,396	183,419,012
Due in more than one year	4,090,393,783	149,382,931	4,239,776,714	2,128,557,695
Total Liabilities	<u>5,484,670,379</u>	<u>204,754,652</u>	<u>5,689,425,031</u>	<u>2,730,933,047</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	-	1,136,239
Pension deferrals	180,450,501	7,749,588	188,200,089	119,164,825
Total Deferred Outflows of Resources	<u>180,450,501</u>	<u>7,749,588</u>	<u>188,200,089</u>	<u>120,301,064</u>
NET POSITION				
Net investment in capital assets	2,280,466,863	139,122,346	2,419,589,209	3,117,863,917
Restricted for:				
Capital projects	48,988,297	-	48,988,297	142,923
General government	3,550,217	-	3,550,217	-
Public safety	11,937,032	-	11,937,032	-
Public works and transportation	31,761,887	-	31,761,887	-
Recreation	13,354,303	-	13,354,303	-
Community development and housing	258,536,592	-	258,536,592	-
Environment	20,771,961	-	20,771,961	-
Debt service	26,374,966	88,115,316	114,490,282	92,397,256
Other purposes	-	-	-	37,274,041
Unrestricted (deficit)	<u>(1,974,687,523)</u>	<u>71,413,125</u>	<u>(1,903,274,398)</u>	<u>(785,587,628)</u>
Total Net Position	<u>\$ 721,054,595</u>	<u>\$ 298,650,787</u>	<u>\$ 1,019,705,382</u>	<u>\$ 2,462,090,509</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit A-2

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General government	\$ 624,379,163	\$ 67,180,168	\$ 5,783,686	\$ 8,057,312
Public safety	620,407,666	56,419,015	38,001,429	1,085,087
Public works and transportation	279,744,940	31,222,409	48,018,142	46,691,306
Health and human services	292,252,497	4,210,725	103,139,187	-
Culture and recreation	116,004,130	39,033,846	5,564,089	384,826
Community development and housing	42,140,359	5,943,869	3,382,444	536,830
Environment	29,886,401	107,496	126,632	5,582,790
Education	1,899,997,038	-	-	-
Interest on long term debt	99,889,037	-	-	-
Total Governmental Activities	4,004,701,231	204,117,528	204,015,609	62,338,151
Business-type Activities				
Liquor control	264,763,943	294,593,991	-	-
Solid waste disposal and collection	105,838,154	109,338,285	-	-
Parking lot districts	33,453,769	32,731,451	-	-
Permitting services	31,042,939	43,882,689	-	-
Community use of public facilities	10,301,634	11,437,099	-	-
Total Business-type Activities	445,400,439	491,983,515	-	-
Total Primary Government	\$ 4,450,101,670	\$ 696,101,043	\$ 204,015,609	\$ 62,338,151
Component Units:				
General government (BUP)	\$ 4,881,463	\$ 4,685,640	\$ 187,760	\$ -
Culture and recreation (MCRA)	18,761,380	16,711,082	-	1,170,300
Community development and housing (HOC)	230,490,766	117,159,375	116,149,154	9,349,632
Education:				
Elementary and secondary education (MCPS)	2,699,114,548	28,069,566	121,173,191	54,665,675
Higher education (MC)	350,557,109	78,168,637	20,392,373	-
Total Component Units	\$ 3,303,805,266	\$ 244,794,300	\$ 257,902,478	\$ 65,185,607

General Revenues:
Property taxes
County income taxes
Real property transfer taxes
Recordation taxes
Fuel energy taxes
Hotel-motel taxes
Telephone taxes
Other taxes
Grants and contributions not restricted to specific programs
Investment income
Gain on sale of capital assets
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (543,357,997)	\$ -	\$ (543,357,997)	\$ -	-
(524,902,135)	-	(524,902,135)	-	-
(153,813,083)	-	(153,813,083)	-	-
(184,902,585)	-	(184,902,585)	-	-
(71,021,369)	-	(71,021,369)	-	-
(32,277,216)	-	(32,277,216)	-	-
(24,069,483)	-	(24,069,483)	-	-
(1,899,997,038)	-	(1,899,997,038)	-	-
(99,889,037)	-	(99,889,037)	-	-
<u>(3,534,229,943)</u>	<u>-</u>	<u>(3,534,229,943)</u>	<u>-</u>	<u>-</u>
-	29,830,048	29,830,048	-	-
-	3,500,131	3,500,131	-	-
-	(722,318)	(722,318)	-	-
-	12,839,750	12,839,750	-	-
-	1,135,465	1,135,465	-	-
<u>-</u>	<u>46,583,076</u>	<u>46,583,076</u>	<u>-</u>	<u>-</u>
<u>\$ (3,534,229,943)</u>	<u>\$ 46,583,076</u>	<u>\$ (3,487,646,867)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (8,063)	-
-	-	-	(879,998)	-
-	-	-	12,167,395	-
-	-	-	(2,495,206,116)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(251,996,099)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,735,922,881)</u>	<u>-</u>
1,593,880,896	(657,506)	1,593,223,390	-	-
1,464,946,447	-	1,464,946,447	-	-
100,566,864	-	100,566,864	-	-
61,141,531	-	61,141,531	-	-
193,281,367	-	193,281,367	-	-
19,444,152	-	19,444,152	-	-
49,694,945	-	49,694,945	-	-
5,201,010	-	5,201,010	-	-
-	-	-	2,816,890,209	-
7,907,133	415,329	8,322,462	5,298,766	-
-	9,855,423	9,855,423	28,126,902	-
<u>49,385,156</u>	<u>(49,385,156)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,545,449,501</u>	<u>(39,771,910)</u>	<u>3,505,677,591</u>	<u>2,850,315,877</u>	<u>-</u>
11,219,558	6,811,166	18,030,724	114,392,996	-
<u>709,835,037</u>	<u>291,839,621</u>	<u>1,001,674,658</u>	<u>2,347,697,513</u>	<u>-</u>
<u>\$ 721,054,595</u>	<u>\$ 298,650,787</u>	<u>\$ 1,019,705,382</u>	<u>\$ 2,462,090,509</u>	<u>-</u>

MONTGOMERY COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
Exhibit A-3

	General Fund	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 369,469,565	\$ 23,347,984	\$ 1,207,398	\$ 16,032,300	\$ 160,498,919	\$ 94,945,661	\$ 665,501,827
Cash with fiscal agents	6,665,431	-	-	10,851,234	78,882,687	-	96,399,352
Cash	170,464	212,450	-	-	-	37,750	420,664
Receivables (net of allowances for uncollectibles):							
Income taxes	330,324,050	-	-	-	-	-	330,324,050
Property taxes	13,853,524	-	-	-	36	3,772,926	17,626,486
Capital leases	-	-	-	25,065,000	-	-	25,065,000
Accounts	8,078,216	-	-	-	429,860	14,369,248	22,877,324
Notes	651,488	-	2,078,109	-	-	-	2,729,597
Parking violations	925,222	-	-	-	-	321,106	1,246,328
Mortgages	587,265	188,565,054	34,935,202	-	300,000	2,680,125	227,067,646
Due from other funds	123,988,491	-	-	-	-	1,174,577	125,163,068
Due from component units	90,913	47,587,819	10,935,022	-	10,571,925	419,333	69,605,012
Due from other governments	25,978,363	-	24,903,945	-	16,048,153	1,630,315	68,560,776
Inventory of supplies	6,842,287	-	-	-	1,487,983	-	8,330,270
Prepays	432,768	-	1,297	-	-	-	434,065
Total Assets	<u>\$ 888,058,047</u>	<u>\$ 259,713,307</u>	<u>\$ 74,060,973</u>	<u>\$ 51,948,534</u>	<u>\$ 268,219,563</u>	<u>\$ 119,351,041</u>	<u>\$ 1,661,351,465</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 45,873,010	\$ 673,435	\$ 7,799,307	\$ 508,568	\$ 13,683,008	\$ 3,830,704	\$ 72,368,032
Retainage payable	460,826	-	24,323	-	29,157,498	78,053	29,720,700
Accrued liabilities	62,748,206	239,060	1,015,424	-	10,800,093	13,468,336	88,271,119
Deposits	-	-	-	-	-	164,554	164,554
Due to other funds	10,839,409	30,602	11,638,456	-	114,298,538	4,718,347	141,525,352
Due to component units	25,615,368	544,679	11,078	-	48,811,068	53,356	75,035,549
Due to other governments	1,005,053	1,545	5,408,018	-	298,352	549,591	7,262,559
Unearned revenue	-	-	47,948,334	25,065,000	743,290	12,669	73,769,293
Total Liabilities	<u>146,541,872</u>	<u>1,489,321</u>	<u>73,844,940</u>	<u>25,573,568</u>	<u>217,791,847</u>	<u>22,875,610</u>	<u>488,117,158</u>
Deferred Inflows of Resources:							
Unavailable income taxes	243,957,406	-	-	-	-	-	243,957,406
Unavailable property taxes	13,363,873	-	-	-	-	4,284,451	17,648,324
Unavailable revenues	3,858,533	4,360,996	-	-	1,439,419	6,358,011	16,016,959
Total Deferred Inflows of Resources	<u>261,179,812</u>	<u>4,360,996</u>	<u>-</u>	<u>-</u>	<u>1,439,419</u>	<u>10,642,462</u>	<u>277,622,689</u>
Fund Balances:							
Nonspendable	7,275,055	-	1,297	-	1,487,983	-	8,764,335
Restricted	261,313,852	253,862,990	214,736	26,374,966	47,500,314	85,832,969	675,099,827
Committed	71,684,134	-	-	-	-	-	71,684,134
Assigned	27,035,009	-	-	-	-	-	27,035,009
Unassigned	113,028,313	-	-	-	-	-	113,028,313
Total Fund Balances	<u>480,336,363</u>	<u>253,862,990</u>	<u>216,033</u>	<u>26,374,966</u>	<u>48,988,297</u>	<u>85,832,969</u>	<u>895,611,618</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 888,058,047</u>	<u>\$ 259,713,307</u>	<u>\$ 74,060,973</u>	<u>\$ 51,948,534</u>	<u>\$ 268,219,563</u>	<u>\$ 119,351,041</u>	<u>\$ 1,661,351,465</u>

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

MONTGOMERY COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
Exhibit A-4

Total fund balance - governmental funds (see Exhibit A-3) \$ 895,611,618

Amounts reported for governmental activities in the statement of net position are difference because:

Capital assets uses in governmental fund activities are not financial resources and therefore not reported in the funds:

Nondepreciable capital assets:

Land \$ 930,210,325
Construction in progress 1,537,717,247

Depreciable capital assets:

Buildings 861,825,338
Improvements other than buildings 46,378,707
Furniture, fixtures, equipment and machinery 231,580,238
Automobiles and trucks 221,982,154
Infrastructure 1,894,285,193
Other capital assets 40,359,973

Total capital assets 5,764,339,175
Less accumulated depreciation (1,480,804,782) 4,283,534,393

Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds:

General obligation bonds payable (2,657,290,000)
Variable rate demand obligations (100,000,000)
Bond anticipation notes payable (500,000,000)
Lease revenue bonds payable (25,065,000)
Accrued interest payable (43,124,208)
Capital leases payable (11,158,430)
Taxable limited obligation (82,535,000)
Certificates of participation (10,800,000)
Notes payable (53,985,826)
Revenue bonds (143,181,716)
Net pension liability (411,539,978)
Other postemployment benefits (443,948,699)
Claims and judgements (1,003,200)
Compensated absences (73,880,043) (4,557,512,100)

Due to other governments - long term debt due to state government not expected to be repaid with current financial reserves (132,573,470) (132,573,470)

Certain costs related to long-term liabilities are recognized as expenditures in the fund statements, but are deferred in the government-wide statements:

Unamortized premiums (259,864,851)
Unrecognized amount on refunding 33,494,175
Pension related deferrals, net 107,219,847 (119,150,829)

Internal service funds are used by management to provide certain goods and services to governmental funds. The assets and liabilities of internal service funds are included in the government-wide statement of net position:

Assets:

Current and non current assets 219,124,012
Capital assets 92,015,439
Less accumulated depreciation (58,519,279)
Deferred outflows of resources 2,913,441
Liabilities (178,793,398)
Deferred inflows of resources (1,733,945)

Cumulative gain/loss for certain activities of internal service funds that are reported with business-type activities (1,652,671) 73,353,599

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Income taxes 243,957,406
Property taxes 17,648,324
Intergovernmental revenue 8,540,720
Other revenue 7,644,934 277,791,384

Net position of governmental activities (See Exhibit A-1) \$ 721,054,595

MONTGOMERY COUNTY, MARYLAND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 Exhibit A-5

	General	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 2,978,657,888	\$ 9,652,497	\$ -	\$ -	\$ 73,036,420	\$ 386,517,557	\$ 3,447,864,362
Licenses and permits	11,144,883	-	-	-	-	1,120,502	12,265,385
Intergovernmental	61,733,732	-	104,480,291	8,057,312	27,173,402	42,339,054	243,783,791
Charges for services	29,143,713	90	129,608	-	641,675	88,552,286	118,467,372
Fines and forfeitures	27,327,136	-	-	-	-	1,680,086	29,007,222
Investment income (loss)	992,786	2,086,730	127,078	18,416	405,944	350,109	3,981,063
Miscellaneous	8,601,100	1,960,478	871,230	3,494,216	2,946,090	881,666	18,754,780
Total Revenues	3,117,601,238	13,699,795	105,608,207	11,569,944	104,203,531	521,441,260	3,874,123,975
EXPENDITURES							
Current:							
General government	417,800,628	-	5,310,478	-	-	877,491	423,988,597
Public safety	400,082,511	-	11,467,129	-	-	242,993,223	654,542,863
Public works and transportation	87,062,413	-	4,340,353	-	-	119,397,315	210,800,081
Health and human services	217,471,067	-	81,101,075	-	-	-	298,572,142
Culture and recreation	45,043,237	-	169,467	-	-	46,944,994	92,157,698
Community development and housing	11,623,439	22,317,420	3,431,453	-	-	-	37,372,312
Environment	2,054,109	-	128,252	-	-	21,232,629	23,414,990
Education	1,674,058,571	-	-	-	-	-	1,674,058,571
Debt Service:							
Principal retirement	-	-	-	192,160,354	-	-	192,160,354
Leases and other obligations	-	-	-	29,873,326	-	-	29,873,326
Interest	-	-	-	133,478,302	-	-	133,478,302
Issuing costs	-	-	-	3,715,273	-	-	3,715,273
Capital projects	-	-	-	-	624,096,406	-	624,096,406
Total Expenditures	2,855,195,975	22,317,420	105,948,207	359,227,255	624,096,406	431,445,652	4,398,230,915
Excess (Deficiency) of Revenues over (under) Expenditures	262,405,263	(8,617,625)	(340,000)	(347,657,311)	(519,892,875)	89,995,608	(524,106,940)
OTHER FINANCING SOURCES (USES)							
Transfers in	65,108,335	28,043,890	340,000	331,829,689	67,643,225	5,669,117	498,634,256
Transfers (out)	(344,412,390)	(10,442,461)	-	-	(6,222,949)	(87,660,484)	(448,738,284)
Sale of property	-	1,181,222	-	-	10,848	-	1,192,070
Financing under notes and leases payable	1,739,803	-	-	-	6,620,939	-	8,360,742
Debt Issued (Retired):							
General obligation bonds	-	-	-	300,000,000	-	-	300,000,000
Premium on original issue debt	-	-	-	21,431,680	5,274,770	-	26,706,450
Bond anticipation notes	-	-	-	(300,000,000)	300,000,000	-	-
Revenue bonds	-	-	-	3,133,388	43,366,612	-	46,500,000
Premium on revenue bonds	-	-	-	-	2,009,534	-	2,009,534
Total Other Financing Sources (Uses)	(277,564,252)	18,782,651	340,000	356,394,757	418,702,979	(81,991,367)	434,664,768
Net Change in Fund Balances	(15,158,989)	10,165,026	-	8,737,446	(101,189,896)	8,004,241	(89,442,172)
Fund Balances - Beginning of Year	495,495,352	243,697,964	216,033	17,637,520	150,178,193	77,828,728	985,053,790
Fund Balances - End of Year	\$ 480,336,363	\$ 253,862,990	\$ 216,033	\$ 26,374,966	\$ 48,988,297	\$ 85,832,969	\$ 895,611,618

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

MONTGOMERY COUNTY, MARYLAND
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Exhibit A-6

Net change in fund balance - total governmental funds (see Exhibit A-5) \$ (89,442,172)

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

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

Capital outlay	\$ 319,266,895	
Depreciation expense	<u>(85,173,395)</u>	234,093,500

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

	(17,007,410)	(17,007,410)
--	--------------	--------------

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

	22,826,260	22,826,260
--	------------	------------

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

Income taxes	42,518,012	
Property taxes	(2,225,162)	
Intergovernmental revenues	(1,153,200)	
Other revenues	<u>(1,387,574)</u>	37,752,076

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

Debt issued or incurred:

General obligation bonds	(326,706,450)	
Bond anticipation notes	(300,000,000)	
Notes payable	(8,360,742)	
Revenue bonds	(48,509,534)	

Principal repayments:

General obligation bonds	187,460,000	
Bond anticipation notes	300,000,000	
Taxable limited obligation certificates	3,785,000	
Leases payable	2,160,000	
Capital leases	2,659,480	
Certificates of participation	6,885,000	
Notes payable	14,812,480	
Revenue bonds	<u>4,243,607</u>	(161,571,159)

Cost incurred for past refunds owed as a result of the supreme court decision related to duplicate taxation (132,573,470) (132,573,470)

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

Accrued interest payable	4,989,192	
Compensated absences	509,381	
Pension expense	73,948,592	
Other postemployment benefits	(8,595,498)	
Claims and judgements	113,195	
Amortization	<u>32,347,655</u>	103,312,517

The current year gain for certain activities of internal service funds is reported with governmental activities. 13,829,416

Change in net position of governmental activities (see Exhibit A-2) \$ 11,219,558

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016
Exhibit A-7

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
ASSETS						
Current Assets:						
Equity in pooled cash and investments	\$ 2,238,172	\$ 39,312,735	\$ 31,428,854	\$ 68,040,665	\$ 141,020,426	\$ 203,901,463
Cash with fiscal agents	4,950,185	-	24,959	-	4,975,144	-
Cash	52,500	3,600	79,833	-	135,933	300
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	422,535	-	422,535	-
Accounts	6,490,126	4,908,353	35,595	205,844	11,639,918	1,870,132
Parking violations	-	-	1,447,701	-	1,447,701	-
Due from other funds	-	-	-	-	-	7,495,350
Due from component units	-	65,753	437,712	-	503,465	1,201,794
Due from other governments	-	253,185	-	-	253,185	95,587
Inventory of supplies	31,456,841	-	-	-	31,456,841	4,525,263
Prepays	205,911	-	-	-	205,911	34,123
Total Current Assets	45,393,735	44,543,626	33,877,189	68,246,509	192,061,059	219,124,012
Noncurrent Assets:						
Restricted Assets:						
Equity in pooled cash and equivalents	-	26,040,121	3,507,237	-	29,547,358	-
Investments	-	-	3,100,671	-	3,100,671	-
Restricted Assets	-	26,040,121	6,607,908	-	32,648,029	-
Capital Assets:						
Land, improved and unimproved	7,033,656	17,834,755	33,948,391	-	58,816,802	22,506
Improvements other than buildings	15,054,010	81,554,468	79,627,464	-	176,235,942	268,565
Infrastructure	-	14,351	-	-	14,351	-
Buildings	26,404,147	32,750,237	236,042,928	-	295,197,312	-
Furniture, fixtures, equipment, and machinery	13,374,645	15,105,355	1,060,733	1,849,097	31,389,830	3,852,897
Automobiles and trucks	3,928,426	279,688	122,153	440,851	4,771,118	87,871,471
Construction in progress	-	-	282,372	-	282,372	-
Subtotal	65,794,884	147,538,854	351,084,041	2,289,948	566,707,727	92,015,439
Less: Accumulated depreciation	13,620,353	107,798,831	171,184,768	1,693,942	294,297,894	58,519,279
Total Capital Assets (net of accumulated depreciation)	52,174,531	39,740,023	179,899,273	596,006	272,409,833	33,496,160
Total Noncurrent Assets	52,174,531	65,780,144	186,507,181	596,006	305,057,862	33,496,160
Total Assets	97,568,266	110,323,770	220,384,370	68,842,515	497,118,921	252,620,172
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding of debt	-	-	130,724	-	130,724	-
Pension deferrals	3,647,294	2,261,922	865,063	6,104,401	12,878,680	2,913,441
Total Deferred Outflows of Resources	3,647,294	2,261,922	995,787	6,104,401	13,009,404	2,913,441

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016
Exhibit A-7 (Concluded)

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds		
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 300,982	\$ 2,955,896	\$ 1,372,904	\$ 244,008	\$ 4,873,790	\$ 13,542,749
Interest payable	470,130	-	198,451	-	668,581	-
Retainage payable	31,950	-	145,659	-	177,609	-
Deposits	-	-	75,000	9,110,749	9,185,749	-
Claims payable	-	-	-	-	-	39,740,099
Accrued liabilities	15,905,246	5,164,367	977,854	2,600,978	24,648,445	4,744,695
Due to other funds	515,652	178,981	79,250	447,733	1,221,616	4,314,726
Due to component units	-	-	824	783,902	784,726	17,922
Due to other governments	1,126,777	2,414,762	-	16,445	3,557,984	158,253
Equipment notes payable	945,740	-	150,689	18,769	1,115,198	-
Unearned revenue	19,718	-	477,380	2,821,199	3,318,297	34,816
Revenue bonds payable	2,106,979	-	3,158,000	-	5,264,979	-
Landfill closure costs	-	1,080,716	-	-	1,080,716	-
Other liabilities	-	-	100,000	-	100,000	-
Total Current Liabilities	<u>21,423,174</u>	<u>11,794,722</u>	<u>6,736,011</u>	<u>16,043,783</u>	<u>55,997,690</u>	<u>62,553,260</u>
Noncurrent Liabilities:						
Claims payable	-	-	-	-	-	110,516,195
Equipment note payable	4,312,708	-	309,354	18,987	4,641,049	-
Revenue bonds payable	40,294,222	-	38,370,616	-	78,664,838	-
Landfill closure costs	-	14,458,762	-	-	14,458,762	-
Gude Landfill remediation costs	-	28,500,000	-	-	28,500,000	-
Compensated absences	886,962	362,664	140,627	817,655	2,207,908	791,310
Net pension liability	4,676,057	2,958,989	1,119,970	8,190,136	16,945,152	3,791,419
Other postemployment benefits	1,838,263	477,233	229,800	1,419,926	3,965,222	1,141,214
Total Noncurrent Liabilities	<u>52,008,212</u>	<u>46,757,648</u>	<u>40,170,367</u>	<u>10,446,704</u>	<u>149,382,931</u>	<u>116,240,138</u>
Total Liabilities	<u>73,431,386</u>	<u>58,552,370</u>	<u>46,906,378</u>	<u>26,490,487</u>	<u>205,380,621</u>	<u>178,793,398</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	<u>2,138,519</u>	<u>1,353,246</u>	<u>512,199</u>	<u>3,745,624</u>	<u>7,749,588</u>	<u>1,733,945</u>
Total Deferred Inflows of Resources	<u>2,138,519</u>	<u>1,353,246</u>	<u>512,199</u>	<u>3,745,624</u>	<u>7,749,588</u>	<u>1,733,945</u>
NET POSITION						
Net investment in capital assets	4,514,882	39,740,023	138,526,340	596,006	183,377,251	33,422,584
Restricted for debt service	4,950,185	-	6,607,908	-	11,558,093	-
Unrestricted	16,180,588	12,940,053	28,827,332	44,114,799	102,062,772	41,583,686
Total Net Position	<u>\$ 25,645,655</u>	<u>\$ 52,680,076</u>	<u>\$ 173,961,580</u>	<u>\$ 44,710,805</u>	<u>296,998,116</u>	<u>\$ 75,006,270</u>
ADJUSTMENTS						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>1,652,671</u>	
Net position of business-type activities					<u>\$ 298,650,787</u>	

Notes to Financial Statements are an integral part of this statement

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit A-8

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds		
OPERATING REVENUES						
Sales - net	\$ 292,467,049	\$ -	\$ -	\$ -	\$ 292,467,049	\$ -
Charges for services	19,220	109,340,795	26,332,976	13,634,161	149,327,152	292,222,436
Licenses and permits	1,893,522	14,390	-	41,558,083	43,465,995	-
Fines and penalties	194,402	57,788	5,608,730	119,547	5,980,467	2,149,724
Total Operating Revenues	<u>294,574,193</u>	<u>109,412,973</u>	<u>31,941,706</u>	<u>55,311,791</u>	<u>491,240,663</u>	<u>294,372,160</u>
OPERATING EXPENSES						
Cost of goods sold	211,517,189	-	-	-	211,517,189	-
Personnel costs	31,794,062	13,314,464	4,613,787	26,046,812	75,769,125	27,696,040
Other post employment contributions	2,157,840	421,040	273,680	1,205,230	4,057,790	1,273,650
Postage	17,964	94,934	6,379	11,629	130,906	1,248,849
Self-insurance incurred and estimated claims	-	-	-	-	-	156,842,624
Insurance	704,544	1,053,318	26,010	365,378	2,149,250	28,659,472
Supplies and materials	688,424	1,206,962	601,999	568,975	3,066,360	22,429,874
Contractual services	3,732,145	85,021,540	7,944,037	6,758,608	103,456,330	16,016,379
Communications	473,927	178,256	187,976	253,037	1,093,196	545,652
Transportation	1,086,044	2,178,851	277,096	639,431	4,181,422	202,411
Public utility services	738,944	154,689	2,458,434	2,091,200	5,443,267	1,089,543
Rentals	6,568,451	21,842	1,213,370	2,924,083	10,727,746	2,523,693
Maintenance	785,550	613,655	3,174,270	361,113	4,934,588	14,638,576
Depreciation	2,372,241	1,580,920	11,542,100	165,044	15,660,305	6,768,260
Landfill closure expense	-	133,560	-	-	133,560	-
Other	750,876	65,695	16,161	209,450	1,042,182	706,994
Total Operating Expenses	<u>263,388,201</u>	<u>106,039,726</u>	<u>32,335,299</u>	<u>41,599,990</u>	<u>443,363,216</u>	<u>280,642,017</u>
Operating Income (Loss)	<u>31,185,992</u>	<u>3,373,247</u>	<u>(393,593)</u>	<u>13,711,801</u>	<u>47,877,447</u>	<u>13,730,143</u>
NONOPERATING REVENUES (EXPENSES)						
Property taxes	-	-	(657,506)	-	(657,506)	-
Gain (loss) on disposal of capital assets	-	201,967	9,480,997	-	9,682,964	172,639
Investment income	27,920	103,777	94,314	189,318	415,329	558,932
Interest expense	(1,839,210)	-	(1,179,135)	(597)	(3,018,942)	(910)
Other revenue	12,601	97,771	789,745	7,997	908,114	-
Insurance recoveries	7,197	-	-	-	7,197	861,147
Total Nonoperating Revenues (Expenses)	<u>(1,791,492)</u>	<u>403,515</u>	<u>8,528,415</u>	<u>196,718</u>	<u>7,337,156</u>	<u>1,591,808</u>
Income (Loss) Before Capital Contributions and Transfers	<u>29,394,500</u>	<u>3,776,762</u>	<u>8,134,822</u>	<u>13,908,519</u>	<u>55,214,603</u>	<u>15,321,951</u>
Transfers In (Out):						
Transfers in	-	-	-	25,000	25,000	39,184
Transfers out	(30,422,492)	(3,677,330)	(10,635,304)	(4,675,030)	(49,410,156)	(550,000)
Total Transfers In (Out)	<u>(30,422,492)</u>	<u>(3,677,330)</u>	<u>(10,635,304)</u>	<u>(4,650,030)</u>	<u>(49,385,156)</u>	<u>(510,816)</u>
Change in Net Position	<u>(1,027,992)</u>	<u>99,432</u>	<u>(2,500,482)</u>	<u>9,258,489</u>	<u>5,829,447</u>	<u>14,811,135</u>
Total Net Position - Beginning of Year	<u>26,673,647</u>	<u>52,580,644</u>	<u>176,462,062</u>	<u>35,452,316</u>		<u>60,195,135</u>
Total Net Position - End of Year	<u>\$ 25,645,655</u>	<u>\$ 52,680,076</u>	<u>\$ 173,961,580</u>	<u>\$ 44,710,805</u>		<u>\$ 75,006,270</u>
ADJUSTMENTS						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					981,719	
Change in net position of business-type activities					<u>\$ 6,811,166</u>	

Notes to Financial Statements are an integral part of this statement

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit A-9

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 294,002,300	\$ 108,931,660	\$ 31,242,280	\$ 55,513,825	\$ 489,690,065	\$ 291,916,305
Payments to suppliers	(225,874,160)	(91,116,522)	(17,037,445)	(15,756,438)	(349,784,565)	(83,259,931)
Payments to employees	(34,979,048)	(12,600,024)	(4,531,055)	(27,657,203)	(79,767,330)	(27,935,701)
Other operating receipts	12,601	-	789,745	4,442,238	5,244,584	-
Other operating payments	(750,876)	-	(16,161)	(5,237,557)	(6,004,594)	-
Claims paid	-	-	-	-	-	(148,431,313)
Other revenue	7,198	97,771	-	7,997	112,966	575,149
Net Cash Provided (Used) by Operating Activities	32,418,015	5,312,885	10,447,364	11,312,862	59,491,126	32,864,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Property tax collections	-	-	(657,506)	-	(657,506)	-
Insurance reimbursement claims	-	-	-	-	-	861,147
Operating subsidies and transfers from other funds	-	-	-	25,000	25,000	-
Operating subsidies and transfers to other funds	(30,422,492)	(3,677,330)	(10,635,304)	(4,675,030)	(49,410,156)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(30,422,492)	(3,677,330)	(11,292,810)	(4,650,030)	(50,042,662)	861,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	-	-	75,611	-	75,611	-
Proceeds from sale of capital assets	1,750	374,425	9,480,997	-	9,857,172	322,750
Retirement of capital assets	-	-	2,309,716	-	2,309,716	-
Acquisition and construction of capital assets	(1,236,572)	(2,983,192)	(5,438,072)	(116,666)	(9,774,502)	(8,824,229)
Proceeds from equipment note payable	2,057,372	-	-	-	-	-
Principal paid on equipment note payable	(789,826)	-	(148,091)	-	(937,917)	-
Interest paid on equipment note payable	(91,255)	-	(9,977)	-	(101,232)	-
Principal paid on capital debt	(2,016,393)	-	(3,245,000)	(18,554)	(5,279,947)	(61,550)
Interest paid on capital debt	(1,968,164)	-	(1,575,467)	(598)	(3,544,229)	(910)
Internal activity - payments from other funds	-	-	-	-	-	(510,816)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,043,088)	(2,608,767)	1,449,717	(135,818)	(7,395,328)	(9,074,755)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income from pooled investments	27,920	103,777	94,314	189,319	415,330	558,932
Net Cash Provided (Used) by Investing Activities	27,920	103,777	94,314	189,319	415,330	558,932
Net Increase (Decrease) in Cash and Cash Equivalents	(2,019,645)	(869,435)	698,585	6,716,333	2,468,466	25,209,833
Balances - Beginning of Year	9,260,502	66,225,891	34,342,298	61,324,332	171,153,023	178,691,930
Balances - End of Year	\$ 7,240,857	\$ 65,356,456	\$ 35,040,883	\$ 68,040,665	\$ 173,621,489	\$ 203,901,763
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 31,185,992	\$ 3,373,247	\$ (393,593)	\$ 13,711,801	\$ 47,877,447	\$ 13,730,143
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	2,372,241	1,580,920	11,542,100	165,044	15,660,305	6,768,260
Other revenue	12,601	97,771	789,745	8,000	908,117	-
Unearned revenue	426	-	-	-	426	-
Other operating expenses	-	3,100	-	-	3,100	-
Pension expense	(1,418,644)	(739,854)	(232,089)	(1,906,104)	(4,296,691)	(960,357)
Miscellaneous	7,198	-	38,580	-	45,778	-
Effect of changes in operating assets and liabilities:						
Receivables, net	(572,319)	(484,413)	(738,004)	3,182	(1,791,554)	(1,880,706)
Inventories, prepaids and other assets	-	-	-	-	-	219,140
Accounts payable and other liabilities	743,571	37,796	(1,212,888)	(151,981)	(583,502)	5,579,010
Claims payable	-	-	-	-	-	8,725,000
Accrued expenses	86,949	1,444,318	653,513	(517,080)	1,667,700	684,019
Net Cash Provided (Used) by Operating Activities	\$ 32,418,015	\$ 5,312,885	\$ 10,447,364	\$ 11,312,862	\$ 59,491,126	\$ 32,864,509
Noncash investing, capital and financing activities:						
Change in fair value of investments that are not cash and cash equivalents	\$ -	\$ -	\$ 4,434	\$ -	\$ 4,434	\$ -
Capital asset disposals	\$ -	\$ -	\$ 763,659	\$ -	\$ 763,659	\$ -

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016
Exhibit A-10

	Pension and Other Employee Benefit Trusts	Investment Trust	Private- Purpose Trusts	Agency Funds
ASSETS				
Current Assets:				
Equity in pooled cash and investments	\$ 2,841,008	\$ 9,348,109	\$ 60,024	\$ 32,367,391
Cash	-	-	-	130,945
Investments:				
Government and agency obligations	500,301,597	-	-	-
Asset-backed securities	3,713,101	-	-	-
Municipal/Provincial bonds	16,081,574	-	-	-
Corporate bonds	847,623,201	-	-	-
Collateralized mortgage obligations	840,430	-	-	-
Commercial mortgage-backed securities	726,834	-	-	-
Common and preferred stock	1,815,593,836	-	-	-
Mutual and commingled funds	1,156,264,219	-	-	-
Short-term investments	109,016,016	-	-	-
Cash collateral received under securities lending agreements	274,338,071	-	-	-
Real assets	209,199,727	-	-	-
Private equity	305,401,191	-	-	-
Total Investments	<u>5,239,099,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receivables (net of allowances for uncollectibles):				
Receivables and accrued interest	35,001,943	-	-	-
Property taxes	-	-	-	5,095,840
Accounts	610,400	-	-	8,768,356
Due from other funds	14,424,254	-	-	-
Due from component units	185,342	-	-	-
Due from other governments	1,016	-	-	-
Total Current Assets	<u>5,292,163,760</u>	<u>9,348,109</u>	<u>60,024</u>	<u>46,362,532</u>
Noncurrent Assets:				
Capital assets:				
Miscellaneous	900,043	-	-	-
Less: Accumulated depreciation	<u>600,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets (net of accumulated depreciation)	<u>300,015</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>5,292,463,775</u>	<u>9,348,109</u>	<u>60,024</u>	<u>\$ 46,362,532</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	278,835,723	-	44,585	361,489
Accrued liabilities	5,229,535	-	-	11,144
Deposits	-	-	-	3,666,894
Claims payable	3,921,873	-	-	-
Due to other funds	20,978	-	-	-
Due to other governments	-	-	-	1,860,898
Uncollected property taxes due to governments	-	-	-	4,771,080
Undistributed taxes and refunds	-	-	-	3,436,551
Unearned revenue	77,121	-	-	-
Tax sale surplus and redemptions payable	-	-	-	4,076,031
Other liabilities	-	-	-	28,178,445
Total Current Liabilities	<u>288,085,230</u>	<u>-</u>	<u>44,585</u>	<u>46,362,532</u>
Noncurrent Liabilities:				
Compensated absences	<u>79,697</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>288,164,927</u>	<u>-</u>	<u>44,585</u>	<u>\$ 46,362,532</u>
NET POSITION				
Held in trust for pension and other postemployment benefits, external investment pool participants, and other purposes	<u>\$ 5,004,298,848</u>	<u>\$ 9,348,109</u>	<u>\$ 15,439</u>	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit A-11

	Pension and Other Employee Benefit Trusts	Investment Trust	Private- Purpose Trusts
ADDITIONS			
Contributions:			
Employers	\$ 319,296,191	\$ -	\$ -
Members	81,189,710	-	-
Federal government - Medicare Part D	8,663,516	-	-
Share purchases	-	31,240,151	-
Total Contributions	<u>409,149,417</u>	<u>31,240,151</u>	<u>-</u>
Investment income (loss)	77,774,139	129,482	-
Less: Investment expenses	<u>19,719,710</u>	<u>-</u>	<u>-</u>
Net Investment Income (Loss)	58,054,429	129,482	-
Other income - forfeitures	<u>292,437</u>	<u>-</u>	<u>-</u>
Total Additions, net	<u>467,496,283</u>	<u>31,369,633</u>	<u>-</u>
DEDUCTIONS			
Benefits:			
Annuities:			
Retirees	171,391,248	-	-
Survivors	9,017,219	-	-
Disability	50,287,324	-	-
Claims	<u>106,594,157</u>	<u>-</u>	<u>-</u>
Total Benefits	337,289,948	-	-
Share redemptions	-	55,973,376	-
Member refunds	38,316,045	-	-
Administrative expenses	10,621,876	-	-
Depreciation	<u>300,014</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>386,527,883</u>	<u>55,973,376</u>	<u>-</u>
Net Increase (Decrease)	80,968,400	(24,603,743)	-
Net Position - Beginning of Year	<u>4,923,330,448</u>	<u>33,951,852</u>	<u>15,439</u>
Net Position - End of Year	<u>\$ 5,004,298,848</u>	<u>\$ 9,348,109</u>	<u>\$ 15,439</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2016
Exhibit A-12

	MCPS	HOC	Nonmajor Component Units	Total
ASSETS				
Equity in pooled cash and investments	\$ 43,391,009	\$ 940,009	\$ 26,778,184	\$ 71,109,202
Cash with fiscal agents	-	76,561,172	6,255,470	82,816,642
Cash	7,298,183	15,596	6,645,297	13,959,076
Investments - cash equivalents	27,284,370	20,263,832	13,811,820	61,360,022
Investments	-	-	44,877,433	44,877,433
Receivables (net of allowance for uncollectibles):				
Capital leases	-	-	11,898,895	11,898,895
Accounts	31,832,467	369,830	9,177,643	41,379,940
Notes	-	-	65,038,705	65,038,705
Mortgage	-	314,660,325	-	314,660,325
Interest	-	4,885,121	-	4,885,121
Other	151,019	52,669,364	5,278,783	58,099,166
Due from primary government	65,834,642	1,208,476	8,795,079	75,838,197
Due from other governments	37,443,359	2,759,177	5,656,003	45,858,539
Inventory of supplies	9,671,668	330,004	460,168	10,461,840
Prepays	337,779	3,609,683	2,292,441	6,239,903
Other assets	-	32,053,228	5,913,808	37,967,036
Restricted Assets:				
Equity in pooled cash and investments	-	4,407,929	547,717	4,955,646
Cash with fiscal agents	-	22,878,957	-	22,878,957
Cash	-	-	21,881,064	21,881,064
Investments - cash equivalents	-	191,013,840	-	191,013,840
Investments	-	66,692,439	-	66,692,439
Capital Assets:				
Nondepreciable assets	145,703,260	102,401,512	39,666,465	287,771,237
Depreciable assets, net	2,532,182,674	449,141,367	548,860,772	3,530,184,813
Total Assets	<u>2,901,130,430</u>	<u>1,346,861,861</u>	<u>823,835,747</u>	<u>5,071,828,038</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	-	918,791	918,791
Pension deferrals	217,019,075	5,063,652	7,111,665	229,194,392
Accumulated decrease in fair value of hedging derivatives	-	11,208,458	174,941	11,383,399
Total Deferred Outflow of Resources	<u>217,019,075</u>	<u>16,272,110</u>	<u>8,205,397</u>	<u>241,496,582</u>
LIABILITIES				
Accounts payable	79,943,607	18,874,089	6,740,391	105,558,087
Interest payable	-	16,308,063	-	16,308,063
Retainage payable	7,650,158	-	1,434,951	9,085,109
Accrued liabilities	64,709,761	7,223,272	20,055,617	91,988,650
Deposits	-	19,891,276	309,279	20,200,555
Due to primary government	64,316	70,651,953	779,344	71,495,613
Due to other governments	-	-	373,939	373,939
Unearned revenue	8,413,726	27,003,617	8,244,156	43,661,499
Other liabilities	-	58,168,017	2,116,808	60,284,825
Noncurrent Liabilities:				
Due within one year	54,036,618	120,731,241	8,651,153	183,419,012
Due in more than one year	1,148,254,574	795,794,995	184,508,126	2,128,557,695
Total Liabilities	<u>1,363,072,760</u>	<u>1,134,646,523</u>	<u>233,213,764</u>	<u>2,730,933,047</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	1,136,239	1,136,239
Pension deferrals	110,414,312	4,625,333	4,125,180	119,164,825
Total Deferred Intflow of Resources	<u>110,414,312</u>	<u>4,625,333</u>	<u>5,261,419</u>	<u>120,301,064</u>
NET POSITION				
Net investment in capital assets	2,643,860,041	(33,775,631)	507,779,507	3,117,863,917
Restricted for:				
Capital projects	-	-	142,923	142,923
Debt service	-	90,923,275	1,473,981	92,397,256
Other purposes	-	6,190,638	31,083,403	37,274,041
Unrestricted (deficit)	(999,197,608)	160,523,833	53,086,147	(785,587,628)
Total Net Position	<u>\$ 1,644,662,433</u>	<u>\$ 223,862,115</u>	<u>\$ 593,565,961</u>	<u>\$ 2,462,090,509</u>

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

MONTGOMERY COUNTY, MARYLAND
 STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 Exhibit A-13

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	MCPS	HOC	Nonmajor Component Units	Total
Component Units:								
General government	\$ 4,881,463	\$ 4,685,640	\$ 187,760	\$ -	\$ -	\$ -	\$ (8,063)	\$ (8,063)
Culture and recreation	18,761,380	16,711,082	-	1,170,300	-	-	(879,998)	(879,998)
Community development and housing	230,490,766	117,159,375	116,149,154	9,349,632	-	12,167,395	-	12,167,395
Education:								
Secondary education	2,699,114,548	28,069,566	121,173,191	54,665,675	(2,495,206,116)	-	-	(2,495,206,116)
Higher education	350,557,109	78,168,637	20,392,373	-	-	-	(251,996,099)	(251,996,099)
Total component units	<u>\$ 3,303,805,266</u>	<u>\$ 244,794,300</u>	<u>\$ 257,902,478</u>	<u>\$ 65,185,607</u>	<u>(2,495,206,116)</u>	<u>12,167,395</u>	<u>(252,884,160)</u>	<u>(2,735,922,881)</u>
General revenues:								
Grants and contributions not restricted to specific programs					2,553,042,676	-	263,847,533	2,816,890,209
Investment income					11,800	1,104,919	4,182,047	5,298,766
Gain (loss) on sale of capital assets					293,263	27,896,767	(63,128)	28,126,902
Total general revenues					<u>2,553,347,739</u>	<u>29,001,686</u>	<u>267,966,452</u>	<u>2,850,315,877</u>
Change in net assets					58,141,623	41,169,081	15,082,292	114,392,996
Net position - beginning, as restated					<u>1,586,520,810</u>	<u>182,693,034</u>	<u>578,483,669</u>	<u>2,347,697,513</u>
Net position - ending					<u>\$ 1,644,662,433</u>	<u>\$ 223,862,115</u>	<u>\$ 593,565,961</u>	<u>\$ 2,462,090,509</u>

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



MONTGOMERY COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

Background

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

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

Discretely Presented Component Units

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

Major Component Units

- Montgomery County Public Schools (MCPS)
MCPS provides public education in kindergarten through twelfth grade to children residing within Montgomery County. Members of the Board of Education, including one student member, are elected by the voters. However, MCPS is fiscally dependent upon the Primary Government because the Primary Government approves the budget, levies taxes to provide the majority of the fiscal support, and issues debt for construction of school facilities.
- Housing Opportunities Commission of Montgomery County (HOC)
HOC is governed by seven commissioners who are appointed by the County Executive with the approval of the County Council. In addition, the County Council provides for a subsidy to the operating budget of HOC and guarantees a relatively small portion of its debt (up to \$50,000,000). The HOC operating budget approval occurs on a project basis, with the County Council having authority to approve project budgets that include County funding. HOC presents its proposed budget to the Council for review and comment only, as required by Article 44A, Section 2 of the Annotated Code of Maryland. Even though

there is a large dependence on the U.S. Department of Housing and Urban Development (HUD), HOC has sufficient financial accountability to the Primary Government to be included as a component unit.

NonMajor Component Units

- Bethesda Urban Partnership, Inc (BUP)
BUP has its entire ten-member Board of Directors appointed by the County Executive with the approval of the County Council. The primary purpose of BUP is to execute service contracts for the benefit of one of the Primary Government's special taxing districts (Bethesda Urban District). Substantially all of BUP's funding is granted through the Primary Government's operating budget. The County Council annually approves the BUP operating budget and is able to modify it in a manner similar to the way Primary Government agency budgets are modified.
- Montgomery County Revenue Authority (MCRA)
MCRA is governed by a five-member Board of Directors. All members are appointed by the County Executive subject to the confirmation of the County Council. The County Council approves the capital budget of MCRA. MCRA approves its own operating budget. MCRA is an instrumentality of the Primary Government for the purpose of constructing, improving, and maintaining self-sustaining projects devoted to public use, good or welfare.
- Montgomery College (MC)
MC provides educational services to County citizens by offering two-year associate degrees and a continuing education program. MC is responsible for post secondary education within the government's jurisdiction. The Montgomery County Board of Community College trustees is the governing authority. The State Governor appoints the trustees from a list of candidates supplied by a nominating committee. The nominating committee is controlled by the County Executive and the County Council. Therefore, essentially the Primary Government and the State Governor must agree upon the trustees to serve on the College's Governing Board. In addition, the County Council reviews and approves both the operating and capital budgets and budgetary amendments of MC. The Primary Government contributes substantial funding for both the operating and capital budgets, as well as issues debt for the construction of college facilities.

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

Montgomery County Public Schools 45 West Gude Drive, Suite 3200 Rockville, MD 20850	Montgomery College 900 Hungerford Drive Rockville, MD 20850	Bethesda Urban Partnership, Inc. 7700 Old Georgetown Road Bethesda, MD 20814
Housing Opportunities Commission of Montgomery County, Maryland 10400 Detrick Avenue Kensington, MD 20895-2484	Montgomery County Revenue Authority 101 Monroe Street, 4 th Floor Rockville, MD 20850	

Joint Ventures and Jointly Governed Organizations

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

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

B) Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

Fund Financial Statements

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

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

Budget-to-Actual Comparison Schedules

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

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

Measurement Focus and Basis of Accounting

Full Accrual Basis Financial Statements

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

Modified Accrual Basis Financial Statements

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

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

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

be received from the State within the next fiscal year; however, collections related to delinquent returns and audits and unallocated withholding may not occur and be remitted to the County for several years.

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

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

Financial Statement Presentation

Major Governmental Funds

- General Fund
This fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. For financial reporting purposes, the General Fund also includes amounts maintained in a legally separate Revenue Stabilization Fund. (See Note II-B.) The Revenue Stabilization Fund was created to establish a "rainy day" or reserve account to accommodate future funding shortfalls. It was designed to accrue a balance during periods of economic growth and prosperity, when revenue collections exceed estimates. The Fund may be drawn upon during periods of economic slowdown, when collections fall short of revenue estimates. Beginning in FY16, the Economic Development Fund and the Urban District Funds are reported in the General Fund.
- Housing Initiative Fund
This fund is used to account for the fiscal activity for financing, supplementing, and constructing affordable residential facilities for eligible participants. The Fund's revenue sources consist of a portion of each County-owned property sold, repayments on loans, and recordation taxes. All of these revenue sources are restricted, as all funds received must be used to finance, supplement, and construct affordable residential housing for eligible participants.
- Grants Fund
This fund accounts for the Federal and State grant-funded activities of the tax supported General Fund and special revenue funds. These grant funds must be spent according to the restrictions prescribed by the respective funding agencies.
- Debt Service Fund
This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- Capital Projects Fund
This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Major Enterprise Funds

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

Other Fund Types

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

Fiduciary Fund Types

- Pension and Other Employee Benefit Trust Fund
This fund is used to account for all activities of the Employees' Retirement System of Montgomery County (defined benefit plan), Employees' Retirement Savings Plan (defined contribution plan), Deferred Compensation Plan, and Retiree Health Benefits Trust, including accumulation of resources for, and payment of, retirement annuities or other benefits and administrative costs.
- Investment Trust Fund
This fund accounts for the portion of the external investment pool, sponsored by the County that belongs to participating governments that are not part of the County reporting entity.

- Private-Purpose Trust Funds
These funds account for arrangements under which principal and interest are legally held in trust for parties outside of the County and must be expended in accordance with their designated purposes.
- Agency Funds
These funds are used to account for assets, such as property taxes, held in a purely custodial capacity, where the County receives, temporarily invests, and remits such resources to individuals, private organizations, or other governments.

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

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

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

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

1) Cash and Investments

Pooled Cash and Investment

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

Non-pooled Investments

Proprietary Fund Types

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

Pension and Other Employee Benefit Trust Fiduciary Fund Type

Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2016. Fair value for private investment funds, including private equity and private real assets, is determined using unit values supplied by the fund managers, which are based upon the fund managers' appraisals of the funds' underlying holdings. Such values involve subjective judgment and may differ from amounts which would be realized if such holdings were actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Cash and Cash Equivalents

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

2) Receivables and Payables

Due From/To Other Funds and Internal Balances

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

Trade Accounts Receivable

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

3) Inventories and Prepaids

Inventories

Inventories are valued at the lower of cost (principally first-in, first-out) or market in the Liquor Enterprise Fund and consist of goods held for sale. Inventories valued at cost (principally moving-average) are carried in the Motor Pool Internal Service Fund and the governmental fund types. All inventories are maintained by perpetual records and adjusted by annual physical counts. Inventories in the governmental funds and Motor Pool Internal Service Fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual items are withdrawn for use. In governmental funds, fund balance equivalent to the year-end inventory value is classified as nonspendable to indicate that portion of fund balance which is not available in a spendable form.

Prepaids

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

4) Restricted Assets

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

5) Capital Assets

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

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

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

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

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

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

6) Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the County that is applicable to a future reporting period. The County's deferred outflows of resources consist of deferred charges on refunding of debt and changes relating to pension expenses. Deferred charges on refunding are being amortized over the term of the respective bonds using the bonds outstanding method which approximates the effective interest method. Deferred outflows of resources relating to pensions are described in Note IV-F1. For the County's Component Units deferred outflows consist of accumulated decreases in fair value of hedging derivatives.

7) Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has been determined by the County to be immaterial and is therefore not reported as an expenditure and a liability of the governmental fund that will pay the leave. Vested or accumulated vacation leave is reported as

a liability and expense in the government-wide financial statements and proprietary fund types in the fund financial statements, along with the corresponding employer's share of social security and medicare taxes. Based on a historical analysis of leave usage, accrued leave is classified as current and long-term. In the proprietary fund financial statements, the current portion of compensated absences is classified as accrued liabilities. Such amounts have been reclassified to non-current liabilities (due within one year and due in more than one year) in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

8) Long-Term Obligations

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

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

9) Deferred Inflows of Resources

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

10) Fund Equity/Net Position

In the government-wide financial statements, the County has reported negative unrestricted net position. This is due to the fact that the County issues general obligation bonded debt for purposes of capital construction on behalf of MCPS, MC, and M-NCPPC. The related capital assets are reported on the financial statements of these governments. For MCPS and MC, component units of the County, this amount is also classified as net investment in capital assets in the Component Units column of the government-wide Statement of Net Position (Exhibit A-1). For Primary Government purposes, since the issuance of such debt has not resulted in a capital asset, the effect of this debt is reflected in unrestricted net position (deficit) in the Governmental Activities column of the government-wide Statement of Net Position. At June 30, 2016, the County has reported outstanding general obligation bond, variable rate demand obligation, and bond anticipation note debt related to MCPS, MC, and M-NCPPC amounting to \$1,664,939,419. Absent the effect of this relationship, the County would have reported a deficit in unrestricted net position of governmental activities in the amount of \$238,334,979.

Classification of Fund Balance

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

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

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

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

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

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

11) Property Taxes

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was levied above the constant yield rate for FY16. Following the Fairness in Taxation (FIT) legislation, the County Charter requires an affirmative vote of nine members of the Council to increase the real property tax rate to a level that will produce total revenues exceeding the total revenue produced by the tax on real property in the preceding year, plus 100 percent of any increase in the Consumer Price Index with exemptions for revenue from newly constructed, rezoned property and development district tax to fund capital improvement projects. The tax rate adopted for Levy Year 2015 (i.e., FY16), in conjunction with a one-time income tax offset credit, generated revenues below the Charter limit for that year.

Generally, property taxes are levied as of July 1 and become delinquent on October 1. Interest and penalty amounts are assessed annually at 20 percent on delinquent tax bills. Owner-occupied residential and "small business" property owners pay their tax on a semi-annual schedule, with the first and second installments due on September 30 and December 31, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30. Property tax revenue is reported net of refunds paid.

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

12) Pensions

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

E) New Accounting Standards

The County has adopted GASB Statement No. 72, *Fair Value Measurement and Application*, issued to address accounting and financial reporting issues related to fair value measurements. The required changes are reflected in the County's financial statements.

The County has adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* issued to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for decision making and assessing accountability. Only the portion of the standard amending GASB Statements 67 and 68 is effective for FY16. The required changes are reflected in the County's financial statements. The remaining guidance is effective for FY17.

The County has adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued to identify the hierarchy of generally accepted accounting principles. The hierarchy includes sources of accounting principles used by state and local governments in preparing financial statements. The required changes are reflected in the County's financial statements.

The County has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The required changes are reflected in the County's financial statements.

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NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Additional Fund Information

Revenue Stabilization Fund

This fund is used to account for the accumulation of resources at a targeted reserve level sufficient to address unexpected increases or decreases in revenues and expenditures. For financial reporting purposes this fund is included within the General Fund. Below is the change in the Revenue Stabilization Fund (RSF) balance for the fiscal year ended June 30, 2016.

Revenue Stabilization Fund (RSF)	
Balance Beginning of Year	\$ 230,647,665
Investment Income	606,318
FY16 Statutory Contribution	23,152,055
	254,406,038
Balance – End of Year	\$ 254,406,038

White Flint Special Taxing District

The White Flint Special Taxing District (WFSTD) is used to account for property tax collections and investment income earnings related to the White Flint Sector. These revenues are used to fund transportation infrastructure improvements and other development costs in the WFSTD. This fund is included within the Capital Projects Fund. Below is the change in the WFSTD balance for the fiscal year ended June 30, 2016.

White Flint Special Taxing District (WFSTD)	
Balance Beginning of Year	\$ 3,663,169
Property Taxes	1,802,477
Investment Income	13,214
	5,478,860
Balance – End of Year	\$ 5,478,860

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NOTE III. DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

1) Overview

The Montgomery County reporting entity total cash and investments as of June 30, 2016, totaled \$7,010,394,734 of which \$6,428,850,412 is related to the Primary Government, as presented below and in the government-wide financial statements. These funds are held in several pools, various non-pooled investments, and cash funds. The following is a schedule of total cash and investments:

	Primary Government	Component Units *	Total Reporting Entity
<u>Statement of Net Position Amounts:</u>			
Equity in pooled cash and investments	\$ 1,055,040,248	\$ 71,109,202	\$ 1,126,149,450
Cash with fiscal agents	101,374,496	82,816,642	184,191,138
Cash	687,842	13,959,076	14,646,918
Investments - cash equivalents	-	61,360,022	61,360,022
Investments	5,239,099,797	44,877,433	5,283,977,230
Restricted equity in pooled cash and investments	29,547,358	4,955,646	34,503,004
Restricted cash with fiscal agents	-	22,878,957	22,878,957
Restricted cash	-	21,881,064	21,881,064
Restricted investments - cash equivalents	-	191,013,840	191,013,840
Restricted investments	3,100,671	66,692,439	69,793,110
Total	\$ 6,428,850,412	\$ 581,544,321	\$ 7,010,394,733
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 520,662,795	\$ 187,728,893	\$ 708,391,688
Investments	5,806,125,279	182,407,119	5,988,532,398
Cash on hand, fiscal agents, safe deposit escrow	102,062,338	211,408,309	313,470,647
Total	\$ 6,428,850,412	\$ 581,544,321	\$ 7,010,394,733

* Includes \$382,491 in County Investment Pool

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

Government-wide	\$ 1,145,003,138
Fiduciary funds	5,283,847,274
Total	\$ 6,428,850,412

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Primary Government

2) External Investment Pool

Overview

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

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

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

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
<u>Statement of Net Position Amounts:</u>			
Equity in pooled cash and investments	\$ 1,055,040,248	\$ 382,491	\$ 1,055,422,739
Restricted equity in pooled cash and investments	<u>29,547,358</u>	<u>-</u>	<u>29,547,358</u>
Total	<u>\$ 1,084,587,606</u>	<u>\$ 382,491</u>	<u>\$ 1,084,970,097</u>
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 520,662,795	\$ -	\$ 520,662,795
Investments, including accrued interest	<u>563,924,811</u>	<u>382,491</u>	<u>564,307,302</u>
Total	<u>\$ 1,084,587,606</u>	<u>\$ 382,491</u>	<u>\$ 1,084,970,097</u>

Deposits

Custodial Credit Risk

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

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

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

Investments

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

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

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All investments below are valued using quoted market prices (Level 1 inputs):

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Maturity Range</u>	<u>Interest Range</u>
U. S. Treasury Securities	\$ 10,001,700	\$ 10,012,180	July 2016-July 2016	0.45%-0.45%
U.S. Government Securities	407,341,732	408,485,758	July 2016-April 2017	0.37%-0.72%
Commercial paper	36,795,040	36,795,040	August 2016-March 2017	0.63%-1.03%
State pool	108,694,533	108,694,533	N/A	0.37%
Total	<u>\$ 562,833,005</u>	<u>\$ 563,987,511</u>		

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment

policy limits investments to maturities of one year or less. However, a portion of the portfolio may be invested in investments with longer maturities (up to two years); any investment with a maturity of over 12 months must be approved by the Director of Finance prior to execution. At June 30, 2016, the County had no investments with a maturity over 12 months.

Credit Risk

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

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

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

N/R - Not Rated

1 - Implicitly guaranteed by the U.S. Government.

2 - Not all commercial paper issues are rated by all agencies (NRSROs). However, each commercial paper holding is rated by at least two rating agencies (NRSROs). Each such rating is of the highest investment grade.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the County will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name.

County and State statutes require that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the investment. County policies require that a third party custodian hold investment securities and the collateral underlying all repurchase agreements. At June 30, 2016, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

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

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

* At time of purchase

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

The County's investments are all under 5% for any one issuer other than US Agency Debt (10% Federal Loan Banks (FHLB), 30% Farmer Mac (FAMCA), 12% Federal Farm Credit Bank (FFCB), 5% Federal National Mortgage Corporation (FHLMC), 5% Federal National Mortgage Association (FNMA), and 17% MGLIP. However, US Obligations (US Treasury and Agency Debt), mutual funds and external investment pools (MGLIP) are exempt from 5% of any issuer maximum.

External Investment Pool Condensed Financial Statements:

The condensed financial statements of the County’s external investment pool at June 30, 2016, are as follows:

Statement of Net Position
June 30, 2016

Assets:	
Investment in securities, at fair value	\$ 562,833,005
Cash	520,662,795
Accrued interest receivable	<u>1,474,297</u>
Total assets and net position	<u><u>\$ 1,084,970,097</u></u>
Net position consists of:	
Internal participants' units outstanding (\$1.00 par), unrestricted	\$ 1,046,074,630
Internal participants' units outstanding (\$1.00 par), restricted	29,547,358
External participants' units outstanding (\$1.00 par)	<u>9,348,109</u>
Net position	<u><u>\$ 1,084,970,097</u></u>
Participants net position value, offering price and redemption price per share (\$1,084,970,097/1,085,359,214 units)	<u><u>\$ 1.00</u></u>

Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Investment Income *	\$ 2,812,146
Distributions to participants:	
Distributions paid and payable	(2,812,146)
Share transactions at net position value of \$1.00 per share:	
Purchase of units	\$ 1,505,448,851 *
Redemption of units	<u>(1,557,738,900)</u>
Net increase (decrease) in net position and shares resulting from share transactions	<u>(52,290,049)</u>
Total increase (decrease) in net position	(52,290,049)
Net position, July 1, 2015	<u>1,137,260,146</u>
Net position, June 30, 2016	<u><u>\$ 1,084,970,097</u></u>

* The pool has no expenses.

3) Major and Nonmajor Fund Deposit and Investment Risks

Primary government (non-fiduciary) cash and investments are primarily invested in the County’s external investment pool. Funds with significant cash balances other than what is invested in the external investment pool include the following:

General Fund

Cash with fiscal agents of \$6,665,431 relates to amounts held by Marriott Hotels, pursuant to a management agreement, for the operation of the Conference Center.

Debt Service Fund

Cash with fiscal agents of \$10,851,234 represents lease revenue bond and revenue bond debt service reserve funds which are held in money market mutual funds and U.S Government securities.

Capital Projects Fund

Cash with fiscal agents of \$78,882,687 is held in money market mutual funds for the purpose of reimbursing construction expenditures incurred for various capital projects in the County.

Liquor Fund

Cash with fiscal agents of \$4,950,185 is held in money market funds for the purpose of reimbursing design, planning and renovation costs for a warehouse and for debt service. At the end of FY16, the County had incurred and paid renovation expenses that were to be reimbursed from cash from fiscal agents which occurred subsequent to year-end.

4) Fiduciary Funds

Employees' Retirement System:

Investment Overview

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

Fair Value Measurement

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

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

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

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

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

Investments by fair value level	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Government and agency obligations	\$ 145,848,573	\$ -	\$144,450,769	\$ 1,397,804
Municipal/Provincial obligations	15,015,541	-	15,015,541	-
Asset-backed securities	3,713,101	-	3,713,101	-
Corporate bonds	654,995,569	-	636,524,576	18,470,993
Collateralized mortgage obligations	840,430	-	840,430	-
Commercial mortgage-backed securities	726,834	-	726,834	-
Total debt securities	<u>821,140,048</u>	<u>-</u>	<u>801,271,251</u>	<u>19,868,797</u>
Equity Securities				
Consumer goods	177,959,094	177,749,222	208,599	1,273
Energy	62,210,336	62,210,336	-	-
Financial services	282,698,946	282,613,862	27,291	57,793
Health care	116,728,312	116,728,312	-	-
Industrials	145,024,032	145,016,441	-	7,591
Information technology	142,289,316	142,289,316	-	-
Materials	49,848,982	49,838,882	-	10,100
Telecommunication services	11,081,607	11,081,485	122	-
Utilities	9,895,078	9,895,078	-	-
Other	552,571	22,322	-	530,249
Total equity securities	<u>998,288,274</u>	<u>997,445,256</u>	<u>236,012</u>	<u>607,006</u>
Total investments by fair value level	<u>1,819,428,322</u>	<u>\$ 997,445,256</u>	<u>\$801,507,263</u>	<u>\$ 20,475,803</u>
Investments measured at the net asset value (NAV)				
Commingled equity funds	510,235,176			
Commingled bond funds	312,207,520			
Commingled real asset funds	145,794,154			
Commingled funds (other)	2,763,039			
Hedge fund	238,787,579			
Securities lending collateral fund	224,650,451			
Private real assets	283,122,107			
Private equity/debt	<u>196,611,691</u>			
Total investments measured at the NAV	<u>1,914,171,717</u>			
Short-term investments	<u>94,518,574</u>			
Synthetic guaranteed investment contracts measured at contract value	<u>330,755</u>			
Total investments	<u>\$3,828,449,368</u>			

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

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	\$ 510,235,176	\$ -	Daily, Monthly	0-15 days
Commingled bond funds	312,207,520	-	Daily	1-2 days
Commingled real asset funds	145,794,154	-	Daily, Bi-Weekly, Monthly	0-5 days
Commingled funds (other)	2,763,039	-	Daily	None
Hedge fund	238,787,579	-	Monthly, Quarterly	5-125 days
Securities lending collateral fund	224,650,451	-	Daily	None
Private real assets	283,122,107	65,089,315	Not eligible	N/A
Private equity/debt	196,611,691	236,263,149	Not eligible	N/A
Total investments measured at the NAV	<u>\$1,914,171,717</u>	<u>\$ 301,352,464</u>		

Commingled Bond Funds, Equity Funds and Real Asset Funds

Three bond funds, five equity funds, and four real asset funds are considered to be commingled in nature. The fair value of the investments in these types of funds has been determined using the NAV per share of the investments.

Hedge Fund

The fair values of the investments in this type have been determined using the NAV per share of the investments. Eight funds are categorized in this category. One fund, which represents 4% of the value, is in the lockup period and subject to a redemption restriction as of June 30, 2016. Another fund, which represents 3% of the value, is in the process of redemption over the next nine months. All other funds currently have no redemption restrictions other than the restrictions noted above.

Securities Lending Collateral

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

Private Real Assets

The portfolio consists of twenty private real asset limited partnerships. Private real asset funds include U.S. real estate, oil and gas, timber, agriculture and other real asset investments. The fair value of these funds have been determined using the net asset values as of June 30, 2016. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 5 to 10 years.

Private Equity/Debt

The portfolio consists of fifty-one private equity/debt limited partnerships. Private equity funds include buyout, turnaround, fund-of-funds investments. Private debt funds include distressed and structured equity investments. The fair value of these funds have been determined using the net asset values as of June 30, 2016. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 3 to 10 years.

Credit Risk/Concentration of Credit Risk

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

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The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2016, are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	\$ 137,626,607	11.22 %
Foreign Government Obligations	AAA	690,778	0.06
	A	1,890,462	0.15
	B	999,269	0.08
	Unrated	3,243,652	0.27
	Asset-Backed Securities	AAA	3,713,100
Commercial Mortgage Backed	B	726,834	0.06
Non-Government Backed C.M.O.s	Unrated	840,430	0.07
Municipal/Provincial Bonds	AAA	1,846,941	0.15
	AA	11,053,492	0.90
	BBB	1,350,851	0.11
	Unrated	764,257	0.06
	Corporate Bonds	AAA	6,532,595
AA		28,490,143	2.32
A		141,792,867	11.56
BBB		167,060,325	13.62
BB		121,481,999	9.91
B		116,177,193	9.47
CCC		33,645,599	2.74
CC		1,576,767	0.13
C		11,375	0.00
D		4,143,287	0.34
	Unrated	18,443,068	1.51
Fixed Income Pooled Funds	Unrated	328,767,211	26.81
Short-term Investments and Other	Unrated	93,542,556	7.63
Total Fixed Income Securities		<u>\$ 1,226,411,658</u>	<u>100.00 %</u>

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

Interest Rate Risk

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

As of June 30, 2016, the System's fixed income portfolio had the following sensitivity to changes in interest rates:

Type of Investment	Effective Duration in Years	Fair Value	Percentage of Portfolio
U.S. Government Obligations	18.41	\$ 137,626,607	11.22 %
Foreign Government Obligations	1.68	6,824,161	0.56
Asset-Backed Securities	2.23	3,713,100	0.30
Collateralized Mortgage Obligations	(0.19)	840,430	0.07
Commercial Mortgage-Backed Securities	0.85	726,834	0.06
Municipal/Provincial Obligations	15.93	15,015,541	1.22
Corporate Bonds	8.81	639,355,218	52.13
Fixed Income Pooled Funds	N/A	328,767,211	26.81
Short-term Investments and Other *	N/A	93,542,556	7.63
Total Fixed Income Securities		<u>\$ 1,226,411,658</u>	<u>100.00 %</u>

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

Foreign Currency Risk

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

International Securities	Equity	Fixed Income	Short-term and Other	Total Non- U.S. Dollar
Euro	\$ 128,603,712	\$ 1,216,355	\$ 48,419,910	\$ 178,239,977
Japanese yen	130,802,220	-	20,931,390	151,733,610
British Pound Sterling	74,814,041	-	25,540,434	100,354,475
Swiss Franc	25,526,291	-	-	25,526,291
Hong Kong Dollar	23,942,652	-	-	23,942,652
Danish Krone	13,270,828	-	-	13,270,828
Mexican Peso	-	4,198,613	-	4,198,613
Canadian Dollar	892,213	-	2,549,221	3,441,434
South Korean Won	2,790,366	-	-	2,790,366
Norwegian Krone	1,465,135	-	573,300	2,038,435
Other Currencies	41,279,508	3,395,784	(127,435,340)	(82,760,048)
Total International Securities	<u>\$ 443,386,966</u>	<u>\$ 8,810,752</u>	<u>\$ (29,421,085)</u>	<u>\$ 422,776,633</u>

Derivatives

In accordance with the Board's Statement of Investment Policy and Objectives, the System regularly invests in derivative financial instruments in the normal course of its investing activities to manage exposure to certain risks within the fund. During FY16, the System invested directly in various derivatives including, exchange-traded future contracts, forward currency contracts, and swaps. Investment managers are prohibited from purchasing

securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Statement of Investment Policy and Objectives seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain mutual and commingled funds which may hold derivative financial instruments. The system is not a dealer, but an end-user of these instruments.

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

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

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specified financial instrument at a predetermined date and price. Gains and losses on future contracts are settled daily. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay. As of June 30, 2016, the System held 119 long US Treasury futures contracts with a fair value of \$18,647,023 and 172 short US Treasury futures contracts with a fair value of (\$26,555,219).

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Foreign exchange contracts contain market risk resulting from fluctuations in currency rates. The credit risk is associated with the creditworthiness of the related parties to the contracts. As of June 30, 2016, the System held \$686,508,221 buy foreign exchange contracts and (\$722,742,107) sell foreign exchange contracts. The unrealized gain on the System's contracts was \$1,108,942.

Securities Lending

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

As of June 30, 2016, the fair value of securities on loan was \$336,136,121. Cash received as collateral and the related liability of \$224,650,451 as of June 30, 2016, is shown on the Statement of Plan Net Position. Securities received as collateral are not reported as assets since the System does not have the ability to pledge or sell the

collateral securities absent borrower default. Securities lending revenues and expenses amounting to \$1,605,465 and \$438,493, respectively, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

The following represents the balances relating to the securities lending transactions at June 30, 2016:

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for Cash Collateral:			
Government Obligations	\$ 46,013,506	\$ -	\$ 46,910,056
Corporate Bonds	64,746,372	-	65,752,597
Equities	110,292,060	-	111,987,798
Lent for Non-Cash Collateral:			
Government Obligations	16,823,306	17,996,448	-
Corporate Bonds	147,054	149,013	-
Equities	98,113,823	104,363,052	-
Total	<u>\$ 336,136,121</u>	<u>\$ 122,508,513</u>	<u>\$ 224,650,451</u>

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2016, there were no funds held by a counterparty that was acting as the System's agent in securities lending transactions.

Employees' Retirement Savings Plan:

Section 33-125 of the Code authorizes the Board to establish a diversified slate of mutual and commingled investment funds from which participants may select an option. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2016, the fair value of the mutual and commingled investment funds was \$333,662,465. The fair value of the investments in international mutual funds was \$111,128,729.

Fair Value Measurement

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

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

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

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

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

Investments by fair value level	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 4,502,592	\$ 4,502,592	\$ -	\$ -
Total investments by fair value level	\$ 4,502,592	\$ 4,502,592	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Commingled equity funds	54,452,950			
Commingled bond funds	10,079,192			
Commingled funds (other)	258,176,266			
Total investments measured at the NAV	322,708,408			
Synthetic guaranteed investment contracts measured at contract value	6,451,465			
Total investments	\$ 333,662,465			

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

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled equity funds	\$ 54,452,950	\$ -	Daily	None
Commingled bond funds	10,079,192	-	Daily	None
Commingled funds (other)	<u>258,176,266</u>	<u>-</u>	Daily	None
Total investments measured at the NAV	<u>\$ 322,708,408</u>	<u>\$ -</u>		

Commingled Bond Funds, Equity Funds and Other Funds

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

Employees' Deferred Compensation Plan:

The Board is required to establish a diversified slate of mutual and commingled funds from which participants may select investment options. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2016, the fair value of the mutual and commingled investment funds was \$348,083,230. The fair value of the investments in international mutual funds included in the County Plan was \$52,303,983.

Fair Value Measurement

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

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

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

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

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

		<u>Fair Value Measurements Using</u>		
Investments by fair value level	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 8,975,950	\$ 8,975,950	\$ -	\$ -
Total investments by fair value level	<u>\$ 8,975,950</u>	<u>\$ 8,975,950</u>	<u>\$ -</u>	<u>\$ -</u>

Investments measured at the net asset value (NAV)

Commingled equity funds	199,500,896
Commingled bond funds	37,196,301
Commingled funds (other)	<u>54,558,616</u>
Total investments measured at the NAV	<u>291,255,813</u>
Synthetic guaranteed investment contracts measured at contract value	<u>47,851,467</u>
Total investments	<u>\$ 348,083,230</u>

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	\$ 199,500,896	\$ -	Daily	None
Commingled bond funds	37,196,301	-	Daily	None
Commingled funds (other)	<u>54,558,616</u>	<u>-</u>	Daily	None
Total investments measured at the NAV	<u>\$ 291,255,813</u>	<u>\$ -</u>		

Commingled Bond Funds, Equity Funds and Other Funds

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

Consolidated Retiree Health Benefits Trust:

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

Fair Value Measurement

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

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

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

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

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

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		Fair Value Measurements Using		
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
Government and agency obligations	\$ 28,896,974	\$ -	\$ 28,896,974	\$ -
Municipal/Provincial obligations	1,066,033	-	1,066,033	-
Corporate bonds	108,179,574	-	108,179,574	-
Total debt securities	138,142,581	-	138,142,581	-
Equity Securities				
Consumer goods	21,753,290	21,753,290	-	-
Energy	9,051,471	9,051,471	-	-
Financial services	14,159,551	14,159,551	-	-
Health care	19,111,574	19,111,574	-	-
Industrials	14,673,752	14,673,752	-	-
Information technology	25,122,930	25,122,930	-	-
Materials	7,586,300	7,586,300	-	-
Real estate	705,039	705,039	-	-
Telecommunication services	522,771	522,771	-	-
Utilities	609,344	609,344	-	-
Total equity securities	113,296,022	113,296,022	-	-
Total investments by fair value level	\$ 251,438,603	\$ 113,296,022	\$ 138,142,581	\$ -
Investments measured at the net asset value (NAV)				
Commingled equity funds	195,534,556			
Commingled bond funds	98,275,053			
Commingled real asset funds	69,817,732			
Hedge fund	14,786,608			
Private real assets	12,588,036			
Private equity/debt	22,279,084			
Total investments measured at the NAV	413,281,069			
Short-term investments	14,497,442			
Securities lending collateral	49,687,620			
Total investments	\$ 728,904,734			

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

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

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled equity funds	\$ 195,534,556	\$ -	Daily, Monthly	0-15 days
Commingled bond funds	98,275,053	-	Daily	2-5 days
Commingled real asset funds	69,817,732	-	Daily, Bi-Weekly	0-5 days
Hedge fund	14,786,608	-	Monthly	5 days
Private real assets	12,588,036	14,990,685	Not eligible	N/A
Private equity/debt	22,279,084	58,893,715	Not eligible	N/A
Total investments measured at the NAV	<u>\$ 413,281,069</u>	<u>\$ 73,884,400</u>		

Commingled Bond Funds, Equity Funds and Real Asset Funds

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

Hedge Fund

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

Private Real Assets

The portfolio consists of ten private real asset limited partnerships. Private real asset funds include U.S. real estate, oil and gas, timber, agriculture and other real asset investments. The fair value of these funds have been determined using the net asset values as of June 30, 2016. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 5 to 10 years.

Private Equity/Debt

The portfolio consists of twenty private equity/debt limited partnerships. Private equity funds include buyout, turnaround, and fund-of-funds investments. Private debt funds include distressed and structured equity investments. The fair value of these funds have been determined using the net asset values as of June 30, 2016. Net asset values one quarter in arrears plus current quarter cash flows are used when the most recent information is not available. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 3 to 10 years.

Interest Rate Risk

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

rates, a bond's price would move down/up by 8 percent. As of June 30, 2016, the Trust's fixed income portfolio had the following sensitivity to changes in interest rates.

Type of Investment	Effective Duration in Years	Fair Value	Percentage of Portfolio
U.S. Government Obligations	5.99	\$ 96,790,927	38.58%
Municipal/Provincial Obligations	12.90	1,066,033	0.42
Corporate Bonds	9.19	108,179,574	43.11
Fixed Income Pooled Funds	N/A	30,381,100	12.11
Short-term Investments and Other *	N/A	14,497,442	5.78
Total Fixed Income Securities		\$ 250,915,076	100.00%

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

Credit Risk/Concentration of Credit Risk

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

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The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2016 are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	\$ 96,790,927	38.58 %
Municipal/Provincial Bonds	AAA	811,646	0.32
	BBB	254,387	0.10
Corporate Bonds	AAA	1,226,679	0.49
	AA	5,515,451	2.20
	A	25,767,080	10.27
	BBB	30,443,744	12.13
	BB	18,362,378	7.32
	B	19,652,027	7.83
	CCC	5,406,680	2.16
	CC	205,375	0.08
	D	236,438	0.09
	Unrated	1,363,722	0.54
Fixed Income Pooled Funds	Unrated	30,381,100	12.11
Short-term Investments and Other	Unrated	14,497,442	5.78
Total Fixed Income Securities		<u>\$ 250,915,076</u>	<u>100.00 %</u>

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

Foreign Currency Risk

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

International Securities	Equity	Fixed Income	Short-term and Other	Total Non-U.S. Dollar
Euro	\$ 16,305,822	\$ -	\$ 16,341	\$ 16,322,163
Japanese yen	12,371,067	-	18,264	12,389,331
Swiss franc	3,384,513	-	-	3,384,513
British pound sterling	2,730,553	-	-	2,730,553
Hong Kong dollar	1,733,126	-	-	1,733,126
Swedish krona	1,314,062	-	-	1,314,062
Singapore dollar	915,693	-	-	915,693
Danish krone	856,730	-	-	856,730
Total International Securities	<u>\$ 39,611,566</u>	<u>\$ -</u>	<u>\$ 34,605</u>	<u>\$ 39,646,171</u>

Securities Lending

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

As of June 30, 2016, the fair value of securities on loan was \$64,222,042. Cash received as collateral and the related liability of \$49,687,620 as of June 30, 2016, is shown on the Statement of Plan Net Position. Securities received as collateral are not reported as assets since the Trust does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to \$132,987 and \$29,615, respectively, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

The following represents the balances relating to the securities lending transactions at June 30, 2016:

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for Cash Collateral:			
U.S. Government Obligations	\$ 14,381,255	\$ -	\$ 14,641,629
Corporate Bonds	9,858,117	-	10,001,741
Equities	24,694,450	-	25,044,250
Lent for Non-Cash Collateral:			
U.S. Government Obligations	4,252,233	4,305,573	-
Equities	11,035,987	11,758,660	-
Total	<u>\$ 64,222,042</u>	<u>\$ 16,064,233</u>	<u>\$ 49,687,620</u>

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2016, there were no funds held by a counterparty that was acting as the Trust's agent in securities lending transactions.

Component Units

HOC

At year-end, HOC's cash and investments are significant in relation to the total component unit cash and investments. HOC's cash balances as of June 30, 2016, were entirely insured or collateralized with securities held by HOC's agent in HOC's name. HOC's investments are subject to interest rate, credit, and custodial risk as described below:

Interest Rate Risk

HOC's investment policy which applies to the General Fund, Public Fund and the Opportunity Housing Fund, requires that the majority of HOC's investments must be on a short-term basis (less than one year); however a portion of the portfolio may be invested in investments with longer maturities (up to two years). The investment requirements for the Multi-Family Fund and Single Family Fund are specified within each of the bond trust indentures. The bond trustee is required to invest money in obligations with the objective that sufficient money will be available to pay the interest due on the bonds and will mature or be subject to redemption with the objective that sufficient money will be available for the purposes intended in accordance with the Indenture.

Credit Risk

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

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

Custodial Risk

Amounts held in trust accounts and other demand accounts are covered by federal depository insurance, or collateralized at a level of at least 102% of fair value of principal and accrued interest. Repurchase agreement collateral for the MLGIP is segregated and held in the name of PNC Bank Safe Deposit and Trust's account at the Federal Reserve Bank. The cash and cash equivalents held by PNC Bank for the General Fund, Housing Opportunity Fund and Public Fund are in bank money market accounts and interest bearing accounts. These amounts are unrated by an independent rating agency. The Moody's rating for PNC Bank short-term deposits as of June 30, 2016 was P-1.

At June 30, 2016, HOC had the following cash, cash equivalents, investments and maturities:

	<u>Fair Value</u>			<u>Rating</u>	
<u>Cash Equivalents:</u>					
General Sub-Fund:					
Money Market Accounts	\$ 11,913,897			N/A	
Opportunity Housing Sub-Fund:					
Investment in MLGIP	353,343			AAAm	
Money Market Accounts	17,165,385			N/A	
Public Sub-Fund:					
Investment in MLGIP	3,776,677			AAAm	
Multi-Family Sub-Fund:					
Money Market Accounts	64,448,123			N/A	
Single Family Fund:					
Money Market Accounts	112,228,911			N/A	
Real Estate Limited Partnership:					
Investment in MLGIP	1,217,918			AAAm	
Certificate of Deposit	143,670			N/A	
Money Market Accounts	5,521,356			N/A	
Total cash equivalents	<u>\$ 216,769,280</u>				
<u>Short-term Investments:</u>					
Single Family Sub-Fund:					
GNMA Pass through Certificates	\$ 828,714			AAA	
FNMA Pass through Certificates	15,451			AAA	
U.S Treasuries	1,946,043			AAA	
Total short-term investments	<u>\$ 2,790,208</u>				
	<u>Fair Value</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Rating</u>
<u>Long-term Investments:</u>					
Multi-Family Sub-Fund:					
U.S. Treasuries	\$ 2,806,621	\$ 1,299,410	\$ 1,507,211	\$ -	AAA
Fannie Mae	3,412,119	-	-	3,412,119	AAA
Federal Farm Credit Banks	2,744,062	-	707,414	2,036,648	AAA
Federal Home Loan Banks	1,027,180	-	-	1,027,180	AAA
Federal Home Loan Mortgage	989,450	-	-	989,450	AAA
Bank One Investment Agreement	591,525	-	591,525	-	AA/Aa2
Single Family Sub-Fund:					
Federal Farm Credit Banks	7,334,162	-	-	7,334,162	AAA
Federal Home Loan Banks	10,250,881	-	-	10,250,881	AAA
Federal Home Loan Mtg Corp	1,817,889	-	-	1,817,889	AAA
Fannie Mae	1,149,614	-	-	1,149,614	AAA
GNMA Pass-through Certificates	17,204,530	-	-	17,204,530	AAA
FNMA Pass-through Certificates	1,693,660	-	-	1,693,660	AAA
U.S. Treasuries	6,075,476	2,111,869	2,502,694	1,460,913	AAA
Tennessee Valley Authority	6,805,062	2,318,212	-	4,486,850	AAA
Total long-term investments	<u>\$ 63,902,231</u>	<u>\$ 5,729,491</u>	<u>\$ 5,308,844</u>	<u>\$ 52,863,896</u>	
Cash balances	99,312,055				
Total cash, cash equivalents and investments	<u>\$ 382,773,774</u>				

Fair Value Measurement

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

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

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

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

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

Investments by fair value level	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Fannie Mae	\$ 3,412,119	\$ -	\$ 3,412,119	\$ -
Federal Farm Credit Banks	10,078,224	-	10,078,224	-
Federal Home Loan Banks	11,278,061	-	11,278,061	-
U.S. Treasuries	10,828,140	10,828,140	-	-
FNMA Mortgage-Backed Securities	1,709,111	-	1,709,111	-
GNMA Mortgage-Backed Securities	18,033,244	-	18,033,244	-
Federal Home Loan Mortgage Corp	2,807,339	-	2,807,339	-
Federal National Mortgage Association	1,149,614	-	1,149,614	-
Investment Agreements	591,525	-	591,525	-
Tennessee Valley Authority	6,805,062	-	6,805,062	-
Total debt securities	<u>66,692,439</u>	<u>10,828,140</u>	<u>55,864,299</u>	<u>-</u>
Investment Derivative Instruments				
Interest Rate Swaps		-	11,208,458	-
Total investments by fair value level	<u>\$ 77,900,897</u>	<u>\$ 10,828,140</u>	<u>\$ 67,072,757</u>	<u>\$ -</u>

B) Receivables

1) Accounts Receivable

Receivables at June 30, 2016 for the County's major funds and internal service funds in the aggregate, including the allowances for uncollectible accounts, were as follows:

	General Fund	Housing Initiative	Grants	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receivables							
Income taxes	\$ 330,324,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,324,050
Property taxes	13,853,524	-	-	-	36	3,772,926	17,626,486
Capital leases	-	-	-	25,065,000	-	-	25,065,000
Accounts	11,113,083	-	-	-	429,860	14,369,248	25,912,191
Notes	651,488	-	2,078,109	-	-	-	2,729,597
Parking violations	925,222	-	-	-	-	321,106	1,246,328
Mortgages	587,265	198,325,864	37,421,890	-	300,000	2,680,125	239,315,144
Total receivables	357,454,632	198,325,864	39,499,999	25,065,000	729,896	21,143,405	642,218,796
Allowance for uncollectible accounts	(3,034,867)	(9,760,810)	(2,486,688)	-	-	-	(15,282,365)
Total receivable (net)	\$ 354,419,765	\$ 188,565,054	\$ 37,013,311	\$ 25,065,000	\$ 729,896	\$ 21,143,405	\$ 626,936,431
Amounts not scheduled for collection during the subsequent year	\$ 587,265	\$ 198,325,864	\$ 39,499,999	\$ 25,065,000	\$ 300,000	\$ 2,680,125	\$ 266,458,253

	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Receivables						
Property taxes	\$ -	\$ -	\$ 422,535	\$ -	\$ 422,535	\$ -
Accounts	6,920,833	4,924,016	35,595	256,523	12,136,967	1,871,810
Parking violations	-	-	3,356,264	-	3,356,264	-
Total receivables	6,920,833	4,924,016	3,814,394	256,523	15,915,766	1,871,810
Allowance for uncollectible accounts	(430,707)	(15,663)	(1,908,563)	(50,679)	(2,405,612)	(1,678)
Total receivable (net)	\$ 6,490,126	\$ 4,908,353	\$ 1,905,831	\$ 205,844	\$ 13,510,154	\$ 1,870,132
Amounts not scheduled for collection during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2) Due from/to Component Units

The balances at June 30, 2016, were:

Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MC	MCRA	HOC	BUP	Total
Due to Primary Government:						
General	\$ 1,020	\$ 3,159	\$ 45,630	\$ 41,104	\$ -	\$ 90,913
Grants	-	-	-	10,935,022	-	10,935,022
Capital Projects	-	-	-	10,571,925	-	10,571,925
Housing Initiative	-	-	-	47,587,819	-	47,587,819
Nonmajor Governmental	-	419,333	-	-	-	419,333
Solid Waste Activities Enterprise	63,243	750	-	135	1,625	65,753
Major Enterprise	-	-	-	437,712	-	437,712
Internal Service	53	6,384	264,223	913,114	18,020	1,201,794
Fiduciary	-	-	20,220	165,122	-	185,342
Total Due to Primary Government	<u>\$ 64,316</u>	<u>\$ 429,626</u>	<u>\$ 330,073</u>	<u>\$70,651,953</u>	<u>\$ 19,645</u>	<u>\$71,495,613</u>

Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MC	MCRA	HOC	BUP	Total
Due from Primary Government:						
General	\$ 24,925,988	\$ 25,583	\$ -	\$ 663,797	\$ -	\$25,615,368
Grants	11,078	-	-	-	-	11,078
Capital Projects	40,072,769	8,738,299	-	-	-	48,811,068
Housing Initiative	-	-	-	544,679	-	544,679
Nonmajor Governmental	22,983	-	-	-	30,373	53,356
Parking Lot Districts Enterprise	-	-	-	-	824	824
Nonmajor Enterprise	783,902	-	-	-	-	783,902
Internal Service	17,922	-	-	-	-	17,922
Total Due from Primary Government	<u>\$ 65,834,642</u>	<u>\$ 8,763,882</u>	<u>\$ -</u>	<u>\$ 1,208,476</u>	<u>\$ 31,197</u>	<u>\$75,838,197</u>

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

- \$10.9 million due from HOC to the Grants Special Revenue Fund and \$10.6 million due from HOC to the Capital Projects Fund represents loan receivables in the Opportunity Housing Development Fund and Moderately Priced Dwelling Unit (MPDU)/Property Acquisition Fund, which are revolving loan funds that are set up between the County and HOC. The County issues loans to HOC to purchase MPDUs or other similar properties which HOC repays to the County based on future cash flows.
- \$47.6 million due from HOC to the Housing Initiative Special Revenue Fund represents mortgage loans, which are generally repayable based on project cash flows, specified future dates, or sales of the respective properties. Included in this amount is a loan of \$1.7 million, for which payments are based on cash flows. Terms of the note stipulate that the balance of the note will be forgiven at the termination of the ground lease in December 2035. Also included in the amount above is a ground lease, upon which is located affordable housing owned by HOC. The ground lease provides for lease payments from HOC for \$1 per year for 83 years, amounting to \$56 at year-end. These two loans are offset by unearned revenue. Fund balance has been reserved for the remaining loans.
- \$24.9 million due to MCPS from the General Fund represents remaining appropriation that has not yet been distributed to MCPS by the County.
- \$40.1 million due to MCPS and \$8.7 million due to MC from the Capital Projects Fund represents the amount of capital cash requests that have not yet been paid by the County.

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

3) Due from Other Governments

The total amount due from other governments at June 30, 2016, was comprised of the following:

	General	Grants	Capital Projects	Solid Waste Activities	Nonmajor Governmental	Internal Service	Fiduciary	Total
Federal government	\$ 51,771	\$ 15,400,557	\$ 11,396,656	\$ 837	\$ -	\$ -	\$ -	\$ 26,849,821
State of Maryland	25,924,156	8,965,792	3,814,364	70,371	379,607	67,776	835	39,222,901
Other	2,436	537,596	837,133	181,977	1,250,708	27,811	181	2,837,842
Total	<u>\$ 25,978,363</u>	<u>\$ 24,903,945</u>	<u>\$ 16,048,153</u>	<u>\$ 253,185</u>	<u>\$ 1,630,315</u>	<u>\$ 95,587</u>	<u>\$ 1,016</u>	<u>\$ 68,910,564</u>

4) Due to Other Governments

The total amount due to other governments at June 30, 2016, is \$143,557,266. This amount is comprised mainly of \$132,573,470 due to the State of Maryland for claims processed as a result of the final ruling by the United States Supreme Court in the case of Comptroller of the Treasury of Maryland v Wynne et. ux.. This government-wide amount will be replenished to the State's local reserve account through reduced quarterly income tax distributions starting with the third distribution (May) in FY19 with a total of twenty equal installments ending in FY24.

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C) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 907,939,533	\$ 22,620,213	\$ 326,915	\$ 930,232,831
Construction in progress	1,356,285,477	262,981,222	81,549,452	1,537,717,247
Total Nondepreciable Capital Assets	<u>2,264,225,010</u>	<u>285,601,435</u>	<u>81,876,367</u>	<u>2,467,950,078</u>
Depreciable Capital Assets:				
Buildings	825,280,452	45,453,253	8,908,367	861,825,338
Improvements other than buildings	59,262,137	-	12,614,865	46,647,272
Furniture, fixtures, equipment and machinery	236,914,520	3,189,869	17,628,096	222,476,293
Leasehold improvements	12,956,842	-	-	12,956,842
Automobiles and trucks	278,348,162	42,387,377	10,881,914	309,853,625
Infrastructure	1,838,566,022	55,833,094	113,923	1,894,285,193
Other assets	40,359,973	-	-	40,359,973
Total Capital Assets being Depreciated	<u>3,291,688,108</u>	<u>146,863,593</u>	<u>50,147,165</u>	<u>3,388,404,536</u>
Less Accumulated Depreciation for:				
Buildings	398,179,328	19,619,393	646,247	417,152,474
Improvements other than buildings	26,014,020	1,420,704	5,916,000	21,518,724
Furniture, fixtures, equipment and machinery	188,963,552	6,994,428	15,971,850	179,986,130
Leasehold improvements	7,910,295	558,269	-	8,468,564
Automobiles and trucks	154,237,878	22,082,457	10,702,068	165,618,267
Infrastructure	689,542,047	37,237,967	82,200	726,697,814
Other assets	15,853,652	4,028,436	-	19,882,088
Total Accumulated Depreciation	<u>1,480,700,772</u>	<u>91,941,654</u>	<u>33,318,365</u>	<u>1,539,324,061</u>
Total Depreciable Assets, net	<u>1,810,987,336</u>	<u>54,921,939</u>	<u>16,828,800</u>	<u>1,849,080,475</u>
Governmental Activities Capital Assets, net	<u>\$ 4,075,212,346</u>	<u>\$ 340,523,374</u>	<u>\$ 98,705,167</u>	<u>\$ 4,317,030,553</u>
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	\$ 59,158,993	\$ -	\$ 342,191	\$ 58,816,802
Construction in progress	1,828,429	-	1,546,057	282,372
Total Nondepreciable Capital Assets	<u>60,987,422</u>	<u>-</u>	<u>1,888,247</u>	<u>59,099,174</u>
Depreciable Capital Assets:				
Buildings	295,186,140	1,040,172	1,029,000	295,197,312
Improvements other than buildings	176,682,659	4,606,548	5,053,265	176,235,942
Furniture, fixtures, equipment and machinery	30,094,646	3,505,476	2,210,292	31,389,830
Infrastructure	14,351	-	-	14,351
Automobiles and trucks	4,167,437	1,154,754	551,073	4,771,118
Total Capital Assets being Depreciated	<u>506,145,233</u>	<u>10,306,950</u>	<u>8,843,630</u>	<u>507,608,553</u>
Less Accumulated Depreciation for:				
Buildings	136,579,190	8,976,138	1,029,002	144,526,326
Improvements other than buildings	129,325,724	4,286,160	4,631,795	128,980,089
Furniture, fixtures, equipment and machinery	16,948,817	2,225,622	2,041,912	17,132,527
Infrastructure	5,023	574	-	5,597
Automobiles and trucks	3,513,573	171,811	32,029	3,653,355
Total Accumulated Depreciation	<u>286,372,327</u>	<u>15,660,305</u>	<u>7,734,737</u>	<u>294,297,894</u>
Total Depreciable Assets, net	<u>219,772,906</u>	<u>(5,353,355)</u>	<u>1,108,893</u>	<u>213,310,659</u>
Business-Type Activities Capital Assets, net	<u>\$ 280,760,328</u>	<u>\$ (5,353,355)</u>	<u>\$ 2,997,140</u>	<u>\$ 272,409,833</u>

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

Governmental activities:	
General government	\$ 7,825,708
Public safety	10,224,228
Public works and transportation	63,612,316
Health and human services	2,204,649
Culture and recreation	7,009,459
Community development and housing	877,768
Environment	<u>187,526</u>
Total depreciation expense-governmental activities	<u><u>\$ 91,941,654</u></u>
Business-type activities:	
Liquor	\$ 2,372,241
Solid waste activities	1,580,920
Parking lot districts	11,542,100
Permitting services	164,905
Community use of public facilities	<u>139</u>
Total depreciation expense-business-type activities	<u><u>\$ 15,660,305</u></u>

Construction commitments as of June 30, 2016 are as follows:

	<u>Construction Commitments</u>
General Government	\$ 186,522,491
Public Safety	1,230,764
Public Works and Transportation	191,783,978
Health and Human Services	15,050,107
Culture & Recreation	252,698
Community Development & Housing	212,315
Environment	<u>28,168,298</u>
Total	<u><u>\$ 423,220,651</u></u>

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Component Units

Capital assets of MCPS, amounting to \$2,677,885,934 at June 30, 2016, are significant in relation to the total component unit capital assets.

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental Activities				
Nondepreciable capital assets:				
Land	\$ 81,179,460	\$ 6,513,600	\$ -	\$ 87,693,060
Construction in progress	145,099,671	166,283,228	253,372,699	58,010,200
Total nondepreciable capital assets	<u>226,279,131</u>	<u>172,796,828</u>	<u>253,372,699</u>	<u>145,703,260</u>
Depreciable capital assets:				
Buildings and improvements	3,051,631,881	219,688,487	3,052,635	3,268,267,733
Site improvements	313,733,878	36,032,457	-	349,766,335
Vehicles and equipment	174,800,997	15,184,533	9,350,684	180,634,846
Total depreciable capital assets	<u>3,540,166,756</u>	<u>270,905,477</u>	<u>12,403,319</u>	<u>3,798,668,914</u>
Less accumulated depreciation for:				
Buildings and improvements	1,015,558,123	76,431,503	2,737,626	1,089,252,000
Site improvements	66,978,317	6,130,428	-	73,108,745
Vehicles and equipment	106,051,941	11,831,696	9,304,897	108,578,740
Total accumulated depreciation	<u>1,188,588,381</u>	<u>94,393,627</u>	<u>12,042,523</u>	<u>1,270,939,485</u>
Total depreciable capital assets, net	<u>2,351,578,375</u>	<u>176,511,850</u>	<u>360,796</u>	<u>2,527,729,429</u>
Government activities capital assets, net	<u>\$ 2,577,857,506</u>	<u>\$ 349,308,678</u>	<u>\$ 253,733,495</u>	<u>2,673,432,689</u>
Business-Type Activities				
Depreciable capital assets:				
Vehicles and equipment	\$ 20,379,374	\$ 131,138	\$ 211,376	20,299,136
Total depreciable capital assets	<u>20,379,374</u>	<u>131,138</u>	<u>211,376</u>	<u>20,299,136</u>
Less accumulated depreciation for:				
Vehicles and equipment	15,134,527	931,548	206,913	15,859,162
Total accumulated depreciation	<u>15,134,527</u>	<u>931,548</u>	<u>206,913</u>	<u>15,859,162</u>
Business-type activities capital assets, net	<u>\$ 5,244,847</u>	<u>\$ (800,410)</u>	<u>\$ 4,463</u>	<u>4,439,974</u>
Educational Foundation capital assets net of accumulated depreciation	<u>\$ 26,542</u>	<u>\$ -</u>	<u>\$ 13,271</u>	<u>13,271</u>
Total MCPS government-wide capital assets				<u>\$ 2,677,885,934</u>

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

Governmental activities:	
Regular instruction	\$ 76,599,062
Special education	140,239
School administration	89,526
Student transportation	9,444,054
Operation of plant	187,808
Maintenance of plant	7,332,019
Administration	<u>600,919</u>
Total depreciation expense-governmental activities	<u>\$ 94,393,627</u>
Business-type activities:	
Food services	\$ 906,174
Real estate management	<u>25,374</u>
Total depreciation expense-business type activities	<u>\$ 931,548</u>

Commitments for ongoing construction in progress at June 30, 2016, were \$227,244,268

D) Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of June 30, 2016, is as follows:

Due To Fund	Due From Fund				Total
	General	Nonmajor Governmental	Internal Service	Fiduciary	
General	\$ -	\$ -	\$ 4,547,823	\$ 6,291,586	\$ 10,839,409
Housing Initiative	-	-	12,175	18,427	30,602
Grants	11,247,837	-	188,203	202,416	11,638,456
Capital Projects	112,740,654	1,174,577	155,150	228,157	114,298,538
Liquor	-	-	327,789	187,863	515,652
Solid Waste Activities	-	-	79,200	99,781	178,981
Parking Lot Districts	-	-	35,625	43,625	79,250
Nonmajor Governmental	-	-	1,750,449	2,967,898	4,718,347
Nonmajor Enterprise	-	-	183,354	264,379	447,733
Internal Service	-	-	205,036	4,109,690	4,314,726
Fiduciary	-	-	10,546	10,432	20,978
Total	<u>\$ 123,988,491</u>	<u>\$ 1,174,577</u>	<u>\$ 7,495,350</u>	<u>\$ 14,424,254</u>	<u>\$ 147,082,672</u>

Included in the amounts presented above are the following short-term loans from the General Fund that were, or will be, repaid during FY17:

- \$11.2 million to the Grants Special Revenue Fund to cover vendor payments prior to revenues being received from other government agencies; and

- \$112.7 million to the Capital Projects Fund to cover construction payments, due primarily to the timing of reimbursements from Federal, State and other agencies, and the lag time between programming and collection of certain impact taxes.

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

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers Out Fund	Transfers In Fund					Subtotal Major
	General	Housing Initiative	Grants	Debt Service	Capital Projects	
General	\$ -	\$ 19,259,777	\$ -	\$ 273,627,905	\$ 45,791,407	\$ 338,679,089
Housing Initiative	289,410	-	-	7,323,544	2,829,507	10,442,461
Capital Projects	-	6,222,949	-	-	-	6,222,949
Liquor	24,569,660	-	-	5,852,832	-	30,422,492
Solid Waste Activities	2,538,330	-	-	-	1,139,000	3,677,330
Parking Lot Districts	8,074,140	2,561,164	-	-	-	10,635,304
Nonmajor Governmental	24,961,765	-	340,000	45,025,408	17,333,311	87,660,484
Nonmajor Enterprise	4,675,030	-	-	-	-	4,675,030
Internal Service Funds	-	-	-	-	550,000	550,000
Total	\$ 65,108,335	\$ 28,043,890	\$ 340,000	\$ 331,829,689	\$ 67,643,225	\$ 492,965,139

Transfers Out Fund	Transfers In Fund				Subtotal Major	Total
	Nonmajor Governmental	Nonmajor Enterprise	Internal Service			
General	\$ 5,669,117	\$ 25,000	\$ 39,184	\$ 338,679,089	\$ 344,412,390	
Housing Initiative	-	-	-	10,442,461	10,442,461	
Capital Projects	-	-	-	6,222,949	6,222,949	
Liquor	-	-	-	30,422,492	30,422,492	
Solid Waste Activities	-	-	-	3,677,330	3,677,330	
Parking Lot Districts	-	-	-	10,635,304	10,635,304	
Nonmajor Governmental	-	-	-	87,660,484	87,660,484	
Nonmajor Enterprise	-	-	-	4,675,030	4,675,030	
Internal Service Funds	-	-	-	550,000	550,000	
Total	\$ 5,669,117	\$ 25,000	\$ 39,184	\$ 492,965,139	\$ 498,698,440	

Primary activities include:

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

E) Leases

1) Operating Leases

The County leases buildings and office facilities and other equipment under non-cancelable operating leases. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated. Total costs for operating leases were approximately \$24,551,136 for FY16. Future minimum lease payments under significant non-cancelable operating leases are as follows.

Fiscal Year	
Ending June 30	
2017	\$ 23,769,140
2018	23,118,021
2019	22,679,010
2020	20,757,579
2021	19,945,841
2022 - 2026	47,125,783
2027 - 2031	<u>14,339,182</u>
Total	<u>\$ 171,734,556</u>

2) Capital Lease Receivable

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

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

The composition of the capital lease receivable is as follows:

	Minimum Lease Receivable	Unearned Income	Net Investment
Shady Grove	\$ 12,701,756	\$ (2,675,756)	\$ 10,026,000
Grosvenor	12,384,211	(2,608,861)	9,775,350
Glenmont	<u>6,668,421</u>	<u>(1,404,771)</u>	<u>5,263,650</u>
Total	<u>\$ 31,754,388</u>	<u>\$ (6,689,388)</u>	<u>\$ 25,065,000</u>

At June 30, 2016, the minimum future lease payments due under the direct financing capital lease agreements are as follows:

Fiscal Year Ending June 30	
2017	\$ 3,490,613
2018	3,491,613
2019	3,496,862
2020	3,510,862
2021	3,507,862
2022-2026	11,424,263
2027-2031	<u>2,832,313</u>
Total minimum lease payments	<u>\$ 31,754,388</u>

3) Capital Lease Obligations

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

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

Land	\$ 13,449,033
Land improvements	1,673,621
Buildings	53,783,181
Furniture, fixtures, equipment and machinery	<u>159,291</u>
Subtotal	69,065,126
Less accumulated depreciation	<u>(30,574,179)</u>
Total asset value under capital leases	<u>\$ 38,490,947</u>

The leases have maturity dates ranging from April 15, 2017 to April 15, 2023. The County makes annual principal payments and semi-annual interest payments. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	
2017	\$ 2,908,772
2018	2,512,988
2019	2,515,077
2020	991,834
2021	987,709
2022-2023	<u>1,982,515</u>
Total minimum lease payments	11,898,895
Less: amount representing interest	<u>(740,465)</u>
Present value of minimum lease payments	<u>\$ 11,158,430</u>

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

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F) Long-Term Debt

Primary Government

1) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within one year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 2,544,750,000	\$ 300,000,000	\$ (187,460,000)	\$ 2,657,290,000	\$ 208,025,000
Variable rate demand obligations	100,000,000	-	-	100,000,000	10,000,000
Bond anticipation notes	500,000,000	300,000,000	(300,000,000)	500,000,000	500,000,000
Revenue bonds					
Liquor control	66,655,323	-	(2,848,607)	63,806,716	2,953,021
Water quality protection	34,270,000	46,500,000	(1,395,000)	79,375,000	3,185,000
Lease revenue bonds payable	27,225,000	-	(2,160,000)	25,065,000	2,280,000
Add remaining original issue premium	270,294,837	28,715,984	(39,492,614)	259,518,207	-
Total bonds payable	<u>3,543,195,160</u>	<u>675,215,984</u>	<u>(533,356,221)</u>	<u>3,685,054,923</u>	<u>726,443,021</u>
Leases and notes payable:					
Capital leases	13,817,910	-	(2,659,480)	11,158,430	2,703,600
Certificates of participation	17,685,000	-	(6,885,000)	10,800,000	7,155,000
Taxable limited obligation certificates	86,320,000	-	(3,785,000)	82,535,000	3,875,000
Other leases and notes payable	14,085,125	3,632,565	(164,780)	17,552,910	604,863
Equipment notes	46,413,987	4,759,576	(14,740,646)	36,432,917	11,291,852
Add remaining original issue premium	391,269	-	(44,625)	346,644	-
Total leases and notes payable	<u>178,713,291</u>	<u>8,392,141</u>	<u>(28,279,531)</u>	<u>158,825,901</u>	<u>25,630,315</u>
Other non-debt related liabilities:					
Compensated absences	76,771,177	53,264,592	(53,905,514)	76,130,255	49,484,665
Other postemployment benefits	436,494,415	117,371,500	(108,776,002)	445,089,913	-
Claims payable - self-insurance	141,444,612	156,842,624	(148,030,942)	150,256,294	39,740,099
Net pension liability - county	286,187,949	248,107,624	(143,385,738)	390,909,835	-
Net pension liability - state	17,878,357	6,543,205	-	24,421,562	-
Claims and judgments	1,116,395	-	(113,195)	1,003,200	-
Total other non-debt related	<u>959,892,905</u>	<u>582,129,545</u>	<u>(454,211,391)</u>	<u>1,087,811,059</u>	<u>89,224,764</u>
Total Governmental Activities Liabilities	<u>\$ 4,681,801,356</u>	<u>\$ 1,265,737,670</u>	<u>\$ (1,015,847,143)</u>	<u>\$ 4,931,691,883</u>	<u>\$ 841,298,100</u>
Business-Type Activities					
Revenue bonds:					
Liquor control	\$ 42,839,677	\$ -	\$ (2,016,393)	\$ 40,823,284	\$ 2,106,979
Parking revenue bonds	44,010,000	9,174,000	(13,475,000)	39,709,000	3,158,000
Add remaining original issue premium	4,057,833	-	(660,298)	3,397,535	-
Total revenue bonds	<u>90,907,510</u>	<u>9,174,000</u>	<u>(16,151,691)</u>	<u>83,929,819</u>	<u>5,264,979</u>
Leases and notes payable:					
Equipment notes	4,655,348	2,057,372	(956,473)	5,756,247	1,115,198
Other non-debt related liabilities:					
Compensated absences	6,058,928	279,335	(29,954)	6,308,309	4,100,403
Other postemployment benefits	3,965,222	1,534,500	(1,534,500)	3,965,222	-
Net pension liability - county	12,563,335	10,597,049	(6,215,232)	16,945,152	-
Landfill closure costs	15,405,918	1,467,866	(1,334,306)	15,539,478	1,080,716
Gude landfill remediation	28,500,000	-	-	28,500,000	-
Total other non-debt related	<u>66,493,403</u>	<u>13,878,750</u>	<u>(9,113,992)</u>	<u>71,258,161</u>	<u>5,181,119</u>
Total Business-Type Activities Liabilities	<u>\$ 162,056,261</u>	<u>\$ 25,110,122</u>	<u>\$ (26,222,156)</u>	<u>\$ 160,944,227</u>	<u>\$ 11,561,296</u>

Funding Source for Other Non-debt Related Liabilities

Long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$2,250,212 (\$1,462,639 due within one year and \$787,573 due in more than one year) of internal service fund compensated absences were included in the above amounts. Compensated absences liabilities of governmental activities are generally liquidated by the governmental funds that incurred the associated personnel cost.

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

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

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

Net pension liabilities are liquidated with General Fund resources.

2) General Obligation Bonds Payable

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

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

The County issued \$300,000,000 in new money general obligation bonds dated December 1, 2015; the County received a premium on the issue of \$26,706,450. These bonds were issued with a true interest cost of 2.80%.

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General obligation bond issues outstanding as of June 30, 2016, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2016	Unamortized Premium	Carrying Value June 30, 2016
6/1/2005*	2005-16	3.781	\$ 120,355,000	\$ 27,465,000	\$ 898,480	\$ 28,363,480
05/01/07	2007-27	4.082	250,000,000	12,500,000	690,122	13,190,122
07/15/08	2009-29	3.000 - 5.000	250,000,000	48,600,000	1,290,778	49,890,778
11/03/09*	2011-20	2.000 - 5.000	161,755,000	100,515,000	4,588,299	105,103,299
11/03/09	2015-29	3.750 - 5.500	232,000,000	216,535,000	911,708	217,446,708
07/26/10	2011-22	2.000 - 5.000	195,000,000	113,750,000	7,311,783	121,061,783
07/26/10	2023-30	4.750 - 5.400	106,320,000	106,320,000	135,205	106,455,205
07/26/10	2023-30	4.750 - 5.400	23,680,000	23,680,000	30,113	23,710,113
08/11/11	2012-31	2.000 - 5.000	320,000,000	160,000,000	14,706,461	174,706,461
08/11/11*	2012-22	2.000 - 5.000	237,655,000	169,850,000	15,679,823	185,529,823
10/24/12	2013-32	2.500 - 5.000	295,000,000	250,750,000	21,722,908	272,472,908
10/24/12*	2013-16	2.500 - 5.000	23,360,000	5,400,000	65,974	5,465,974
11/26/13	2014-34	3.000 - 5.000	295,000,000	265,500,000	23,317,208	288,817,208
11/26/13*	2023-24	5.000	24,915,000	24,915,000	3,809,316	28,724,316
11/19/14	2015-35	4.000 - 5.000	500,000,000	475,000,000	69,122,341	544,122,341
11/19/14*	2016-28	5.000	297,990,000	297,990,000	53,173,720	351,163,720
03/26/15*	2018-21	5.000	58,520,000	58,520,000	6,193,508	64,713,508
12/01/15	2016-35	3.000 - 5.000	300,000,000	300,000,000	25,223,352	325,223,352
Total			<u>\$ 3,691,550,000</u>	<u>\$ 2,657,290,000</u>	<u>\$ 248,871,099</u>	<u>\$ 2,906,161,099</u>

* Issue represents refunding bonds.

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

Fiscal Year Ending June 30	General Obligation Bond Requirements		
	Principal	Interest	Total
2017	\$ 208,025,000	\$ 117,857,911	\$ 325,882,911
2018	200,930,000	107,483,919	308,413,919
2019	195,230,000	97,687,134	292,917,134
2020	189,295,000	88,201,563	277,496,563
2021	182,640,000	79,145,647	261,785,647
2022-2026	795,630,000	274,649,154	1,070,279,154
2027-2031	620,790,000	112,348,206	733,138,206
2032-2036	264,750,000	18,497,500	283,247,500
Total	<u>\$ 2,657,290,000</u>	<u>\$ 895,871,034</u>	<u>\$ 3,553,161,034</u>

Article 25A, Section 5(P), of the Annotated Code of Maryland, authorizes borrowing of funds and issuance of bonds to a maximum of six percent of the assessable base of real property and 15 percent of the assessable base of personal property and operating real property. The legal debt margin as of June 30, 2016 is \$7,287,078,017.

Prior-Year Defeasance of Debt

In prior years, the County defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County’s financial statements. At June 30, 2016, \$370,529,375 of bonds outstanding are considered defeased.

General obligation bonds authorized and unissued as of June 30, 2016 are \$2,226,660,000 and \$1,749,496,000, respectively. These amounts include amounts related to variable rate demand obligations (see Note III-F3). In addition to this bond authority, the County has authority under the provisions of Section 56-13 of the 1994 Montgomery County Code, as amended, to issue County bonds within statutory debt limits to finance approved urban renewal projects.

3) Variable Rate Demand Obligations

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

The interest rate on the obligations, which re-sets daily, is established by the remarketing agents and is payable on the first business day of each month. Other potential modes for the obligations include a Weekly Mode, a Commercial Paper Mode, a Term Rate Mode or a Fixed Rate Mode. Subject to certain terms and conditions in the Note Order, the County may affect a change in mode with respect to the obligations. The obligations are subject to optional tender and purchase on the demand of the owners thereof, upon certain terms. All such obligations are general obligations of the County to the payment of which the full faith and credit and unlimited taxing power of the County is irrevocably pledged.

In connection with the VRDOs, on June 1, 2014, the County entered into a Standby Note Purchase Agreement with Wells Fargo Bank, National Association which will expire on July 15, 2017. The Wells Fargo Note Purchase Agreement requires Wells Fargo to provide funds for the purchase of VRDOs that have been tendered and not remarketed pursuant to such agreement. Because the County entered into a financing agreement that ensures the VRDOs can be refinanced on a long-term basis, these obligations are classified as noncurrent liabilities at year-end.

VRDOs outstanding as of June 30, 2016, are as follows:

<u>Dated</u> <u>Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally</u> <u>Issued</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Bonds</u> <u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>
06/07/06	2017-26	Variable	\$ 50,000,000	\$ 50,000,000	\$ -	\$ 50,000,000
06/07/06	2017-26	Variable	50,000,000	50,000,000	-	50,000,000
Total			<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>	<u>\$ -</u>	<u>\$ 100,000,000</u>

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

VRDO requirements to maturity are as follows:

Fiscal Year Ending June 30	Variable Rate Demand Obligation Requirements		
	Principal	Interest*	Total
2017	\$ 10,000,000	\$ 390,000	\$ 10,390,000
2018	10,000,000	351,000	10,351,000
2019	10,000,000	312,000	10,312,000
2020	10,000,000	273,000	10,273,000
2021	10,000,000	234,000	10,234,000
2022-2026	50,000,000	585,000	50,585,000
Total	<u>\$ 100,000,000</u>	<u>\$ 2,145,000</u>	<u>\$ 102,145,000</u>

* Interest is calculated based on interest rates as of the financial statement date, the rates as of June 30, 2016 were 0.39% for Series A and 0.38% for Series B.

4) Revenue Bonds Payable

Revenue bonds are authorized, issued, and outstanding to finance specific projects such as parking garages for the Bethesda Parking Lot District, Department of Liquor Control facilities, and Water Quality stormwater management facilities. Net revenues of Bethesda Parking Lot District including parking fees, fines, dedicated property taxes, and Department of Liquor Control revenues are pledged against the timely repayment of principal and interest of the outstanding revenue bonds of the respective funds. Net revenues of the Water Quality Protection fund are pledged against the timely repayment of principal and interest of the outstanding revenue bonds of the respective funds. Revenue bonds authorized and unissued as of June 30, 2016 are \$522,998,000 and \$175,579,000, respectively.

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

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

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

Debt service savings from this refunding is \$2.09 million as shown below. The present value of the debt service savings (or economic gain) on the refunding is \$1.95 million.

Fiscal Year	Refunded	Refunding	Debt Service Savings
	Debt Service Requirements	Debt Service Requirements	
2016	\$ 206,732	\$ 66,282	\$ 140,450
2017	1,247,526	858,866	388,660
2018	1,243,989	855,559	388,430
2019	1,247,989	858,831	389,158
2020	1,245,489	856,657	388,832
2021-2025	6,233,503	5,841,712	391,791
2026	1,245,620	1,244,670	950
	<u>\$ 12,670,848</u>	<u>\$ 10,582,577</u>	<u>\$ 2,088,271</u>

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

	Terms of Commitment (Years)	Approximate Amount of Pledge
Bethesda Parking Lot District	16	\$ 48,929,074
Water Quality Protection	20	110,905,485
Liquor Control	17	147,165,880
Total		<u>\$ 307,000,439</u>

The pledged net revenues recognized during FY16 for the payment of the outstanding principal and interest of the revenue bonds are as follows:

	Net Available Revenue for Debt Service	Debt Service		
		Principal	Interest	Total
Bethesda Parking Lot District	\$ 8,939,736	\$ 3,245,000	\$ 1,575,467	\$ 4,820,467
Liquor Control Fund	33,605,961	4,865,000	4,972,389	9,837,389
Water Quality Protection	12,702,996	1,395,000	1,625,250	3,020,250

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Revenue bond issues outstanding as of June 30, 2016, are as follows:

	Dated			Originally Issued	Balance June 30, 2016	Unamortized	
	Date	Maturity	Interest Rate			Premium/ (Discount)	Carrying Value June 30, 2016
Parking Revenue Bonds:							
Bethesda Parking Lot District 2012	05/16/12	2015-23	3.000 - 3.250	\$ 24,190,000	\$ 22,250,000	\$ 1,023,423	\$ 23,273,423
Bethesda Parking Lot District 2012 Ref.	05/16/12	2013-17	1.250 - 1.930	13,750,000	8,285,000	796,193	9,081,193
Bethesda Parking Lot District 2015 Ref.	10/19/15	2017-26	2.55	9,174,000	9,174,000	-	9,174,000
Water Quality Protection 2012A	07/18/12	2013-32	0.250 - 5.000	37,835,000	32,875,000	3,778,010	36,653,010
Water Quality Protection 2016A	04/06/16	2017-36	2.25 - 5.00	46,500,000	46,500,000	1,907,667	48,407,667
Liquor Control Revenue Bonds:*							
Liquor Control & Transportation 2009	05/12/09	2010-29	3.000 - 5.000	46,765,000	34,725,000	1,355,793	36,080,793
Liquor Control & Transportation 2011	04/28/11	2012-31	2.000 - 5.000	34,360,000	28,305,000	1,004,520	29,309,520
Liquor Control & Transportation 2013	07/30/13	2014-33	3.125 - 5.000	46,645,000	41,600,000	1,619,853	43,219,853
Total				<u>\$ 259,219,000</u>	<u>\$ 223,714,000</u>	<u>\$ 11,485,459</u>	<u>\$ 235,199,459</u>

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

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Bethesda Parking Lot District		Liquor Control	
	Principal	Interest	Principal	Interest
2017	\$ 3,158,000	\$ 1,416,348	\$ 5,060,000	\$ 4,774,889
2018	3,291,000	1,284,040	5,295,000	4,539,639
2019	3,441,000	1,135,062	5,520,000	4,317,839
2020	3,591,000	979,138	5,750,000	4,082,439
2021	3,755,000	816,030	6,020,000	3,817,839
2022-2026	12,738,000	2,505,238	34,665,000	14,502,981
2027-2031	7,990,000	1,027,505	35,795,000	6,064,768
2032-2035	1,745,000	56,713	6,525,000	435,486
Total	<u>\$ 39,709,000</u>	<u>\$ 9,220,074</u>	<u>\$ 104,630,000</u>	<u>\$ 42,535,880</u>

Fiscal Year Ending June 30	Water Quality Protection		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2017	\$ 3,185,000	\$ 2,963,160	\$ 11,403,000	\$ 9,154,397	\$ 20,557,397
2018	3,245,000	2,900,838	11,831,000	8,724,517	20,555,517
2019	3,360,000	2,788,588	12,321,000	8,241,489	20,562,489
2020	3,495,000	2,654,188	12,836,000	7,715,765	20,551,765
2021	3,635,000	2,517,038	13,410,000	7,150,907	20,560,907
2022-2026	20,435,000	10,315,925	67,838,000	27,324,144	95,162,144
2027-2031	24,810,000	5,931,350	68,595,000	13,023,623	81,618,623
2032-2035	17,210,000	1,459,398	25,480,000	1,951,597	27,431,597
Total	<u>\$ 79,375,000</u>	<u>\$ 31,530,485</u>	<u>\$ 223,714,000</u>	<u>\$ 83,286,439</u>	<u>\$ 307,000,439</u>

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

Purpose	Bethesda Parking Lot District	Solid Waste Disposal
Operation and Maintenance Account - Available to pay current expenses	\$ 1,697,614	\$ -
Debt Service Account - Used to pay debt service on bonds	309,623	-
Debt Service Reserve Account - (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available	3,100,671	-
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	1,500,000	4,161,246
Rate Covenant Cash Reserve - Available to fund operating activities for a minimum of three months	-	21,378,875
Rate Stabilization Account - In case of short-term extraordinary expenses	-	500,000
Total	<u>\$ 6,607,908</u>	<u>\$ 26,040,121</u>

5) Bond Anticipation Notes Payable

Commercial paper bond anticipation notes (BANs) are authorized, issued, and outstanding as financing sources for capital construction and improvements. Changes in BANs during FY16 are as follows:

	Balance July 1, 2015	BANs Issued	BANs Retired	Balance June 30, 2016
BAN Series 2009-A	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
BAN Series 2009-B	100,000,000	100,000,000	100,000,000	100,000,000
BAN Series 2010-A	150,000,000	50,000,000	50,000,000	150,000,000
BAN Series 2010-B	150,000,000	50,000,000	50,000,000	150,000,000
Total	<u>\$ 500,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 500,000,000</u>

BANs totaling \$300 million were issued during FY16; \$100 million Series 2010 and \$200 million Series 2009 respectively. BANs are issued at varying maturities to a maximum of 270 days, under a program whose authority was adopted on September 15, 2009, as amended, to consolidate additional authority to borrow money and incur indebtedness. The County reissued the notes upon maturity and continues to do so, until they are replaced with long-term bonds.

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

During FY16, the County Council passed Resolution No. 18-305 dated October 27, 2015 to increase the County's authority to issue BANs by \$563.1 million. Cumulative BANs authorized and unissued as of June 30, 2016, including amounts authorized and unissued from prior years, is \$1,165,113,000.

6) Certificates of Participation

In April 2010, the County issued Certificates of Participation (certificates) for Equipment Acquisition in the public transportation program dated April 7, 2010, in the amount of \$23.0 million. In October 2007, the County issued certificates for its Equipment Acquisition in the fire and rescue program dated October 24, 2007, in the amount of \$33.6 million. The certificates represent proportionate interest in a Conditional Purchase Agreement (CPA) between the County, as purchaser and U.S. Bank National Association, as the seller. The CPA requires the County, as purchaser, to make periodic purchase installments in amounts sufficient to pay the scheduled debt service on the certificates until the County pays the entire price necessary to acquire the equipment, which shall be equal to the amount necessary to pay the principal and interest on all outstanding certificates. The ability of the County, as purchaser, to pay the purchase installments due under the CPA depends upon sufficient funds being appropriated each year by the County Council for such purpose. The County Council is under no obligation to make any appropriation with respect to the CPA. The CPA is not a general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or charge against the general credit or taxing powers of the County.

The Certificates were issued at interest rates ranging from 2.4 to 5.0 percent and have maturity schedules as follows:

Fiscal Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2017	\$ 7,155,000	\$ 362,000	\$ 7,517,000
2018	3,645,000	72,900	3,717,900
Total	<u>\$ 10,800,000</u>	<u>\$ 434,900</u>	<u>\$ 11,234,900</u>

7) Master Lease/Equipment Notes

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

The following is a schedule by fiscal year for the debt service requirement at June 30, 2016:

Fiscal Year Ending June 30	Equipment Notes Requirements		
	Principal	Interest	Total
2017	\$ 12,407,050	\$ 755,230	\$ 13,162,280
2018	8,554,486	535,445	9,089,931
2019	7,680,627	360,051	8,040,678
2020	6,617,104	221,430	6,838,534
2021	5,203,066	102,411	5,305,477
2022-2023	1,726,831	19,948	1,746,779
Total	<u>\$ 42,189,164</u>	<u>\$ 1,994,515</u>	<u>\$ 44,183,679</u>

8) Lease Revenue Bonds

In June 2002, the County issued Lease Revenue Bonds dated June 1, 2002, in the amount of \$37.88 million for its Metrorail garage projects. These bonds were issued to finance the costs of the planning, design, construction, and placing into commercial operation, of garages at the Shady Grove and Grosvenor Metrorail Stations. The County has leased these metrorail garage projects to the Washington Metropolitan Area Transit Authority (WMATA).

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

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

The bonds are payable from and secured by a pledge of revenues from WMATA’s lease payments and certain reserve funds. The approximate amount of the pledge is \$35,233,000. WMATA’s obligation to make payments under the leases is payable solely from amounts held in a Surcharge Reserve Account which is funded by revenues from a surcharge on the parking facilities.

In the event that the County’s Reserve Subfund of \$3,134,232, included in Debt Service Fund cash with fiscal agents in the accompanying financial statements, is less than the required amount, the County Executive is obligated to include, in the next subsequent appropriation request to the County Council, a request for sufficient resources to reimburse the Reserve Subfund. The Lease Revenue Bonds are not a debt of the County within the meaning of any constitutional, compact, charter or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of the County is pledged to the payment of the bonds.

In FY16, pledged revenue of \$3,478,613 equals the principal and interest on the lease revenue bonds.

Lease revenue bonds outstanding as of June 30, 2016, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2016	Unamortized Premium (Discount)	Carrying Value June 30, 2016
Lease Revenue Bonds	10/13/11	2011-31	2.6687%	\$ 35,465,000	\$ 25,065,000	\$ 2,559,182	\$ 27,624,182

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

Fiscal Year Ending June 30	Lease Revenue Bond Requirements		
	Principal	Interest	Total
2017	\$ 2,280,000	\$ 1,210,613	\$ 3,490,613
2018	2,395,000	1,096,613	3,491,613
2019	2,520,000	976,863	3,496,863
2020	2,660,000	850,863	3,510,863
2021	2,790,000	717,863	3,507,863
2022-2026	9,895,000	1,529,260	11,424,260
2027-2031	2,525,000	307,313	2,832,313
Total	\$ 25,065,000	\$ 6,689,388	\$ 31,754,388

9) Taxable Limited Obligation Certificates

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

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

In November 2013, the County issued Taxable Limited Obligation Certificates in the amount of \$38 million; the County issued the certificates to finance the Montgomery Housing Initiative program established by the County to promote a broad range of housing opportunities in the County. The Certificates were issued at interest rates ranging from 0.3 to 4.8 percent and will mature on November 1, 2033.

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The following is a schedule by fiscal year for the debt service requirement at June 30, 2016:

Fiscal Year Ending June 30	Taxable Limited Obligation Requirements		
	Principal	Interest	Total
2017	\$ 3,875,000	\$ 3,614,700	\$ 7,489,700
2018	3,995,000	3,501,862	7,496,862
2019	4,110,000	3,382,454	7,492,454
2020	4,255,000	3,241,114	7,496,114
2021	4,415,000	3,079,405	7,494,405
2022-2026	25,020,000	12,443,037	37,463,037
2027-2031	29,055,000	5,908,104	34,963,104
2032-2034	7,810,000	568,338	8,378,338
Total	<u>\$ 82,535,000</u>	<u>\$ 35,739,014</u>	<u>\$ 118,274,014</u>

10) Other Leases and Notes Payable

In April 2007, the County entered into a Purchase and Sale Contract with Washington Suburban Sanitary Commission (WSSC) to acquire property for \$10,000,000. On January 15, 2009, the County signed a promissory note evidencing its obligation to fulfill the terms of the Contract. The note has a term of 15 years; interest accrues at a rate of 4.43%, commencing six months after the execution of the promissory note. Under the provisions of the promissory note, the minimum annual payment by the County is \$400,000 and is due on July 15 each year. The County must make additional payments equal to the net of proceeds of parcels sold in a given year; payments should be allocated first to interest then to principal. If in a given year, net proceeds for the sale of parcels equal or exceed the debt service payment, the County will not be required to make a separate debt service payment. The minimum annual loan payment is less than the interest accrued during the fiscal period; the difference between the interest and the debt service paid is added to the total principal amount owed. Consequently, a negative balance is shown on the principal column of the amortization schedule. However, the first debt service payment did not include interest expense, thereby, reducing the principal outstanding to \$9,600,000.

The note will mature upon its 15th anniversary when all unpaid principal and accrued interest shall be due and payable by the County or upon the date of the "Payment Event" for the last parcel for which an additional annual payment due to WSSC.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2016:

Fiscal Year Ending June 30	Promissory Note Requirements		
	Principal	Interest	Total
2017	\$ (32,789)	\$ 432,789	\$ 400,000
2018	(34,242)	434,242	400,000
2019	(35,759)	435,759	400,000
2020	(37,343)	437,343	400,000
2021	(38,997)	438,997	400,000
2022-2025	9,948,636	1,550,866	11,499,502
Total	<u>\$ 9,769,506</u>	<u>\$ 3,729,996</u>	<u>\$ 13,499,502</u>

During 2002, the County Council authorized the Department of Housing and Community Affairs (DHCA) to participate in the HUD Section 108 program for the purpose of acquiring twenty-one units at the Chelsea Tower which provides affordable housing for income qualified persons. On July 16, 2003, the County signed a loan agreement with HUD in the amount of \$870,000. The County subsequently received approval from the County Council to disburse and re-loan these funds to HOC. HOC will repay the County, through the Housing Initiative Special Revenue Fund, the principal of \$870,000 with interest thereon on a semi-annual basis at 4.59 percent over a twenty-year period, which is consistent with the HUD repayment terms. The principal amount payable at June 30, 2016, for this loan is \$354,000 and will mature on August 1, 2023.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2016:

Fiscal Year Ending June 30	HUD Loan Requirements		
	Principal	Interest	Total
2017	\$ 43,000	\$ 18,274	\$ 61,274
2018	43,000	16,021	59,021
2019	43,000	13,727	56,727
2020	43,000	11,396	54,396
2021	43,000	9,034	52,034
2022-2024	139,000	12,380	151,380
Total	<u>\$ 354,000</u>	<u>\$ 80,832</u>	<u>\$ 434,832</u>

In October 2013, the County entered into a lease agreement in the amount of \$4.2 million to finance energy efficiency projects within the County. The lease has an interest rate of 5.17 percent and will mature on July 1, 2033. In May 2016, the County entered into a lease agreement in the amount of \$3.6 million to finance additional energy efficiency projects within the County. This lease has an interest rate of 3.31 percent and will mature on July 1, 2035.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2016:

Fiscal Year Ending June 30	Energy Performance Lease		
	Principal	Interest	Total
2017	\$ 129,074	\$ 270,757	\$ 399,831
2018	136,639	308,686	445,325
2019	343,127	298,233	641,360
2020	288,132	285,105	573,237
2021	301,042	272,660	573,702
2022-2026	1,831,690	1,148,434	2,980,124
2027-2031	2,298,850	701,054	2,999,904
2032-2036	2,100,850	180,685	2,281,535
Total	<u>\$ 7,429,404</u>	<u>\$ 3,465,614</u>	<u>\$ 10,895,018</u>

11) Conduit Debt Obligations

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

As of June 30, 2016, there were 30 issues of Industrial Revenue Bonds and Economic Development Revenue Bonds outstanding. Of these, six were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 2016, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$146,945,000. The principal amount payable at June 30, 2016, for bonds issued after July 1, 1996, totaled \$710,570,533.

12) Special Taxing and Development Districts

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

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

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

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

Component Units

At June 30, 2016, HOC's noncurrent liabilities are comprised of the following:

	Due within one year	Long-Term	Total
Revenue bonds payable	\$ 55,772,645	\$ 508,473,104	\$ 564,245,749
Capital leases payable	3,897	19,945,907	19,949,804
Derivative instrument - hedging	-	11,208,458	11,208,458
Notes and other payable	64,954,699	248,505,771	313,460,470
Net pension liability	-	7,661,755	7,661,755
Total	<u>\$ 120,731,241</u>	<u>\$ 795,794,995</u>	<u>\$ 916,526,236</u>

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

<u>Purpose</u>	
Multi-Family Mortgage Purchase Program Fund	\$ 311,110,322
Single Family Mortgage Purchase Program Fund	<u>253,135,427</u>
Total	<u>\$ 564,245,749</u>

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 0.65 to 11.25 percent and 0.50 to 5.50 percent, respectively, as of June 30, 2016.

Pursuant to Section 15 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
2017	\$ 445,000	\$ 385,840	\$ 830,840
2018	465,000	363,090	828,090
2019	490,000	339,215	829,215
2020	515,000	314,090	829,090
2021	540,000	287,715	827,715
2022-2026	3,140,000	990,053	4,130,053
2027-2031	<u>2,290,000</u>	<u>177,255</u>	<u>2,467,255</u>
Total	<u>\$ 7,885,000</u>	<u>\$ 2,857,258</u>	<u>\$ 10,742,258</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
2017	\$ 55,772,645	\$ 14,711,695	\$ 70,484,340
2018	19,295,266	14,208,798	33,504,064
2019	39,513,191	13,602,448	53,115,639
2020	18,921,450	12,967,215	31,888,665
2021	19,445,088	15,333,834	34,778,922
2022-2026	96,143,166	52,771,060	148,914,226
2027-2031	95,980,000	36,921,445	132,901,445
2032-2036	87,725,000	21,887,915	109,612,915
2037-2041	85,025,000	10,070,555	95,095,555
2042-2046	32,190,000	3,310,958	35,500,958
2047-2051	10,070,000	727,100	10,797,100
2052-2056	1,570,000	85,785	1,655,785
Unamortized Bond Discount	2,594,943	-	2,594,943
Total	\$ 564,245,749	\$ 196,598,808	\$ 760,844,557

Changes in the HOC revenue bonds during FY16 are as follows:

<u>Purpose</u>	Balance July 1, 2015	Bonds Issued*	Bonds Retired	Balance June 30, 2016
Multi-Family Mortgage Purchase Program Fund	\$ 290,891,798	\$ 35,870,300	\$ 15,651,776	\$ 311,110,322
Single Family Mortgage Purchase Program Fund	236,865,621	43,892,850	27,623,044	253,135,427
Total	\$ 527,757,419	\$ 79,763,150	\$ 43,274,820	\$ 564,245,749

* Includes accretions and bond discounts.

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

Bonds outstanding, July 1, 2015	\$ 246,588,683
Issuances during the year	-
Redemptions during the year	(42,301,624)
Bonds outstanding, June 30, 2016	\$ 204,287,059

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

G) Segment Information

The County has issued revenue bonds to finance activities relating to the Bethesda Parking Lot districts (PLDs). The Bethesda PLD is accounted for within the Parking Lot Districts Fund. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the activity as of and for the year ended June 30, 2016, is presented below:

Condensed Statement of Net Position

	Bethesda PLD
ASSETS	
Current assets	\$ 11,981,362
Other assets	6,607,908
Capital assets	104,879,913
Total Assets	<u>123,469,183</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>522,465</u>
Total Deferred Outflows	<u>522,465</u>
LIABILITIES	
Current liabilities	4,728,382
Due to other funds	36,197
Long-term liabilities	39,365,508
Total Liabilities	<u>44,130,087</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	<u>230,359</u>
Total Deferred Inflows	<u>230,359</u>
NET POSITION	
Net investment in capital assets	63,506,980
Restricted for debt service	6,607,908
Unrestricted	9,516,314
Total Net Position	<u>\$ 79,631,202</u>

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

	Bethesda PLD
	<hr/>
OPERATING REVENUES (EXPENSES):	
Operating Revenues:	
Charges for services	\$ 14,051,612
Licenses and permits	-
Fines and penalties	3,320,458
Total Operating Revenues (pledged against bonds)	<hr/> 17,372,070
Depreciation	6,109,113
Other operating expenses	9,024,033
Operating Income (Loss)	<hr/> 2,238,924
 NONOPERATING REVENUES (EXPENSES):	
Property taxes	(204,625)
Investment income	23,239
Interest expense	(1,179,135)
Other revenue	773,085
Transfers in	
Transfers out	(1,055,915)
Change in Net Position	<hr/> 595,573
Beginning Net Position	<hr/> 79,035,629
Ending Net Position	<hr/> <hr/> \$ 79,631,202

Condensed Statement of Cash Flows

	Bethesda PLD
	<hr/>
Net Cash Provided (Used) By:	
Operating activities	\$ 8,357,063
Noncapital financing activities	(1,260,540)
Capital and related financing activities	(6,261,452)
Investing activities	23,239
Net Increase (Decrease)	<hr/> 858,310
Beginning Cash and Cash Equivalents	<hr/> 13,444,263
Ending Cash and Cash Equivalents	<hr/> <hr/> \$ 14,302,573

H) Fund Equity

1) Governmental Fund Balances

The governmental fund balances at June 30, 2016 are composed of the following:

Fund Balances:	General	Housing Initiative	Grants	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
Nonspendable:						
Inventory	\$ 6,842,287	\$ -	\$ -	\$ -	\$ 1,487,983	\$ -
Prepays	432,768	-	1,297	-	-	-
Total nonspendable	<u>7,275,055</u>	<u>-</u>	<u>1,297</u>	<u>-</u>	<u>1,487,983</u>	<u>-</u>
Restricted for:						
Public safety						
Police	-	-	-	-	-	2,405,893
Fire and rescue	-	-	-	-	-	9,531,139
Restricted donation	-	-	-	-	-	1,800,118
Mass transit	-	-	-	-	-	31,761,887
Cable TV	-	-	-	-	-	10,050,756
Community development and housing						
Rehabilitation loan	-	-	-	-	-	4,673,602
Urban districts	2,009,014	-	-	-	-	-
Economic development	2,853,068	-	-	-	-	-
Housing initiative	-	253,862,990	-	-	-	-
Culture and recreation	-	-	-	-	-	3,303,547
Environment						
Agricultural transfer tax	-	-	-	-	-	1,534,066
Water quality protection	-	-	-	-	-	20,771,961
Other	2,045,732	-	214,736	-	-	-
Revenue stabilization	254,406,038	-	-	-	-	-
Debt service	-	-	-	26,374,966	-	-
Capital projects	-	-	-	-	47,500,314	-
Total restricted	<u>261,313,852</u>	<u>253,862,990</u>	<u>214,736</u>	<u>26,374,966</u>	<u>47,500,314</u>	<u>85,832,969</u>
Committed to:						
Community development and housing	7,642,659	-	-	-	-	-
Education						
Montgomery County Public Schools	11,365,063	-	-	-	-	-
Montgomery College	17,989,987	-	-	-	-	-
Capital projects	34,686,425	-	-	-	-	-
Total committed	<u>71,684,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to:						
General government	12,857,072	-	-	-	-	-
Public safety	3,230,896	-	-	-	-	-
Public works and transportation	3,139,453	-	-	-	-	-
Health and human services	6,012,275	-	-	-	-	-
Culture and recreation	1,207,178	-	-	-	-	-
Community development and housing	122,390	-	-	-	-	-
Environment	465,745	-	-	-	-	-
Total assigned	<u>27,035,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:						
General government	113,028,313	-	-	-	-	-
Total unassigned	<u>113,028,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 480,336,363</u>	<u>\$253,862,990</u>	<u>\$ 216,033</u>	<u>\$ 26,374,966</u>	<u>\$ 48,988,297</u>	<u>\$ 85,832,969</u>

2) Encumbrances

Encumbrance accounting is employed as part of the budgetary integration for all governmental funds. As of June 30, 2016, certain amounts which were available for specific purposes have been encumbered in the governmental

funds. Encumbrances are included in the County's governmental fund balances as follows:

Governmental Fund	Amount	Fund Balance Classification
General Fund	\$ 27,239,634	Restricted/Assigned
Housing Initiative	214,427	Restricted
Nonmajor Governmental Funds	<u>10,228,456</u>	Restricted
Total Governmental Funds	<u>\$ 37,682,517</u>	

3) Net Position Restricted by Enabling Legislation

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

Governmental activities	\$ 413,475,137
Business-type activities	<u>41,767,385</u>
Total	<u>\$ 455,242,522</u>

I) Significant Transactions with Discretely Presented Component Units

1) Operating and Capital Funding

Expenditures incurred for operating and capital funding of discretely presented component units amounted to the following for the year ended June 30, 2016:

	General Fund			Capital	
	Operating	Capital *	Total	Projects	Total
MCPS	\$ 1,509,285,806	\$ 23,427,280	\$ 1,532,713,086	\$ 189,398,848	\$ 1,722,111,934
MC	129,826,027	11,519,458	141,345,485	36,539,620	177,885,105
HOC	<u>6,273,380</u>	-	<u>6,273,380</u>	<u>10,752,984</u>	<u>17,026,364</u>
Total	<u>\$ 1,645,385,213</u>	<u>\$ 34,946,738</u>	<u>\$ 1,680,331,951</u>	<u>\$ 236,691,452</u>	<u>\$ 1,917,023,403</u>

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

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

2) Other Transactions

BUP charges for services revenue includes \$4,532,230 earned under contracts with the County. For capital leases with MCRA, see Note III-E3. For mortgages receivable due from HOC, see Note III-B

NOTE IV. OTHER INFORMATION

A) Risk Management

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

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

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

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

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Changes in the balances of Claims Payable for the self-insurance funds for FY16 and FY15 are as follows:

	Liability and Property Coverage	Employee Health Benefits	Total
Balance July 1, 2014	\$ 127,960,926	12,245,038	\$ 140,205,964
Claims and changes in estimates	37,905,495	109,854,065	147,759,560
Claim payments ¹	(37,723,921)	(108,796,991)	(146,520,912)
Balance June 30, 2015	128,142,500	13,302,112	141,444,612
Claims and changes in estimates	49,671,736	107,170,888	156,842,624
Claim payments ¹	(40,946,736)	(107,084,206)	(148,030,942)
Balance June 30, 2016 ²	<u>\$ 136,867,500</u>	<u>\$ 13,388,794</u>	<u>\$ 150,256,294</u>

¹ Includes non-monetary settlements.

² Includes incurred but not reported (IBNR) claims of \$65,107,169 and \$13,388,794 for the Liability and Property Coverage and the Employee Health Benefits Self-Insurance Funds, respectively.

B) Significant Commitments and Contingencies

1) Landfill

The County, in its effort to provide for estimated landfill capping and postclosure maintenance costs, accrues such costs and recognizes those costs as expenses as the landfill is utilized. The October 9, 1991 U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Criteria," established closure requirements for all municipal solid waste landfills (MSWLFs) that receive waste after October 9, 1991. The County has been accruing closure expenses since FY91 in an attempt to match the costs of closure against the revenues associated with the use of the landfill. The Oaks Landfill closed on October 22, 1997, and the County began using out-of-County waste hauling during FY98. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons. The total closure and postclosure costs are estimated at \$65,636,529, which have been fully accrued through June 30, 2016. Of the total amount accrued, \$48,762,745 in actual costs have been paid out in prior years, and \$1,334,306 was paid in FY16, resulting in a net liability of \$15,539,478 at June 30, 2016. The current and non-current portions of the adjusted liability at year-end are estimated at \$1,080,716 and \$14,458,762 respectively. These costs are subject to change based on cost differences, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and postclosure costs as they are incurred in the future.

2) Pollution Remediation

In FY09, the County identified the closed Gude Landfill as requiring pollution remediation or post-closure due to ground water and surface contamination. The landfill was used for the disposal of County municipal solid waste and received approximately 4.8 million tons of municipal waste from 1965 until the site was closed in 1982. A Consent Order was issued in May 2013 by the Maryland Department of the Environment (MDE) to address groundwater contamination, landfill gas migration, and non-stormwater discharges from the closed Gude Landfill. The estimated remediation cost as of FY16 is \$28.5 million. Department of Environmental Protection (DEP) completed an Assessment of Corrective Measures (ACM) report, which evaluates the effectiveness of a range of remediation alternatives and includes a recommended approach for remediation of environmental contamination at the Gude Landfill. MDE approved a resubmittal of the ACM report in July 2016 which specifically outlines the approved remediation method to include: toupee capping (regrading and capping the top of the landfill and selected slope areas with a synthetic liner and two feet of soil); and additional gas collection through the installation of additional gas extraction wells. These measures will reduce infiltration of rainwater into the landfill

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

3) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, the County may be a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed \$4,476,484. In accordance with generally accepted accounting principles, \$1,003,200 of this amount has been reflected as a liability in the accompanying financial statements, as the County's liability on these claims is determined to be probable. The remaining \$3,473,284 has not been reflected as a liability in the accompanying financial statements, as the County's liability on these claims is determined to be not probable.

4) Grants, Entitlements, and Shared Revenues

The County participates in a number of Federal and State assisted grant, entitlement, and/or reimbursement programs, principal of which are the Community Development Block Grant, the Head Start Grant, Community Mental Health Grant, and the Medical Assistance Grant. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of most of these programs for, or including, the year-ended June 30, 2016, have not yet been completed. In accordance with the provisions of the New Uniform Guidance or Super Circular, issued by the U.S. Office of Management and Budget, the County participates in single audits of federally assisted programs. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe amounts ultimately disallowed, if any, would be material.

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5) Other Commitments

County proprietary funds have entered into contract commitments that remain uncompleted as of year-end. The amounts of outstanding commitments at June 30, 2016, are as follows:

<u>Enterprise Funds:</u>	<u>Operating</u>	<u>Capital</u>	<u>Inventory</u>	<u>Total</u>
Major Funds:				
Liquor	\$ 1,142,365	\$ -	\$ -	\$ 1,142,365
Solid Waste Activities:				
Disposal operations	7,064,511	-	-	7,064,511
Collection operations	1,235	-	-	1,235
Leafing operations	-	-	-	-
Parking Lot Districts:				
Silver Spring	146,236	1,036,269	-	1,182,505
Bethesda	146,930	1,440,532	-	1,587,462
Wheaton	18,624	108,318	-	126,942
Montgomery Hills	17	-	-	17
Subtotal	<u>8,519,918</u>	<u>2,585,119</u>	<u>-</u>	<u>11,105,037</u>
Nonmajor Funds:				
Permitting Services	761,887	-	-	761,887
Community Use of Public Facilities	22,662	-	-	22,662
Subtotal	<u>784,549</u>	<u>-</u>	<u>-</u>	<u>784,549</u>
Total Enterprise Funds	<u>9,304,467</u>	<u>2,585,119</u>	<u>-</u>	<u>11,889,586</u>
<u>Internal Service Funds:</u>				
Motor Pool	8,057,783	-	-	8,057,783
Central Duplicating	86,353	-	-	86,353
Liability & Property Coverage Self-Insurance	421,165	-	-	421,165
Employee Health Benefits Self-Insurance	112,718	-	-	112,718
Total Internal Service Funds	<u>8,678,019</u>	<u>-</u>	<u>-</u>	<u>8,678,019</u>
Total Proprietary Funds	<u>\$ 17,982,486</u>	<u>\$ 2,585,119</u>	<u>\$ -</u>	<u>\$ 20,567,605</u>

As of June 30, 2016, the County has \$33,447,049 in outstanding offers of loans and/or grants that have been extended to various companies under its Economic Development programs. To help fund such offers, the designated fund balance of the Economic Development programs at the end of the year is typically re-appropriated in the following year.

C) Subsequent Events

On July 29, 2016 the County entered into two Master Lease Purchase Agreements with JP Morgan Chase Bank N.A in the amount of \$23,990,960 to fund the County's Health and Human Services information technology project.

On July 27, 2016, the County issued Series 2016A and Series 2016B, Certificates of Participation (Montgomery College Improvements) in the amounts of \$23,050,000 and \$1,810,000 respectively. The proceeds will fund the purchase and improvements to an office building to consolidate administration and eliminate leased space.

On September 23, 2016 the County entered into a Banc of America Public Capital Corp, Master Equipment Lease/Purchase Agreement. The Agreement provides a \$40 million Master Lease facility to fund energy performance savings projects for which the repayment of debt is guaranteed through energy savings. The first draw under the facility in the amount of \$3.905 million was also made on September 23, 2016.

On November 30, 2016, the County issued General Obligation Bonds (Tax-Exempt Series A) in the amount of \$340,000,000 and General Obligation Refunding Bonds (Tax-Exempt Series B) in the amount of \$96,000,000.

D) Joint Ventures and Jointly Governed Organizations

Joint Ventures

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

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

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

At June 30, 2016, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$124,658,244, of which zero dollars were self-supporting. Of the total amount payable, \$11,126,946 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, 2016 is \$52,474,491, 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, 2016, WSSC had outstanding notes payable and bonds payable in the amount of \$2,496,838,000 which were fully self-supporting. Of the total amount payable, \$256,015,000 represented debt due within one year. Pursuant to Section 4-101 of Article 29 of the Annotated Code of Maryland, the County must guarantee payment of principal and interest on WSSC bonds, unless WSSC waives such guarantee requirement in accordance with Section 4-103 of Article 29. WSSC has waived such guarantee requirement with respect to all outstanding WSSC bonds. At June 30, 2016, all WSSC debt relating to the County is self-supporting.

Washington Suburban Transit Commission (WSTC)

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

authority and financial responsibility for WSTC; however, both are required to act in consultation with the Maryland Department of Transportation. WSTC's liabilities are limited to funds payable from the participating counties and the State under outstanding grant agreements and State legislation. Montgomery County made an operating contribution totaling \$144,637 to WSTC during FY16.

Washington Metropolitan Area Transit Authority (WMATA)

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

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

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

A summary reflecting WMATA’s expenditures incurred for the County's share of WMATA's activities for FY16, which are fully funded by the State and not reflected in the accompanying financial statements, is as follows:

Bus operating subsidy	\$	62,334,551
Rail operating subsidy		55,473,851
Americans with Disabilities Act service		21,310,504
MetroMatters program		4,944,248
Capital Improvement Program		31,183,120
Local bus program		37,978,000
Total	\$	<u>213,224,274</u>

At June 30, 2016, WMATA had outstanding bonds payable of \$636,200,000, of which \$160,000,000 represented bonds payable due within one year. This debt is payable from the resources of WMATA.

Northeast Maryland Waste Disposal Authority (NEMWDA)

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

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

NEMWDA issued bonds in 1993 to fund the construction of the Montgomery County Resource Recovery Project (Project). At June 30, 2016, NEMWDA had no outstanding bonds payable.

This Project became operational in August 1995. NEMWDA has entered into a service contract with the County under which the County pays a waste disposal fee calculated in accordance with the agreement. The waste disposal fee is comprised of an amount equal to debt service, facility fees, alternative disposal costs, NEMWDA administrative costs, operating costs, and NEMWDA component revenue. Waste disposal fee expense incurred by the Solid Waste Activities Enterprise Fund during FY16 amounted to \$37,801,837.

Jointly Governed Organization

Metropolitan Washington Council of Governments (COG)

COG is a multi-governmental regional planning organization, in partnership with State and Federal government agencies, to create and implement solutions to regional issues. The County is a COG member along with other Washington metropolitan area governments. The governing body of COG is a Board of Directors. Each participating governmental unit is allotted a member or members on the Board in accordance with a specified population formula. Budgetary authority rests with the Board. Member dues finance approximately 9 percent of the total funding for COG, with State and Federal grants and private contributions providing the remainder. COG does not utilize debt financing. As a participating government in COG, the County paid FY16 membership dues and fees for services amounting to \$818,488.

E) Employee Benefits

1) Deferred Compensation

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

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

Under Section 33-11 of the Code, all employees hired after July 1, 2008 are automatically enrolled in the Plan with a 1% contribution unless they elect out within 60 days from the date of hire. All eligible participants are

automatically enrolled in the Plan as of the date of hire. If they do not opt out of the Plan within 60 days from the date of hire, they begin making a contribution equivalent to 1% of their salary.

Under both Plans, contributions are sent to contracted third party administrator investment vendors for different types of investments as selected by participants. A separate account, which reflects the monies deferred, investment of the monies, and related investment earnings, is maintained for each participant. Withdrawals are made upon retirement, termination of employment, death, and/or in unforeseeable emergencies. Administrative expenses relating to the County Plan, which are not significant to the County Plan, have been paid by the General Fund.

2) Annual, Sick Leave, and Other Compensated Absences

Employees of the County earn annual, compensatory, and sick leave in varying amounts. Employees who are part of the County Management Leadership Service and participate in the Retirement Savings Plan earn only Paid Time Off (PTO) leave. In the event of termination, employees are reimbursed for accumulated annual, PTO (where applicable), and compensatory leave (up to a limit if applicable). Under the Employees' Retirement System of Montgomery County, covered employees are given credited service toward retirement benefits for accumulated sick leave at retirement. Earned but unused annual, PTO, and compensatory leave is accounted for in the proprietary funds as a liability. The liability for unused annual, PTO, and compensatory leave payable from governmental fund types is reflected only at the government-wide level because it will be paid from future periods' resources. Liabilities for compensated absences have not been recorded in governmental funds since the portion expected to be liquidated with expendable available financial resources has been determined to be immaterial. Earned but unused sick leave is not recorded as a liability because upon termination, sick leave is not paid. Sick leave is paid only in the event of employee illness, at which time the payments will be made from current resources.

3) Group Insurance Benefits

The County provides comprehensive group insurance programs to its employees. These benefits include, but are not limited to, medical, dental, and vision benefits, long-term disability, term life, and accidental death and dismemberment insurance. The cost of each insurance program is shared between the employer and the employees. During FY16, the County and its employees contributed \$102,714,675 and \$40,843,309, respectively. Employees of MCRA, HOC, and BUPI participate in the comprehensive insurance program of the County. Employer contributions totaled \$750,013, \$4,068,351, and \$206,114 for these component units, respectively, for FY16.

F) Pension Plan Obligations

1) Defined Benefit Pension Plan

Plan Description

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

This Plan is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and Guaranteed Retirement Income Plan (GRIP) participants. Substantially all employees hired prior to October 1, 1994, of the County, MCRA, HOC, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., WSTC, Montgomery County Employees Federal Credit Union, certain employees of the State Department of Assessments and Taxation, and the District Court of Maryland are provided retirement benefits under the System. The System, established under Section 33 of Montgomery County Code, 2001, as amended, is a contributory plan with employees contributing a percentage of their base annual salary, depending on their group classification which determines retirement eligibility.

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

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

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

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

Funding Policy

Required employee contribution rates varying from 6 to 11.25 percent of regular earnings are fixed and specified under Section 33-39 (a) of the Montgomery County Code of 2001, as amended. Employee contributions for the Elected Officials’ Plan are 4 percent of regular earnings. The County and each participating agency are required

to contribute the remaining amounts necessary to fund the System, using the actuarial basis as specified in Section 33-40 of the Montgomery County Code of 2001, as amended. Under the current procedures, an actuarial valuation is performed to determine the employer contribution rate for the System. The contribution rate developed is a percentage of active member payroll. The dollar amount of each year's employer contribution is determined by applying the contribution rate to the actual payroll for each year. Funding of the System during the period is the sum of the normal costs and amortization of the unfunded accrued liability over a twenty-year period.

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

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

At June 30, 2016, the County reported a liability of \$407,854,987 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's proportion of Unfunded Accrued Actuarial Liability (UAAL) relative to the UAAL of all agencies, actuarially determined. At June 30, 2015, the County's proportion was 96.94%.

For the fiscal year ended June 30, 2016, the County recognized pension expense of \$50,850,632. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 454,187	\$ -
Assumption changes	-	9,579,991
Net difference between projected and actual earnings on pension plan investments	158,785,138	173,327,745
Changes in proportion and differences between County contributions and proportionate share of contributions	2,878,188	3,618,079
County contributions subsequent to the measurement date	<u>133,235,745</u>	<u>-</u>
Total	<u>\$ 295,353,258</u>	<u>\$ 186,525,815</u>

The \$133,235,745 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	\$ (20,958,809)
2018	(20,958,809)
2019	(19,708,244)
2020	37,217,560

Actuarial Assumptions

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

Valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization method for funding	Level percentage of payroll, separate closed period bases for public safety and GRIP, single closed period amortization base for non-public safety
Amortization period for funding	For public safety and GRIP: initial amortization period of 20 years for the base established July 1, 2015. Initial amortization period of 20 years for subsequent bases. For non-public safety: single closed amortization period of 9 years established July 1, 2015. Average amortization period of 11.7 years for total ERS.
Asset valuation method	Market value
Projected salary increases depending on service	3.25% - 9.50% per year
Cost-of-living (inflation rate) adjustments	2.75% on the benefit attributable to credited service earned prior to June 30, 2011. 2.3% on the benefit attributable to credited service earned on or after July 1, 2011, reflecting the 2.5% cap.
Post-retirement increases	Consumer Price Index – by Group
Investment rate of return	7.5% per year
Mortality rates after retirement	RP-2014 Healthy Annuitant Mortality Table, gender-distinct for healthy mortality. Rates are set forward six years for male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.

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

The long term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see Note III. A4 for discussion of the System's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Long Duration Fixed Income	2.10 %
High Yield Fixed Income	3.40
Credit Opportunities	5.40
TIPS	1.20
Domestic Equity	4.55
International Equity	4.55
Emerging Equity	4.55
Global Equity	4.75
Private Markets	7.20
Global REITs	3.60
Commodities	2.00
Master Limited Partnerships	7.50
Cash	-
Hedge Funds	4.35

Discount Rate

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	\$ 860,959,184	\$ 407,854,987	\$ 28,628,098

Pension Plan Fiduciary Net Position

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

Allocated Insurance Contract

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

2) Defined Contribution Plan

Plan Description

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

Under Section 33-116 of the Code, the Plan requires non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Public safety employees are required to contribute 3 percent of regular earnings up to the Social Security wage base and 6 percent above the Social Security wage base. Section 33-117 of the Code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. Employee contributions and earnings thereon are always vested under this Plan and employer contributions and earnings thereon are vested after 3 years of service or upon death, disability, or retirement age of the employee. Members are fully vested upon reaching normal retirement age (62) regardless of years of service. At separation, a participant's benefit is determined based upon the account balance which includes contributions and investment gains or losses. The Board of Investment Trustees monitors the Plan and offers investment options to the participating employees. Required employer and employee contributions to this Plan for FY16 were \$19,681,949 and \$10,713,887, respectively. In accordance with IRS regulations and the County Code, \$300,000 in accumulated revenue was used to reduce employer contributions in FY16.

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

3) State Retirement Plan

Plan Description

Certain employees of the County participate in the cost sharing multi-employer defined benefit retirement plans sponsored by the Maryland State Retirement Agency and administered by the Maryland State Retirement and Pension System (MSRP System). The MSRP System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to the employees of the State and participating governmental units. The MSRP System is administered by a 15-member Board of Trustees.

The MSRP System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us>.

Benefit Provided

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

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

Contributions

The County and its covered employees are required by the State statute to contribute to the MSRP System. The required FY16 employee contributions vary from 5-7% of salary. The required employer contribution rate for FY16 vary from 8.53 – 10% of annual payroll, actuarially determined. The contribution requirements of the County and its covered employees are established and may be amended by the Board of Trustees of the MSRP System.

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

At June 30, 2016, the County reported a liability of \$24,421,562 for its proportionate share of the net pension liability of the MSRP System. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

As of June 30, 2015, the County’s total proportionate share was as follows:

Montgomery County	0.0592035 %
Montgomery County Public Libraries	0.0001781
Montgomery County (Supplemental)	0.0578175
Bethesda Fire Department	0.0001036
Chevy Chase Fire Department	<u>0.0002121</u>
Total	<u><u>0.1175148 %</u></u>

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

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

The following presents County’s total proportionate share of the net pension liability calculated using 7.65%, as well as what the County’s total proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point (6.65%) lower or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Discount Rate (7.65%)	1% Increase (8.65%)
County's proportionate share of the net pension liability	\$ 34,516,169	\$ 24,421,562	\$ 16,051,167

4) Length of Service Award Program (LOSAP)

Under Section 21-21 of the Montgomery County Code, the County has established a Length of Service Award Program (LOSAP) for the County’s Department of Fire and Rescue Service volunteers who meet certain age and service criteria. Benefit expenditures amounting to \$1,309,686 in FY16 also include disability and survivor annuities and lump-sum death benefits, and are reported in the Fire Tax District Special Revenue Fund on a “pay-as-you-go” basis. There were 558 recipients comprising former volunteers and their beneficiaries at the end of FY16.

G) Other Postemployment Benefits (OPEB)

Plan Description

During FY08, the Montgomery County Council enacted legislation (Bill No. 28-07) to establish a new trust effective July 1, 2007 to fund certain County retiree benefit plans. Effective July 1, 2011, the Montgomery County Council enacted legislation (Bill No. 17-11) to change the name to Consolidated Retiree Health Benefits Trust (CRHBT) due to the addition of County-funded agency retiree benefits plans. The County-funded agencies are MCPS and MC, both component units of the reporting entity. During FY16, the County contributed \$61,733,000 and \$1,428,000 to the CRHBT on behalf of MCPS and MC for the health benefits of their retirees, respectively. The Claims paid reflected on the accompanying financial statements include claims amounting to \$27,200,000 reimbursed to MCPS during FY16, as required per the County Council Resolution No. 18-150. The allocated portions of investments relating to MCPS and MC as of June 30, 2016 were \$299,489,067 and \$42,502,274, respectively, and these investments are included in the investments of the CRHBT as reflected on the accompanying financial statements.

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

Substantially all retirees of the County, MCRA, HOC, the independent fire/rescue corporations, WSTC, the Strathmore Hall Foundation, Inc., the Village of Friendship Heights, Montgomery County Employees Federal Credit Union and certain retirees of the State Department of Assessments and Taxation, are provided postemployment benefits such as medical, life, dental, vision, and prescription coverage under the Montgomery County Group Insurance Plan (Plan). Retirees may also elect coverage for their eligible dependents. A member

of the Employees' Retirement System of Montgomery County, who retires under a normal, early, disability or discontinued service retirement, is eligible for group insurance benefits under the Plan. However, the member is not eligible for group insurance benefits if the member leaves County service prior to retirement eligibility with a deferred vested benefit payable upon member's retirement date. A member of the Employees' Retirement Savings Plan or the GRIP is eligible for group insurance upon separation from service based upon the member's age and credited service at the time of separation. Postemployment benefit provisions and eligibility requirements for retirees are described under the Montgomery County Group Insurance Summary Plan Description.

Plan membership at June 30, 2014, the most recent actuarial valuation as of July 1, 2014, consisted of the following:

Retirees and beneficiaries receiving benefits	7,563
Active plan members	<u>9,942</u>
Total	<u><u>17,505</u></u>

Condensed FY16 financial statements for the Consolidated Retiree Health Benefits Trust are as follows:

<u>Condensed Statement of Fiduciary Net Position</u>		<u>Condensed Statement of Changes in Fiduciary Net Position</u>	
ASSETS		ADDITIONS	
Cash and investments	\$ 729,949,222	Contributions	\$ 198,130,438
Other assets	<u>5,992,579</u>	Net investment income (loss)	<u>233,851</u>
Total Assets	<u>735,941,801</u>	Total Additions, net	<u>198,364,289</u>
LIABILITIES		DEDUCTIONS	
Claims payable	3,921,873	Benefits	106,594,157
Other liabilities	<u>54,255,309</u>	Administrative	<u>7,726,949</u>
Total Liabilities	<u>58,177,182</u>	Total Deductions	<u>114,321,106</u>
NET POSITION:		Change in Net Position	84,043,183
Held in trust for other		Beginning Net Position	<u>593,721,436</u>
postemployment benefits	<u>\$ 677,764,619</u>	Ending Net Position	<u>\$ 677,764,619</u>

Contributions

The County Council has the authority to establish and amend contribution requirements of the plan members and the County. The Plan is a contributory plan in which the County and the retired members and beneficiaries contribute, based on an actuarial valuation, certain amounts toward the current cost of healthcare benefits. During FY16, plan members and beneficiaries receiving benefits contributed \$24,658,936 (approximately 32 percent of current contributions) at the County. The County also contributed \$61,733,000 and \$1,428,000 to the CRHBT on behalf of MCPS and MC for the health benefits of their retirees, respectively. The County and other contributing entities contributed \$101,646,986 including \$51,260,986 (approximately 68 percent of current contributions) for current premiums, claims and administrative expenses, and \$50,386,000 toward prefunding future benefits. Contributions also include Medicare Part D contributions in the amount of \$8,663,516.

Funding Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation, the actuarial accrued liability (AAL) was \$1,320,879,000 and there was \$303,631,000 of actuarial plan assets; therefore, the unfunded AAL (UAAL) was \$1,017,248,000.

The annual covered payroll of active employees covered by the Plan was \$669,149,000 and the ratio of the UAAL to covered payroll was 152.0 percent.

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

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

Annual OPEB Cost and Net OPEB Obligation

The ARC, or annual OPEB cost (AOC), for FY16 was based on an actuarial valuation as of June 30, 2014, the latest valuation available on the date the County Council was required to approve the FY16 budget.

The AOC and the net OPEB obligation of the County as of June 30, 2016 were as follows:

Annual required contribution (ARC)	\$ 111,398,000
Interest on net OPEB obligation	32,966,000
Adjustment to annual required contribution	<u>(25,458,000)</u>
Annual OPEB cost	118,906,000
Contributions made	<u>(110,310,502)</u>
Increase (Decrease) in net OPEB obligation	8,595,498
Net OPEB obligation - beginning of year	<u>440,459,637</u>
Net OPEB obligation - end of year	<u><u>\$ 449,055,135</u></u>

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

Fiscal Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2014	\$ 103,418,000	103.1 %	\$ 425,820,958
2015	114,370,000	87.2	440,459,637
2016	118,906,000	92.8	449,055,135

Actuarial Methods and Assumptions

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

Actuarial assumptions used in the actuarial valuation were:

Valuation date	June 30, 2014
Actuarial method	Projected unit credit
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open period)
Investment rate of return	7.50%
Salary scale	3.00%
Inflation rate	3.00%
Mortality	RP 2000 projected 30 years, separate tables for males and females
Health care cost trend rates:	(initial, ultimate)
Medical (excluding Indemnity plan) pre-65	7.73%, 5.16%
Medical (excluding Indemnity plan) post-65	(3.14)%, 5.00%
Medical (Indemnity plan)	8.79%, 5.50%
Medical (Indemnity plan) post-65	0.90%, 6.09%
Dental	4.50%, 4.50%

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REQUIRED SUPPLEMENTARY INFORMATION



MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-1

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes:				
Property	\$ 1,116,715,944	\$ 1,116,715,944	\$ 1,124,490,451	\$ 7,774,507
Property - penalty and interest	-	-	2,175,539	2,175,539
Total Property Tax	<u>1,116,715,944</u>	<u>1,116,715,944</u>	<u>1,126,665,990</u>	<u>9,950,046</u>
County Income Tax	<u>1,433,417,237</u>	<u>1,433,417,237</u>	<u>1,422,428,435</u>	<u>(10,988,802)</u>
Other Local Taxes:				
Real property transfer	96,240,000	96,240,000	100,566,864	4,326,864
Recordation	57,593,411	57,593,411	61,141,531	3,548,120
Fuel energy	206,190,000	206,190,000	193,281,367	(12,908,633)
Hotel-motel	20,339,825	20,339,825	19,444,152	(895,673)
Telephone	50,416,800	50,416,800	49,694,945	(721,855)
Other	3,372,808	3,372,808	3,924,151	551,343
Total Other Local Taxes	<u>434,152,844</u>	<u>434,152,844</u>	<u>428,053,010</u>	<u>(6,099,834)</u>
Total Taxes	<u>2,984,286,025</u>	<u>2,984,286,025</u>	<u>2,977,147,435</u>	<u>(7,138,590)</u>
Licenses and Permits:				
Business	4,636,350	4,636,350	4,879,315	242,965
Non business	7,265,725	7,265,725	6,265,568	(1,000,157)
Total Licenses and Permits	<u>11,902,075</u>	<u>11,902,075</u>	<u>11,144,883</u>	<u>(757,192)</u>
Intergovernmental Revenue:				
State Aid and Reimbursements:				
DHR State reimbursement	45,500	45,500	41,022	(4,478)
Highway user revenue	4,125,000	4,125,000	3,735,980	(389,020)
Police protection	13,768,440	13,768,440	13,276,280	(492,160)
Health and human services programs	5,312,850	5,312,850	7,031,357	1,718,507
Public libraries	5,103,000	5,103,000	5,930,543	827,543
911 Emergency	6,745,000	6,745,000	7,344,463	599,463
Other	2,052,807	2,052,807	2,859,984	807,177
Total State Aid and Reimbursements	<u>37,152,597</u>	<u>37,152,597</u>	<u>40,219,629</u>	<u>3,067,032</u>
Federal Reimbursements:				
Federal financial participation	14,986,045	14,986,045	12,462,728	(2,523,317)
Other	6,617,980	6,617,980	5,762,996	(854,984)
Total Federal Reimbursements	<u>21,604,025</u>	<u>21,604,025</u>	<u>18,225,724</u>	<u>(3,378,301)</u>
Other Intergovernmental	<u>1,215,720</u>	<u>1,215,720</u>	<u>1,109,590</u>	<u>(106,130)</u>
Total Intergovernmental Revenue	<u>59,972,342</u>	<u>59,972,342</u>	<u>59,554,943</u>	<u>(417,399)</u>
Charges for Services:				
General government	1,324,144	1,324,144	1,280,072	(44,072)
Public safety	5,808,313	5,808,313	5,144,336	(663,977)
Health and human services	1,332,800	1,332,800	1,356,136	23,336
Culture and recreation	20,000	20,000	30,279	10,279
Environment	435,000	435,000	574,739	139,739
Public works and transportation	689,000	689,000	882,426	193,426
Total Charges for Services	<u>9,609,257</u>	<u>9,609,257</u>	<u>9,267,988</u>	<u>(341,269)</u>
Fines and forfeitures	<u>23,893,361</u>	<u>23,893,361</u>	<u>27,327,136</u>	<u>3,433,775</u>
Investment Income:				
Pooled investment income	1,073,890	1,073,890	345,106	(728,784)
Other interest income	9,600	9,600	7,001	(2,599)
Total Investment Income	<u>1,083,490</u>	<u>1,083,490</u>	<u>352,107</u>	<u>(731,383)</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Miscellaneous Revenue:				
Property rentals	4,475,900	4,475,900	3,932,188	(543,712)
Sundry	5,459,320	5,459,320	5,464,506	5,186
Total Miscellaneous Revenue	9,935,220	9,935,220	9,396,694	(538,526)
Total Revenues	3,100,681,770	3,100,681,770	3,094,191,186	(6,490,584)
Expenditures:				
Departments or Offices:				
County Council:				
Personnel	10,232,710	10,524,537	10,524,527	10
Operating	594,156	738,448	720,078	18,370
Totals	10,826,866	11,262,985	11,244,605	18,380
Board of Appeals:				
Personnel	537,616	543,996	525,327	18,669
Operating	51,809	51,809	35,580	16,229
Totals	589,425	595,805	560,907	34,898
Legislative Oversight:				
Personnel	1,454,164	1,522,164	1,522,157	7
Operating	25,110	22,600	19,599	3,001
Totals	1,479,274	1,544,764	1,541,756	3,008
Merit System Protection Board:				
Personnel	176,097	176,097	166,511	9,586
Operating	20,508	21,613	13,316	8,297
Totals	196,605	197,710	179,827	17,883
Zoning and Administrative Hearings:				
Personnel	547,884	578,414	578,409	5
Operating	76,116	74,807	67,410	7,397
Totals	624,000	653,221	645,819	7,402
Inspector General:				
Personnel	974,860	980,775	839,645	141,130
Operating	68,302	106,810	58,060	48,750
Totals	1,043,162	1,087,585	897,705	189,880
Circuit Court:				
Personnel	9,026,570	8,741,570	8,731,922	9,648
Operating	2,606,175	3,439,315	3,212,256	227,059
Totals	11,632,745	12,180,885	11,944,178	236,707
State's Attorney:				
Personnel	14,892,179	14,945,799	14,945,797	2
Operating	752,842	902,546	902,536	10
Totals	15,645,021	15,848,345	15,848,333	12
County Executive:				
Personnel	4,536,233	4,781,506	4,781,499	7
Operating	534,234	496,809	470,012	26,797
Totals	5,070,467	5,278,315	5,251,511	26,804
Community Engagement Cluster:				
Personnel	2,819,858	2,821,791	2,721,833	99,958
Operating	665,223	684,992	684,982	10
Totals	3,485,081	3,506,783	3,406,815	99,968

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Ethics Commission:				
Personnel	355,748	364,911	364,906	5
Operating	26,259	83,679	77,613	6,066
Totals	382,007	448,590	442,519	6,071
Intergovernmental Relations:				
Personnel	806,436	874,664	874,661	3
Operating	86,212	92,192	91,754	438
Totals	892,648	966,856	966,415	441
Public Information:				
Personnel	3,989,600	4,146,668	4,146,659	9
Operating	942,919	1,077,344	980,168	97,176
Totals	4,932,519	5,224,012	5,126,827	97,185
Board of Elections:				
Personnel	3,730,572	4,027,205	4,027,204	1
Operating	2,825,779	4,899,004	4,899,001	3
Totals	6,556,351	8,926,209	8,926,205	4
County Attorney:				
Personnel	5,093,260	5,486,947	5,486,942	5
Operating	566,999	667,847	667,844	3
Totals	5,660,259	6,154,794	6,154,786	8
Management and Budget:				
Personnel	3,988,050	4,015,029	3,922,315	92,714
Operating	105,805	120,413	111,935	8,478
Totals	4,093,855	4,135,442	4,034,250	101,192
Finance:				
Personnel	11,647,502	11,138,883	10,780,195	358,688
Operating	2,065,440	3,478,316	3,352,897	125,419
Totals	13,712,942	14,617,199	14,133,092	484,107
Office of Procurement				
Personnel	3,759,387	3,709,338	3,663,136	46,202
Operating	422,362	497,362	442,541	54,821
Totals	4,181,749	4,206,700	4,105,677	101,023
Human Resources:				
Personnel	5,437,653	5,657,734	5,657,727	7
Operating	2,650,413	3,101,721	2,986,712	115,009
Totals	8,088,066	8,759,455	8,644,439	115,016
Technology Services:				
Personnel	21,518,981	19,478,246	18,257,538	1,220,708
Operating	19,388,988	23,390,119	23,206,061	184,058
Totals	40,907,969	42,868,365	41,463,599	1,404,766
General Services:				
Personnel	12,303,975	14,230,854	14,230,847	7
Operating	14,635,040	21,821,037	21,821,033	4
Totals	26,939,015	36,051,891	36,051,880	11
Consumer Protection:				
Personnel	2,207,505	2,155,075	2,054,496	100,579
Operating	181,225	233,655	144,206	89,449
Totals	2,388,730	2,388,730	2,198,702	190,028
Corrections and Rehabilitation:				
Personnel	63,818,369	63,740,547	63,740,540	7
Operating	6,791,482	7,346,403	7,346,399	4
Totals	70,609,851	71,086,950	71,086,939	11

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Human Rights:				
Personnel	1,001,265	1,009,239	1,009,231	8
Operating	73,492	81,688	79,631	2,057
Totals	1,074,757	1,090,927	1,088,862	2,065
Police:				
Personnel	229,259,691	229,422,203	229,422,193	10
Operating	41,358,273	46,653,038	46,548,763	104,275
Totals	270,617,964	276,075,241	275,970,956	104,285
Sheriff:				
Personnel	20,734,594	20,352,034	20,352,030	4
Operating	2,309,612	2,650,564	2,628,725	21,839
Totals	23,044,206	23,002,598	22,980,755	21,843
Homeland Security:				
Personnel	1,127,936	1,024,224	840,751	183,473
Operating	226,364	296,072	175,721	120,351
Totals	1,354,300	1,320,296	1,016,472	303,824
Transportation:				
Personnel	21,207,699	24,103,691	24,103,686	5
Operating	24,892,135	57,085,398	57,085,394	4
Totals	46,099,834	81,189,089	81,189,080	9
Health and Human Services:				
Personnel	116,058,416	112,102,329	112,102,251	78
Operating	93,195,484	94,875,821	90,614,962	4,260,859
Totals	209,253,900	206,978,150	202,717,213	4,260,937
Libraries:				
Personnel	32,982,912	33,017,706	31,398,167	1,619,539
Operating	7,725,023	9,281,589	9,261,888	19,701
Totals	40,707,935	42,299,295	40,660,055	1,639,240
Housing and Community Affairs:				
Personnel	4,620,900	4,641,774	4,482,419	159,355
Operating	933,207	1,024,839	990,031	34,808
Totals	5,554,107	5,666,613	5,472,450	194,163
Economic Development:				
Personnel	4,214,975	3,819,773	3,492,939	326,834
Operating	7,073,036	8,639,504	8,639,499	5
Totals	11,288,011	12,459,277	12,132,438	326,839
Environmental Protection:				
Personnel	1,704,713	1,687,091	1,614,197	72,894
Operating	496,147	949,336	905,657	43,679
Totals	2,200,860	2,636,427	2,519,854	116,573
Total Departments	851,134,481	910,709,504	900,604,921	10,104,583
Nondepartmental:				
Arts Council - operating	4,673,615	4,923,615	4,723,615	200,000
Boards, Committees and Commissions	22,950	22,950	17,157	5,793
Charter Review Commission	1,150	1,150	576	574
Children's Opportunity Fund	-	750,750	750,750	-
Community grants	9,022,734	9,840,444	9,769,000	71,444
Compensation adjustment - personnel	1,193,465	213,531	87,587	125,944
Compensation adjustment - operating	649,320	649,320	592,285	57,035
Conference Center - personnel	116,382	118,182	118,180	2
Conference Center - operating	499,690	497,890	9,499	488,391

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Conferences & Visitors Bureau	1,423,788	1,423,788	1,423,788	-
Consolidated Retiree Health Benefits Trust (MC)	1,428,000	1,428,000	1,428,000	-
Consolidated Retiree Health Benefits Trust (MCPS)	61,733,000	61,733,000	61,733,000	-
Contrib. To Self Ins Fund - Risk Mg	15,568,426	15,568,426	15,059,356	509,070
County Associations	74,728	74,728	74,728	-
County Leases - personnel	100,000	147,300	147,293	7
County Leases - operating	22,508,195	22,471,963	22,218,995	252,968
Desktop computer modernization - operating	5,800,200	6,472,202	6,472,117	85
Grants To Muni Lieu Of Shared Tax	28,020	28,020	28,012	8
Group Insurance Retirees	36,768,000	36,768,000	36,768,000	-
Historical Activities	77,250	55,038	55,038	-
Homeowners' Association Roads	59,070	59,070	59,070	-
Housing Opportunities Commission	6,401,408	-	-	-
Independent Audit	420,820	445,018	380,135	64,883
Interagency tech, policy and coord comm - operating	5,850	5,850	2,663	3,187
Legislative Branch Communications Outreach	490,000	672,448	645,198	27,250
Metro Washington Council Of Govts	818,488	818,488	818,488	-
Mont Coalition Adult English Literacy	1,357,058	1,357,058	1,357,058	-
Municipal Tax Duplication	7,884,184	7,955,114	7,955,111	3
Prisoner Medical Services	20,000	27,780	27,773	7
Public Election Fund	1,000,000	1,000,000	1,000,000	-
Public Technologies Inc	20,000	20,000	20,000	-
Rebate Takoma Park For Police	945,540	945,540	930,658	14,882
Retiree Health Benefits Trust	43,520,060	43,520,060	43,520,060	-
Rockville Parking District	383,400	397,090	397,083	7
Snow Removal	5,884,990	-	-	-
State Positions Supplement	60,756	60,756	23,840	36,916
State Property Tax Services	3,464,610	3,537,090	3,537,081	9
State Retirement Contribution	1,313,995	1,313,995	1,313,995	-
Takoma Park - Lib Transition	149,624	154,504	154,498	6
Telecommunications	-	(160,833)	-	(160,833)
Utilities	25,121,891	25,272,872	25,272,868	4
Working Families Income Supplement	21,097,300	21,097,300	20,766,129	331,171
Total - Nondepartmental	282,107,957	271,687,497	269,658,684	2,028,813
Total Expenditures	1,133,242,438	1,182,397,001	1,170,263,605	12,133,396
Excess of Revenues over (under) Expenditures	1,967,439,332	1,918,284,769	1,923,927,581	5,642,812
Other Financing Sources (Uses):				
Transfers In:				
Special Revenue Funds:				
Fire Tax District	275,090	120,750	120,750	-
Recreation	5,055,390	5,055,390	3,292,180	(1,763,210)
Mass Transit	13,601,819	11,130,400	11,130,400	-
Water Quality Protection	1,330,510	1,330,510	1,330,510	-
Urban Districts	615,500	615,500	615,500	-
Housing Activities	289,410	289,410	289,410	-
Cable TV	9,087,925	9,087,925	9,087,925	-
Total Special Revenue Funds	30,255,644	27,629,885	25,866,675	(1,763,210)

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Enterprise Funds:				
Liquor	24,569,660	24,569,660	24,569,660	-
Parking Lot Districts	2,817,980	2,817,980	2,864,906	46,926
Solid Waste Activities	2,538,330	2,538,330	2,538,330	-
Community Use of Public Facilities	468,600	468,600	468,600	-
Permitting Services	4,206,430	4,206,430	4,206,430	-
Total Enterprise Funds	34,601,000	34,601,000	34,647,926	46,926
Total Transfers In	64,856,644	62,230,885	60,514,601	(1,716,284)
Total Transfers In - MCG	64,856,644	62,230,885	60,514,601	(1,716,284)
Transfers (Out):				
Special Revenue Funds:				
Recreation	(1,009,700)	(1,009,700)	(1,009,700)	-
Fire Tax District	(250,000)	(4,128,107)	(4,128,107)	-
Urban Districts	(2,535,487)	(2,535,487)	(2,535,487)	-
Mass Transit	(531,310)	(531,310)	(531,310)	-
Revenue Stabilization	(23,420,057)	(23,496,627)	(23,152,055)	344,572
Housing Activities	(19,259,777)	(19,259,777)	(19,259,777)	-
Economic Development	(1,702,651)	(2,145,606)	(2,145,606)	-
Total Special Revenue Funds	(48,708,982)	(53,106,614)	(52,762,042)	344,572
Internal Service Funds:				
Motor Pool	-	(39,184)	(39,184)	-
Total Internal Service Funds	-	(39,184)	(39,184)	-
Enterprise Funds:				
Community Use of Public Facilities	(160,000)	(160,000)	(160,000)	-
Solid Waste Activities	(1,457,930)	(1,457,930)	(1,457,930)	-
Total Enterprise Funds	(1,617,930)	(1,617,930)	(1,617,930)	-
Debt Service Fund	(284,497,255)	(284,548,047)	(273,627,904)	10,920,143
Capital Projects Fund	-	(80,477,832)	(45,791,407)	34,686,425
Total Transfers (Out)	(334,824,167)	(419,789,607)	(373,838,467)	45,951,140

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-1 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Transfers (Out) - Component Units:				
Montgomery County Public Schools - operating	(1,509,285,806)	(1,509,285,806)	(1,509,285,806)	-
Montgomery County Public Schools - capital	-	(34,792,343)	(23,427,280)	11,365,063
Total Montgomery County Public Schools	(1,509,285,806)	(1,544,078,149)	(1,532,713,086)	11,365,063
Montgomery College - operating	(129,826,027)	(129,826,027)	(129,826,027)	-
Montgomery College - capital	-	(29,509,445)	(11,519,458)	17,989,987
Total Montgomery College	(129,826,027)	(159,335,472)	(141,345,485)	17,989,987
Housing Opportunity Commission - operating	-	(6,401,408)	(6,273,380)	128,028
Housing Opportunity Commission - capital	-	(7,642,659)	-	7,642,659
Total Housing Opportunity Commission	-	(14,044,067)	(6,273,380)	7,770,687
M-NCPPC - operating	(811,500)	(811,500)	(811,500)	-
Total Transfers (Out) - Component Units and JV	(1,639,923,333)	(1,718,269,188)	(1,681,143,451)	37,125,737
Total Transfers (Out) - MCG	(1,974,747,500)	(2,138,058,795)	(2,054,981,918)	83,076,877
Total Other Financing Sources (Uses)	(1,909,890,856)	(2,075,827,910)	(1,994,467,317)	81,360,593
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 57,548,476	\$ (157,543,141)	(70,539,736)	\$ 87,003,405

Adjustments required under generally accepted accounting principles:

Non budgeted Item - Bad debt expense	(1,230,737)
Financing under notes and leases payable	1,739,803
Elimination of encumbrances outstanding	27,035,009
Revenue Stabilization investment income	606,318
Conference center activity	1,215,271
Transfer to Revenue Stabilization	23,152,055
Interfund activities budgeted as transfers:	
Recreation facility maintenance costs	1,763,210
Consolidation:	
Economic Development	(94,696)
Urban Districts	1,194,514
GAAP - Net Change in Fund Balance	(15,158,989)
Fund Balance - Beginning of Year	495,495,352
Fund Balance - End of Year	\$ 480,336,363

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HOUSING INITIATIVE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-2

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - transfer	\$ 9,182,680	\$ 9,182,680	\$ 9,652,497	\$ 469,817
Charges for services	32,188	32,188	90	(32,098)
Investment Income:				
Pooled investment income	10,000	10,000	57,616	47,616
Other interest income	1,458,200	1,458,200	2,029,114	570,914
Total Investment Income	1,468,200	1,468,200	2,086,730	618,530
Miscellaneous:				
Property rentals, MPDU and other contributions	538,486	538,486	1,960,478	1,421,992
Total Miscellaneous	538,486	538,486	1,960,478	1,421,992
Total Revenues	11,221,554	11,221,554	13,699,795	2,478,241
Expenditures: Community development and housing				
Personnel	1,811,074	1,858,584	1,858,580	4
Operating	26,076,576	31,895,077	19,201,682	12,693,395
Total Expenditures	27,887,650	33,753,661	21,060,262	12,693,399
Excess of Revenues over (under) Expenditures	(16,666,096)	(22,532,107)	(7,360,467)	15,171,640
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	19,259,777	19,259,777	19,259,777	-
From Silver Spring Parking Lot District Fund	-	-	2,561,164	2,561,164
From Capital Projects Fund	6,222,949	6,222,949	6,222,949	-
To General Fund	(289,410)	(289,410)	(289,410)	-
To Debt Service Fund	(7,196,110)	(7,196,110)	(7,323,544)	(127,434)
To Capital Projects	-	-	(2,829,507)	(2,829,507)
Mortgage repayment	1,825,000	1,825,000	3,216,319	1,391,319
Sale of property	1,150,000	1,150,000	1,181,222	31,222
Total Other Financing Sources (Uses)	20,972,206	20,972,206	21,998,970	1,026,764
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 4,306,110	\$ (1,559,901)	14,638,503	\$ 16,198,404
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			214,427	
Repayment of loan principal not considered revenue under GAAP			(3,216,319)	
Non budgeted Item - Bad debt expense			(1,471,585)	
GAAP - Net Change in Fund Balance			10,165,026	
Fund Balance - Beginning of Year			243,697,964	
Fund Balance - End of Year			\$ 253,862,990	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-3

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental:				
Federal grants	\$ 28,519,947	\$ 42,107,340	\$ 48,349,235	\$ 6,241,895
State grants	90,625,271	154,698,158	64,134,035	(90,564,123)
Other non-state and non-federal reimbursements	446,463	2,009,376	692,948	(1,316,428)
Total Intergovernmental	119,591,681	198,814,874	113,176,218	(85,638,656)
Investment income:				
Other principal and interest income	1,000,000	657,132	772,230	115,098
Total Investment Income	1,000,000	657,132	772,230	115,098
Miscellaneous	77,967	-	195,981	195,981
Total Revenues	120,669,648	199,472,006	114,144,429	(85,327,577)
Expenditures:				
General Government:				
Circuit Court:				
Personnel costs	2,198,551	2,453,294	2,255,568	197,726
Operating	216,570	447,263	257,692	189,571
Totals	2,415,121	2,900,557	2,513,260	387,297
Office of State's Attorney:				
Personnel costs	121,300	479,019	119,226	359,793
Operating	-	-	-	-
Totals	121,300	479,019	119,226	359,793
Office of the County Executive:				
Personnel costs	129,166	527,903	125,977	401,926
Operating	4,484	212,881	20,327	192,554
Totals	133,650	740,784	146,304	594,480
Legislative Oversight:				
Operating	-	63,136	57,464	5,672
Totals	-	63,136	57,464	5,672
Intergovernmental Relations:				
Operating	30,670	95,849	30,664	65,185
Totals	30,670	95,849	30,664	65,185
Community Engagement Cluster:				
Personnel costs	66,366	143,226	98,693	44,533
Operating	-	14,543	14,543	-
Totals	66,366	157,769	113,236	44,533
General Services:				
Operating	-	1,083,938	420,243	663,695
Totals	-	1,083,938	420,243	663,695
Department of Technology Services:				
Operating	-	931,656	-	931,656
Totals	-	931,656	-	931,656
Total General Government	2,767,107	6,452,708	3,400,397	3,052,311
Public Safety:				
Department of Corrections and Rehabilitation:				
Personnel costs	-	27,817	-	27,817
Operating	-	109,173	38,999	70,174
Totals	-	136,990	38,999	97,991

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-3 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Department of Fire and Rescue Services:				
Personnel costs	-	1,081,443	1,042,482	38,961
Operating	-	2,734,619	1,017,356	1,717,263
Totals	-	3,816,062	2,059,838	1,756,224
Department of Police:				
Personnel costs	148,000	1,807,599	485,578	1,322,021
Operating	17,000	1,764,715	686,484	1,078,231
Totals	165,000	3,572,314	1,172,062	2,400,252
Office of the County Sheriff:				
Personnel costs	595,211	2,078,999	635,268	1,443,731
Operating	188,069	984,969	171,416	813,553
Totals	783,280	3,063,968	806,684	2,257,284
Office of Emergency Management & Homeland Security:				
Personnel costs	798,190	4,603,436	651,727	3,951,709
Operating	-	10,216,865	6,401,165	3,815,700
Totals	798,190	14,820,301	7,052,892	7,767,409
Total Public Safety	1,746,470	25,409,635	11,130,475	14,279,160
Transportation:				
Department of Transportation:				
Personnel costs	1,763,781	8,677,834	1,516,607	7,161,227
Operating	2,948,765	4,979,283	2,874,079	2,105,204
Total Transportation	4,712,546	13,657,117	4,390,686	9,266,431
Economic Development:				
Department of Economic Development:				
Personnel costs	-	1,558,573	-	1,558,573
Operating	3,572,311	5,103,300	4,999,255	104,045
Total Economic Development	3,572,311	6,661,873	4,999,255	1,662,618
Health and Human Services:				
Department of Health and Human Services:				
Personnel costs	45,297,003	59,323,694	45,045,871	14,277,823
Operating	34,442,696	56,452,559	38,251,821	18,200,738
Total Health and Human Services	79,739,699	115,776,253	83,297,692	32,478,561
Culture and Recreation:				
Department of Libraries:				
Personnel costs	40,290	82,623	47,222	35,401
Operating	12,000	34,408	34,408	-
Totals	52,290	117,031	81,630	35,401
Department of Recreation:				
Personnel costs	73,672	142,443	117,422	25,021
Operating	-	3,600	3,199	401
Totals	73,672	146,043	120,621	25,422
Total Culture and Recreation	125,962	263,074	202,251	60,823
Housing:				
Department of Housing and Community Affairs:				
Personnel costs	2,172,865	2,650,557	1,964,740	685,817
Operating	5,225,015	17,600,646	4,983,230	12,617,416
Total Housing	7,397,880	20,251,203	6,947,970	13,303,233

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
RSI-3 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Environment:				
Department of Environmental Protection:				
Personnel costs	-	6,338	-	6,338
Operating	-	95,769	95,769	-
Total Environmental Protection	-	102,107	95,769	6,338
Department of Liquor Control:				
Personnel costs	-	12,439	12,439	-
Operating	-	14,931	7,495	7,436
Total Liquor Control	-	27,370	19,934	7,436
Nondepartmental:				
NDA Historical Activities - Operating	607,673	-	-	-
NDA Future Grants - Operating	20,000,000	11,065,428	-	11,065,428
Total Nondepartmental	20,607,673	11,065,428	-	11,065,428
Total Expenditures	120,669,648	199,666,768	114,484,429	85,182,339
Excess of Revenues over (under) Expenditures	-	(194,762)	(340,000)	(145,238)
Other Financing Sources (Uses):				
Transfers In:				
Restricted Donations Fund	-	-	-	-
Mass Transit Special Revenue Fund	-	194,762	340,000	145,238
Fire Tax District Special Revenue Fund	-	-	-	-
Total Transfers In	-	194,762	340,000	145,238
Total Other Financing Sources (Uses)	-	194,762	340,000	145,238
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	-	-	-	-
GAAP - Net Change in Fund Balance			-	
Fund Balance - Beginning of Year			216,033	
Fund Balance - End of Year			<u>\$ 216,033</u>	

Grants Fund prior year carryover includes: a) re-appropriation of encumbered appropriations, and b) revenues under grants that require more than one fiscal year to complete the grant program.

REQUIRED SUPPLEMENTARY INFORMATION

CONSOLIDATED RETIREE HEALTH BENEFITS TRUST

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/2012	\$ 92,610,000	\$ 1,403,693,000	\$ 1,311,083,000	6.6 %	\$ 618,227,000	212.1 %
6/30/2013	153,327,000	1,093,214,000	939,887,000	14.0	636,774,000	147.6
6/30/2014	303,631,000	1,320,879,000	1,017,248,000	23.0	669,149,000	152.0

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

SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITIES CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation
		Employers	Other Contributing Entities	
2011	\$ 147,582,000	28.7 %	1.1 %	\$ 287,497,491
2012	147,327,000	44.4	1.6	380,693,810
2013	123,152,000	71.8	1.7	429,058,044
2014	103,418,000	103.1	1.5	425,820,958
2015	107,096,000	85.4	1.8	440,459,637
2016	111,398,000	91.3	7.8	449,055,135

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 FISCAL YEARS

Measurement Fiscal Year Ending June 30	County's Proportion			County's Covered- Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
	% of Net Pension Liability	Share of the Net Pension Liability	Share of the Net Pension Liability as a % of its Covered-Employee		
2014	97.79 %	\$ 298,751,284	75.83 %	\$393,995,026	92.28 %
2015	96.94	407,854,987	100.48	405,915,489	89.69

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

Measurement Date Fiscal Year Ending June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (excess)	County's Covered- Employee Payroll	Contribution as a % of Covered-Employee Payroll
2014	\$ 141,511,591	\$ 141,511,591	\$ -	\$ 393,995,026	35.92 %
2015	146,672,030	146,672,030	-	405,915,489	36.13

These two Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 FISCAL YEARS

Measurement Date Fiscal Year Ending June 30	% of Net Pension Liability	County's Proportion		County's Covered- Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
		Share of the Net Pension Liability	Share of the Net Pension Liability as a % of its Covered- Employee Payroll		
2014	0.1007417 %	\$ 17,878,357	276.62 %	\$ 6,463,239	71.87 %
2015	0.1175148	24,421,562	305.33	7,998,461	68.78

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

Measurement Fiscal Year Ending June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution		County's Covered- Employee Payroll	Contribution as a % of Covered-Employee Payroll
		Contribution	Contribution Deficiency (excess)		
2014	\$ 2,347,645	\$ 2,347,645	\$ -	\$ 6,463,239	36.32 %
2015	2,476,892	2,476,892	-	7,998,461	30.97

These two Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

Overview

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

Encumbrance accounting is employed for budgetary purposes in the governmental and proprietary funds. Encumbrances (purchase orders and contracts awarded for which goods and services have not been received at year-end), and other commitments for the expenditure of funds are recorded in order to preserve that portion of the appropriation. In the governmental funds for GAAP purposes, outstanding encumbrances are reported as restricted, committed, or assigned category of fund balance because they do not constitute expenditures or liabilities. In the proprietary funds, encumbrances are eliminated for GAAP financial statement presentation since neither goods nor services have been provided. For GAAP purposes, all encumbrances are charged to expenditures/expenses in the period in which goods or services are received.

Approval

Pursuant to the Montgomery County Charter, the Capital Improvements Program (CIP) is presented to the County Council by January 15 in even numbered years. An Amended CIP is presented to the County Council by January 15 in odd numbered years. The annual capital budget, with the CIP or Amended CIP, is presented to the County Council by January 15 of every year, and the operating budget is presented to the County Council by March 15 of every year. The County Council holds public hearings and, pursuant to the County Charter, an annual appropriation resolution must be passed by the County Council by June 1. This resolution becomes effective for the one-year period beginning the following July 1. For the operating budget, the annual resolution provides the spending authority at the department level in two major categories (personnel costs and operating expenses) with the unencumbered appropriation authority expiring the following June 30. Encumbered appropriations are reappropriated and carried forward to the subsequent fiscal year. Encumbrances are reported as a restricted or committed component of the current fiscal year's fund balance. The annual budget must be consistent with the six-year program for public services and fiscal policy. Multi-year planning provides a framework to make informed decisions about the levels of public services and project the impact of what may happen as a result of current decisions and policies. For the capital projects budget, the annual resolution provides spending authority at the project level. The unencumbered appropriation of the CIP budget is reappropriated in the following year's budget unless specifically closed out by County Council action.

The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. During the operating year the County Council may adopt a supplemental appropriation if recommended by the County Executive and after holding a public hearing. Supplemental appropriations enacted during the first half of the fiscal year require: five Councilmember votes if they are to avail the County of, or put into effect the provision of Federal, State, or local legislation or regulation or six Councilmember votes for any other purpose. During the operating year the County Council may also adopt, with six Councilmember votes, special appropriations to meet an unforeseen disaster or other emergency or to act without delay in the public interest. Special appropriations require only public notice by news release. During FY16, the County Council

increased the operating budget for all funds through supplemental and special appropriations by \$38.8 million. In addition, supplemental appropriations increased the CIP budget by \$109.1 million.

Presentation

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

- Encumbrances outstanding are charged to budgetary appropriations and considered expenditures of the current period; any cancellations of such encumbrances in a subsequent year are classified with miscellaneous revenue for budgetary purposes.
- Certain interfund revenues/expenditures are classified as transfers for budget purposes.
- Fund budgets do not include depreciation and bad debts, however they do include debt service payments and capital outlay.
- Mortgages and loans made and related repayments are generally accounted for as expenditures/other financial uses and revenues/other financing sources, respectively.
- Proceeds under certain capital lease financing are not budgeted.
- Certain activity is not budgeted by the County, since it is included in the budget of a component unit that is legally adopted by the County Council, such as certain pass-through expenditures, and bond proceeds and related transfers to MCPS and MC.

Pension Trend Information

The Schedule of County Contributions provides historical context for the amount of contributions in the current period. The actuarially determined contributions rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported. Significant methods and assumptions used to determine the contributions for the Employees' Retirement System include:

Valuation date	July 1, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization method for funding	Level percentage of payroll, separate closed period bases
Amortization period for funding	Initial amortization period of 18 years for the base established July 1, 2010. Initial amortization period of 20 years for subsequent bases. Average amortization period of 13 years.
Asset valuation method	5-year smoothed market
Salary Increases	3.25% - 9.50% per year
Inflation	2.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and years of service. Last updated for the 2015 valuation pursuant to an experience study of the period 2009-2014.
Investment rate of return	7.50% per year
Mortality rates after retirement	RP-2014 Healthy Annuitant Mortality Table, gender-distinct for healthy mortality. Rates are set forward six years for male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.

SUPPLEMENTARY DATA



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Special Taxing Districts:

Recreation

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

Fire Tax District

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

Mass Transit Facilities

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

Rehabilitation Loan

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

Cable TV

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

Other:

Agricultural Transfer Tax

Accounts for agricultural transfer tax revenues to be used for an approved agricultural land preservation program.

Drug Enforcement Forfeitures

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

Water Quality Protection

Accounts for the fiscal activity related to the maintenance of certain storm water management facilities.

Restricted Donations

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

MAJOR GOVERNMENTAL FUNDS

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

DEBT SERVICE

CAPITAL PROJECTS



MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016
Exhibit B-1

	Special Taxing Districts	Rehabilitation Loan	Cable TV	Other	Total Nonmajor Governmental Total
ASSETS					
Equity in pooled cash and investments	\$ 56,638,639	\$ 1,993,477	\$ 7,102,397	\$ 29,211,148	\$ 94,945,661
Cash	12,750	-	-	25,000	37,750
Receivables (net of allowances for uncollectibles):					
Property taxes	3,772,926	-	-	-	3,772,926
Accounts	8,590,804	-	5,239,583	538,861	14,369,248
Mortgages	-	2,680,125	-	-	2,680,125
Parking violations	321,106	-	-	-	321,106
Due from other funds	1,174,577	-	-	-	1,174,577
Due from other governments	1,629,815	-	-	500	1,630,315
Due from other component units	419,333	-	-	-	419,333
Total Assets	\$ 72,559,950	\$ 4,673,602	\$ 12,341,980	\$ 29,775,509	\$ 119,351,041
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,298,054	\$ -	\$ 767,871	\$ 1,764,779	\$ 3,830,704
Retainage payable	-	-	-	78,053	78,053
Accrued liabilities	11,687,173	-	1,261,118	520,045	13,468,336
Deposits	-	-	164,554	-	164,554
Due to other funds	4,578,687	-	60,884	78,776	4,718,347
Due to component units	53,356	-	-	-	53,356
Due to other governments	229,792	-	36,797	283,002	549,591
Unearned revenue	12,669	-	-	-	12,669
Total Liabilities	17,859,731	-	2,291,224	2,724,655	22,875,610
Deferred Inflows of Resources:					
Unavailable property taxes	3,745,635	-	-	538,816	4,284,451
Unavailable revenue	6,358,011	-	-	-	6,358,011
Total Deferred Inflows of Resources	10,103,646	-	-	538,816	10,642,462
Fund Balances:					
Restricted	44,596,573	4,673,602	10,050,756	26,512,038	85,832,969
Total Fund Balances	44,596,573	4,673,602	10,050,756	26,512,038	85,832,969
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 72,559,950	\$ 4,673,602	\$ 12,341,980	\$ 29,775,509	\$ 119,351,041

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-2

	Special Taxing Districts	Rehabilitation Loan	Cable TV	Other	Total Nonmajor Governmental Total
REVENUES					
Taxes	\$ 352,035,831	\$ -	\$ -	\$ 34,481,726	\$ 386,517,557
Licenses and permits	1,120,502	-	-	-	1,120,502
Intergovernmental	42,319,537	-	-	19,517	42,339,054
Charges for services	61,133,299	-	27,312,699	106,288	88,552,286
Fines and forfeitures	595,197	-	-	1,084,889	1,680,086
Investment income	202,409	44,195	22,327	81,178	350,109
Miscellaneous	222,366	-	3,179	656,121	881,666
Total Revenues	<u>457,629,141</u>	<u>44,195</u>	<u>27,338,205</u>	<u>36,429,719</u>	<u>521,441,260</u>
EXPENDITURES					
General government	-	-	349,898	527,593	877,491
Public safety	241,251,616	-	-	1,741,607	242,993,223
Public works and transportation	119,397,315	-	-	-	119,397,315
Culture and recreation	32,126,466	-	14,818,528	-	46,944,994
Community development and housing	-	-	-	-	-
Environment	-	-	-	21,232,629	21,232,629
Total Expenditures	<u>392,775,397</u>	<u>-</u>	<u>15,168,426</u>	<u>23,501,829</u>	<u>431,445,652</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>64,853,744</u>	<u>44,195</u>	<u>12,169,779</u>	<u>12,927,890</u>	<u>89,995,608</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	5,669,117	-	-	-	5,669,117
Transfers (out)	<u>(68,241,344)</u>	<u>-</u>	<u>(11,957,749)</u>	<u>(7,461,391)</u>	<u>(87,660,484)</u>
Total Other Financing Sources (Uses)	<u>(62,572,227)</u>	<u>-</u>	<u>(11,957,749)</u>	<u>(7,461,391)</u>	<u>(81,991,367)</u>
Net Change in Fund Balances	2,281,517	44,195	212,030	5,466,499	8,004,241
Fund Balances - Beginning of Year, as restated *	<u>42,315,056</u>	<u>4,629,407</u>	<u>9,838,726</u>	<u>21,045,539</u>	<u>77,828,728</u>
Fund Balances - End of Year	<u>\$ 44,596,573</u>	<u>\$ 4,673,602</u>	<u>\$ 10,050,756</u>	<u>\$ 26,512,038</u>	<u>\$ 85,832,969</u>

*FY15 Urban Districts fund now in General Fund

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS
 JUNE 30, 2016
Exhibit B-3

	Recreation	Fire Tax District	Mass Transit Facilities	Total
ASSETS				
Equity in pooled cash and investments	\$ 5,117,576	\$ 19,412,434	\$ 32,108,629	\$ 56,638,639
Cash	5,750	5,000	2,000	12,750
Receivables (net of allowances for uncollectibles):				
Property taxes	365,992	2,350,847	1,056,087	3,772,926
Accounts	44,149	7,860,092	686,563	8,590,804
Parking violations	-	-	321,106	321,106
Due from other funds	-	-	1,174,577	1,174,577
Due from other governments	-	-	1,629,815	1,629,815
Due from component units	-	-	419,333	419,333
	<u>-</u>	<u>-</u>	<u>419,333</u>	<u>419,333</u>
Total Assets	<u>\$ 5,533,467</u>	<u>\$ 29,628,373</u>	<u>\$ 37,398,110</u>	<u>\$ 72,559,950</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 419,530	\$ 716,728	\$ 161,796	\$ 1,298,054
Accrued liabilities	1,172,867	7,289,679	3,224,627	11,687,173
Due to other funds	200,774	3,395,547	982,366	4,578,687
Due to component units	22,983	-	30,373	53,356
Due to other governments	49,073	1,279	179,440	229,792
Unearned revenue	-	-	12,669	12,669
Total Liabilities	<u>1,865,227</u>	<u>11,403,233</u>	<u>4,591,271</u>	<u>17,859,731</u>
Deferred Inflows of Resources:				
Unavailable property taxes	364,693	2,335,990	1,044,952	3,745,635
Unavailable service revenues	-	6,358,011	-	6,358,011
Total Deferred Inflows of Resources	<u>364,693</u>	<u>8,694,001</u>	<u>1,044,952</u>	<u>10,103,646</u>
Fund Balances:				
Restricted	<u>3,303,547</u>	<u>9,531,139</u>	<u>31,761,887</u>	<u>44,596,573</u>
Total Fund Balances	<u>3,303,547</u>	<u>9,531,139</u>	<u>31,761,887</u>	<u>44,596,573</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,533,467</u>	<u>\$ 29,628,373</u>	<u>\$ 37,398,110</u>	<u>\$ 72,559,950</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-4

	Recreation	Fire Tax District	Mass Transit Facilities	Total
REVENUES				
Taxes	\$ 35,966,711	\$ 208,445,483	\$ 107,623,637	\$ 352,035,831
Licenses and permits	-	473,270	647,232	1,120,502
Intergovernmental	-	1,750,816	40,568,721	42,319,537
Charges for services	10,485,362	24,028,377	26,619,560	61,133,299
Fines and forfeitures	-	-	595,197	595,197
Investment income	18,277	123,031	61,101	202,409
Miscellaneous	149,014	45,190	28,162	222,366
Total Revenues	<u>46,619,364</u>	<u>234,866,167</u>	<u>176,143,610</u>	<u>457,629,141</u>
EXPENDITURES				
Public safety	-	241,251,616	-	241,251,616
Public works and transportation	-	-	119,397,315	119,397,315
Culture and recreation	32,126,466	-	-	32,126,466
Total Expenditures	<u>32,126,466</u>	<u>241,251,616</u>	<u>119,397,315</u>	<u>392,775,397</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>14,492,898</u>	<u>(6,385,449)</u>	<u>56,746,295</u>	<u>64,853,744</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,009,700	4,128,107	531,310	5,669,117
Transfers (out)	(12,075,208)	(14,867,832)	(41,298,304)	(68,241,344)
Total Other Financing Sources (Uses)	<u>(11,065,508)</u>	<u>(10,739,725)</u>	<u>(40,766,994)</u>	<u>(62,572,227)</u>
Net Change in Fund Balances	3,427,390	(17,125,174)	15,979,301	2,281,517
Fund Balances - Beginning of Year, as restated*	<u>(123,843)</u>	<u>26,656,313</u>	<u>15,782,586</u>	<u>42,315,056</u>
Fund Balances - End of Year	<u>\$ 3,303,547</u>	<u>\$ 9,531,139</u>	<u>\$ 31,761,887</u>	<u>\$ 44,596,573</u>

*FY15 Urban Districts fund now in General Fund

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - OTHER
 JUNE 30, 2016
Exhibit B-5

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
ASSETS					
Equity in pooled cash and investments	\$ 1,584,711	\$ 2,893,660	\$ 22,884,312	\$ 1,848,465	\$ 29,211,148
Cash	-	25,000	-	-	25,000
Receivables (net of allowances for uncollectibles):					
Accounts	-	-	538,861	-	538,861
Due from other governments	-	-	-	500	500
Total Assets	<u>\$ 1,584,711</u>	<u>\$ 2,918,660</u>	<u>\$ 23,423,173</u>	<u>\$ 1,848,965</u>	<u>\$ 29,775,509</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 447,725	\$ 1,270,141	\$ 46,913	\$ 1,764,779
Retainage payable	-	-	78,053	-	78,053
Accrued liabilities	-	65,042	454,503	500	520,045
Due to other funds	-	-	78,776	-	78,776
Due to other governments	50,645	-	230,923	1,434	283,002
Total Liabilities	<u>50,645</u>	<u>512,767</u>	<u>2,112,396</u>	<u>48,847</u>	<u>2,724,655</u>
Deferred Inflows of Resources:					
Unavailable property taxes	-	-	538,816	-	538,816
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>538,816</u>	<u>-</u>	<u>538,816</u>
Fund Balances:					
Restricted	<u>1,534,066</u>	<u>2,405,893</u>	<u>20,771,961</u>	<u>1,800,118</u>	<u>26,512,038</u>
Total Fund Balances	<u>1,534,066</u>	<u>2,405,893</u>	<u>20,771,961</u>	<u>1,800,118</u>	<u>26,512,038</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,584,711</u>	<u>\$ 2,918,660</u>	<u>\$ 23,423,173</u>	<u>\$ 1,848,965</u>	<u>\$ 29,775,509</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - OTHER
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-6

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
REVENUES					
Taxes	\$ 1,203,579	\$ -	\$ 33,278,147	\$ -	\$ 34,481,726
Intergovernmental	-	-	-	19,517	19,517
Charges for services	-	-	106,288	-	106,288
Fines and forfeitures	-	1,084,889	-	-	1,084,889
Investment income	3,101	8,199	69,878	-	81,178
Miscellaneous	-	16,625	-	639,496	656,121
Total Revenues	<u>1,206,680</u>	<u>1,109,713</u>	<u>33,454,313</u>	<u>659,013</u>	<u>36,429,719</u>
EXPENDITURES					
General government	-	-	-	527,593	527,593
Public safety	-	1,741,607	-	-	1,741,607
Environment	481,312	-	20,751,317	-	21,232,629
Total Expenditures	<u>481,312</u>	<u>1,741,607</u>	<u>20,751,317</u>	<u>527,593</u>	<u>23,501,829</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>725,368</u>	<u>(631,894)</u>	<u>12,702,996</u>	<u>131,420</u>	<u>12,927,890</u>
OTHER FINANCING SOURCES (USES)					
Transfers (out)	-	-	(7,461,391)	-	(7,461,391)
Total Other Financing Sources (Uses)	-	-	(7,461,391)	-	(7,461,391)
Net Change in Fund Balances	725,368	(631,894)	5,241,605	131,420	5,466,499
Fund Balances - Beginning of Year	808,698	3,037,787	15,530,356	1,668,698	21,045,539
Fund Balances - End of Year	<u>\$ 1,534,066</u>	<u>\$ 2,405,893</u>	<u>\$ 20,771,961</u>	<u>\$ 1,800,118</u>	<u>\$ 26,512,038</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-7

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final		
Revenues:				
Intergovernmental	\$ 17,341,440	\$ 17,341,440	\$ 8,057,312	\$ (9,284,128)
Investment Income	-	-	18,416	18,416
Total Investment Income	-	-	18,416	18,416
Miscellaneous	-	-	15,604	15,604
Total Revenues	17,341,440	17,341,440	8,091,332	(9,250,108)
Expenditures:				
Operating:				
Principal and Interest for General Obligation Bonds:				
General County	51,742,730	51,742,730	51,082,509	660,221
Roads and Storm Drainage	62,163,950	62,163,950	61,896,517	267,433
Parks and Recreation	8,339,930	8,339,930	8,068,892	271,038
Public Schools	135,717,510	135,717,510	133,869,814	1,847,696
Montgomery College	21,904,420	21,904,420	21,814,230	90,190
Public Housing	258,810	258,810	64,050	194,760
Recreation	7,322,070	7,322,070	7,270,852	51,218
Fire and Rescue	7,238,360	7,238,360	7,016,060	222,300
Mass Transit	17,248,520	17,248,520	17,199,301	49,219
Issuing costs	3,683,000	4,151,470	3,591,020	560,450
Bond anticipation note interest	1,200,000	1,200,000	549,173	650,827
Principal and interest on long-term equipment notes	-	467,800	467,800	-
Principal and interest on Revenue Bonds	3,020,250	8,873,082	8,873,082	-
Long-term leases:				
General Fund	16,828,345	16,828,345	13,386,166	3,442,179
Recreation	1,525,040	1,525,040	1,525,040	-
Montgomery Housing Initiative	7,196,110	7,196,110	7,259,502	(63,392)
Mass Transit	8,396,640	8,396,640	7,651,422	745,218
Fire and Rescue	5,213,400	5,213,400	4,038,961	1,174,439
Total Expenditures	358,999,085	365,788,187	355,624,391	10,163,796
Excess of Revenues over (under) Expenditures	(341,657,645)	(348,446,747)	(347,533,059)	913,688
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	284,497,255	284,548,047	273,627,905	(10,920,142)
From Special Revenue Funds:				
Recreation	8,847,110	8,847,110	8,527,005	(320,105)
Mass Transit	25,645,160	25,645,160	22,209,434	(3,435,726)
Fire Tax District	12,451,760	12,868,768	11,272,387	(1,596,381)
Montgomery Housing Initiative	7,196,110	7,196,110	7,323,544	127,434
Water Quality Protection	3,020,250	3,020,250	3,016,582	(3,668)
From Liquor Control Fund	-	5,852,832	5,852,832	-
Total Other Financing Sources (Uses)	341,657,645	347,978,277	331,829,689	(16,148,588)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses				
	\$ -	\$ (468,470)	(15,703,370)	\$ (15,234,900)

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-7 (Concluded)

Adjustments required under generally accepted accounting principles:

Elimination of encumbrances outstanding	718,748
Bond anticipation note activity	(300,000,000)
Premium on general obligation bonds	21,431,680
Issuing costs for general obligation bonds	(843,000)
Proceeds of:	
General obligation bonds	300,000,000
Revenue bonds	<u>3,133,388</u>
GAAP - Net Change in Fund Balance	8,737,446
Fund Balance - Beginning of Year	<u>17,637,520</u>
Fund Balance - End of Year	<u><u>\$ 26,374,966</u></u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-8

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 12,642,000	\$ 14,242,000	\$ 73,036,420	\$ 58,794,420
Intergovernmental	(3,786,000)	55,518,000	27,173,402	(28,344,598)
Charges for services	78,000	78,000	641,675	563,675
Investment income:				
Pooled	283,000	283,000	405,944	122,944
Miscellaneous	12,215,000	12,215,000	2,946,090	(9,268,910)
Total Revenues	21,432,000	82,336,000	104,203,531	21,867,531
Expenditures - Capital Projects				
Excess of Revenues over (under) Expenditures	802,487,966	917,726,966	1,047,317,478	(129,590,512)
	(781,055,966)	(835,390,966)	(943,113,947)	(107,722,981)
Other Financing Sources (Uses):				
Transfers In	42,930,000	45,728,000	67,643,225	21,915,225
Transfers Out	-	-	(6,222,949)	(6,222,949)
Sale of property	-	-	10,848	10,848
Financing under notes and leases payable	10,278,000	10,278,000	6,620,939	(3,657,061)
Proceeds from taxable term loan	16,236,000	16,236,000	-	(16,236,000)
Proceeds from certificates of participation	(184,720,000)	(157,720,000)	-	157,720,000
Proceeds from general obligation bonds	412,393,000	436,930,000	-	(436,930,000)
Proceeds from bond anticipation notes	-	-	300,000,000	300,000,000
Proceeds from issuance of revenue bonds	59,399,000	59,399,000	43,366,612	(16,032,388)
Premium on original issue debt	-	-	5,274,770	5,274,770
Premium on revenue bonds	-	-	2,009,534	2,009,534
Total Other Financing Sources (Uses)	356,516,000	410,851,000	418,702,979	7,851,979
Excess of Revenues and				
Other Financing Sources over (under)				
Expenditures and Other Financing Uses	(424,539,966)	(424,539,966)	(524,410,968)	(99,871,002)
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			423,221,072	
GAAP - Net Change in Fund Balance			(101,189,896)	
Fund Balance - Beginning of Year			150,178,193	
Fund Balance - End of Year			\$ 48,988,297	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RECREATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-9

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 35,717,163	\$ 35,717,163	\$ 35,966,711	\$ 249,548
Charges for services - activity fees	11,260,542	11,260,542	10,485,362	(775,180)
Investment income	10,940	10,940	18,277	7,337
Miscellaneous	186,628	186,628	149,014	(37,614)
Total Revenues	<u>47,175,273</u>	<u>47,175,273</u>	<u>46,619,364</u>	<u>(555,909)</u>
Expenditures:				
Personnel costs	20,134,087	20,174,349	19,245,506	928,843
Operating	12,205,147	12,431,144	11,661,504	769,640
Total Expenditures	<u>32,339,234</u>	<u>32,605,493</u>	<u>30,907,010</u>	<u>1,698,483</u>
Excess of Revenues over (under) Expenditures	<u>14,836,039</u>	<u>14,569,780</u>	<u>15,712,354</u>	<u>1,142,574</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	1,009,700	1,009,700	1,009,700	-
To General Fund	(5,055,390)	(5,055,390)	(3,292,180)	1,763,210
To Debt Service Fund	(8,847,110)	(8,847,110)	(8,527,005)	320,105
To Capital Projects Fund	-	-	(256,023)	(256,023)
Total Other Financing Sources (Uses)	<u>(12,892,800)</u>	<u>(12,892,800)</u>	<u>(11,065,508)</u>	<u>1,827,292</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 1,943,239</u>	<u>\$ 1,676,980</u>	4,646,846	<u>\$ 2,969,866</u>
Adjustments required under generally accepted accounting principles:				
Interfund activity- Maintenance cost reimbursement budgeted as a transfer to General Fund			(1,763,210)	
Elimination of encumbrances outstanding			555,098	
Non-budgeted item - Bad debt expense			<u>(11,344)</u>	
GAAP - Net Change in Fund Balance			3,427,390	
Fund Balance - Beginning of Year			<u>(123,843)</u>	
Fund Balance - End of Year			<u>\$ 3,303,547</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE TAX DISTRICT SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-10

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 206,867,464	\$ 206,867,464	\$ 208,445,483	\$ 1,578,019
Licenses and permits	600,000	600,000	473,270	(126,730)
Intergovernmental	-	3,273,616	1,750,816	(1,522,800)
Charges for services	18,335,000	18,335,000	24,028,377	5,693,377
Investment income	46,760	46,760	123,031	76,271
Miscellaneous	10,000	10,000	45,190	35,190
Total Revenues	<u>225,859,224</u>	<u>229,132,840</u>	<u>234,866,167</u>	<u>5,733,327</u>
Expenditures:				
Personnel costs	181,948,552	185,259,782	185,259,778	4
Operating	40,350,836	51,107,456	51,107,450	6
Total Expenditures	<u>222,299,388</u>	<u>236,367,238</u>	<u>236,367,228</u>	<u>10</u>
Excess of Revenues over (under) Expenditures	<u>3,559,836</u>	<u>(7,234,398)</u>	<u>(1,501,061)</u>	<u>5,733,337</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	250,000	4,128,107	4,128,107	-
To General Fund	(275,090)	(120,750)	(120,750)	-
To Debt Service Fund	(12,451,760)	(12,868,768)	(11,272,387)	1,596,381
To Grants Fund	-	(12,963)	-	12,963
To Capital Projects Fund	-	-	(3,474,695)	(3,474,695)
Total Other Financing Sources (Uses)	<u>(12,476,850)</u>	<u>(8,874,374)</u>	<u>(10,739,725)</u>	<u>(1,865,351)</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ (8,917,014)</u>	<u>\$ (16,108,772)</u>	<u>(12,240,786)</u>	<u>\$ 3,867,986</u>
Adjustments required under generally accepted accounting principles:				
Non-budgeted item - Bad debt expense			(6,166,704)	
Elimination of encumbrances outstanding			1,282,316	
GAAP - Net Change in Fund Balance			(17,125,174)	
Fund Balance - Beginning of Year			26,656,313	
Fund Balance - End of Year			<u>\$ 9,531,139</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MASS TRANSIT FACILITIES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-11

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 107,000,412	\$ 107,000,412	\$ 107,623,637	\$ 623,225
Licenses and permits	531,000	531,000	647,232	116,232
Intergovernmental	39,778,100	39,778,100	40,568,721	790,621
Charges for services:				-
Fare receipts	24,932,593	24,932,593	25,900,711	968,118
Parking fees	1,066,385	1,066,385	1,314,046	247,661
Total Charges for Services	25,998,978	25,998,978	27,214,757	1,215,779
Investment income	7,710	7,710	61,101	53,391
Miscellaneous	-	-	28,162	28,162
Total Revenues	173,316,200	173,316,200	176,143,610	2,827,410
Expenditures:				
Division of Transit Services				
Personnel costs	69,575,317	68,699,032	68,335,875	363,157
Operating	51,771,936	53,380,548	52,831,211	549,337
Total Division of Transit Services	121,347,253	122,079,580	121,167,086	912,494
Washington Suburban Transit Commission				
Operating	144,637	144,637	144,637	-
Total Expenditures	121,491,890	122,224,217	121,311,723	912,494
Excess of Revenues over (under) Expenditures	51,824,310	51,091,983	54,831,887	3,739,904
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	531,310	531,310	531,310	-
To General Fund	(13,601,819)	(11,130,400)	(11,130,400)	-
To Debt Service Fund	(25,645,160)	(25,645,160)	(22,209,434)	3,435,726
To Grants Fund	-	(340,000)	(340,000)	-
To Capital Projects Fund	-	(13,732,000)	(7,618,470)	6,113,530
Total Other Financing Sources (Uses)	(38,715,669)	(50,316,250)	(40,766,994)	9,549,256
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 13,108,641	\$ 775,733	14,064,893	\$ 13,289,160
Adjustments required under generally accepted accounting principles:				
Non-budgeted item - Bad debt expense			(213,882)	
Elimination of encumbrances outstanding			2,128,290	
GAAP - Net Change in Fund Balance			15,979,301	
Fund Balance - Beginning of Year			15,782,586	
Fund Balance - End of Year			\$ 31,761,887	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
REHABILITATION LOAN SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-12

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Investment income				
Pooled investment income	\$ -	\$ -	\$ 5,020	\$ 5,020
Other investment income	-	-	39,175	39,175
Total Revenues	-	-	44,195	44,195
Total Expenditures	-	-	-	-
Excess of Revenues over (under) Expenditures	-	-	44,195	44,195
Other Financing Sources (Uses):				
Mortgage loans	(1,268,792)	(1,268,792)	-	1,268,792
Total Other Financing Sources (Uses)	(1,268,792)	(1,268,792)	-	1,268,792
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ (1,268,792)</u>	<u>\$ (1,268,792)</u>	44,195	<u>\$ 1,312,987</u>
GAAP - Net Change in Fund Balance			44,195	
Fund Balance - Beginning of Year			<u>4,629,407</u>	
Fund Balance - End of Year			<u>\$ 4,673,602</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CABLE TV SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-13

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Fines and forfeitures	\$ 28,007,439	\$ 28,007,439	\$ 27,312,699	\$ (694,740)
Investment income	11,240	11,240	22,327	11,087
Miscellaneous	-	-	3,179	3,179
Total Revenues	<u>28,018,679</u>	<u>28,018,679</u>	<u>27,338,205</u>	<u>(680,474)</u>
Expenditures:				
Personnel costs	3,842,870	3,872,253	3,751,369	120,884
Operating	11,922,077	13,636,269	13,398,892	237,377
Total Expenditures	<u>15,764,947</u>	<u>17,508,522</u>	<u>17,150,261</u>	<u>358,261</u>
Excess of Revenues over (under) Expenditures	<u>12,253,732</u>	<u>10,510,157</u>	<u>10,187,944</u>	<u>(322,213)</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
To General Fund	(9,087,925)	(9,087,925)	(9,087,925)	-
To Capital Projects Fund	-	(3,329,000)	(2,869,824)	459,176
Total Other Financing Sources (Uses)	<u>(9,087,925)</u>	<u>(12,416,925)</u>	<u>(11,957,749)</u>	<u>459,176</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 3,165,807</u>	<u>\$ (1,906,768)</u>	<u>(1,769,805)</u>	<u>\$ 136,963</u>
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			<u>1,981,835</u>	
GAAP - Net Change in Fund Balance			<u>212,030</u>	
Fund Balance - Beginning of Year			<u>9,838,726</u>	
Fund Balance - End of Year			<u>\$ 10,050,756</u>	

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 DRUG ENFORCEMENT FORFEITURES SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-14

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 1,084,889	\$ 1,084,889
Investment income	-	-	8,199	8,199
Miscellaneous	-	-	16,625	16,625
Total Revenues	-	-	1,109,713	1,109,713
Expenditures:				
Operating	-	3,037,787	1,988,128	1,049,659
Total Expenditures	-	3,037,787	1,988,128	1,049,659
Excess of Revenues over (under) Expenditures	\$ -	\$ (3,037,787)	(878,415)	\$ 2,159,372
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			246,521	
GAAP - Net Change in Fund Balance			(631,894)	
Fund Balance - Beginning of Year			3,037,787	
Fund Balance - End of Year			\$ 2,405,893	

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 WATER QUALITY PROTECTION SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-15

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 35,033,364	\$ 35,033,364	\$ 33,278,147	\$ (1,755,217)
Charges for services	200,000	200,000	106,288	(93,712)
Investment income	81,730	81,730	69,878	(11,852)
Total Revenues	<u>35,315,094</u>	<u>35,315,094</u>	<u>33,454,313</u>	<u>(1,860,781)</u>
Expenditures:				
Personnel costs	8,326,075	8,339,641	7,597,886	741,755
Operating	<u>14,947,752</u>	<u>17,071,063</u>	<u>17,041,123</u>	<u>29,940</u>
Total Expenditures	<u>23,273,827</u>	<u>25,410,704</u>	<u>24,639,009</u>	<u>771,695</u>
Excess of Revenues over (under) Expenditures	12,041,267	9,904,390	8,815,304	(1,089,086)
Other Financing Sources (Uses):				
Transfers In (Out):				
To General Fund	(1,330,510)	(1,330,510)	(1,330,510)	-
To Capital Projects Fund	-	(13,005,000)	(3,114,299)	9,890,701
To Debt Service Fund	<u>(3,020,250)</u>	<u>(3,020,250)</u>	<u>(3,016,582)</u>	<u>3,668</u>
Total Other Financing Sources (Uses)	<u>(4,350,760)</u>	<u>(17,355,760)</u>	<u>(7,461,391)</u>	<u>9,894,369</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 7,690,507</u>	<u>\$ (7,451,370)</u>	1,353,913	<u>\$ 8,805,283</u>
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			<u>3,887,692</u>	
GAAP - Net Change in Fund Balance			5,241,605	
Fund Balance - Beginning of Year			<u>15,530,356</u>	
Fund Balance - End of Year			<u>\$ 20,771,961</u>	

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
RESTRICTED DONATIONS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit B-16

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 19,517	\$ 19,517
Miscellaneous - contributions	-	-	639,496	639,496
Total Revenues	-	-	659,013	659,013
Expenditures:				
Operating	1,668,698	1,668,698	588,905	1,079,793
Total Expenditures	1,668,698	1,668,698	588,905	1,079,793
Excess of Revenues over (under) Expenditures	(1,668,698)	(1,668,698)	70,108	1,738,806
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ (1,668,698)</u>	<u>\$ (1,668,698)</u>	70,108	<u>\$ 1,738,806</u>
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			61,312	
GAAP - Net Change in Fund Balance			131,420	
Fund Balance - Beginning of Year			1,668,698	
Fund Balance - End of Year			<u>\$ 1,800,118</u>	



NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations where:

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

Permitting Services

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

Community Use of Public Facilities

Accounts for the fiscal activity related to renting public facilities to community organizations.

MAJOR ENTERPRISE FUNDS

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

Liquor

Solid Waste Activities

Parking Lot Districts



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2016
Exhibit C-1

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ 57,261,236	\$ 10,779,429	\$ 68,040,665
Receivables (net of allowance for uncollectibles):			
Accounts	161,297	44,547	205,844
Total Current Assets	<u>57,422,533</u>	<u>10,823,976</u>	<u>68,246,509</u>
Noncurrent Assets:			
Capital Assets:			
Furniture, fixtures, equipment, and machinery	1,799,674	49,423	1,849,097
Automobiles and trucks	440,851	-	440,851
Subtotal	<u>2,240,525</u>	<u>49,423</u>	<u>2,289,948</u>
Less: Accumulated depreciation	1,644,519	49,423	1,693,942
Total Capital Assets (net of accumulated depreciation)	<u>596,006</u>	<u>-</u>	<u>596,006</u>
Total Noncurrent Assets	<u>596,006</u>	<u>-</u>	<u>596,006</u>
Total Assets	<u>58,018,539</u>	<u>10,823,976</u>	<u>68,842,515</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	5,727,190	377,211	6,104,401
Total Deferred Outflows of Resources	<u>5,727,190</u>	<u>377,211</u>	<u>6,104,401</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	228,986	15,022	244,008
Deposits	9,110,749	-	9,110,749
Accrued liabilities	2,309,462	291,516	2,600,978
Due to other funds	406,406	41,327	447,733
Due to component units	-	783,902	783,902
Due to other governments	-	16,445	16,445
Equipment notes payable	18,769	-	18,769
Unearned revenue	378,135	2,443,064	2,821,199
Total Current Liabilities	<u>12,452,507</u>	<u>3,591,276</u>	<u>16,043,783</u>
Noncurrent Liabilities:			
Equipment note payable	18,987	-	18,987
Compensated absences	722,191	95,464	817,655
Net pension liability	7,683,580	506,556	8,190,136
Other postemployment benefits	1,260,848	159,078	1,419,926
Total Noncurrent Liabilities	<u>9,685,606</u>	<u>761,098</u>	<u>10,446,704</u>
Total Liabilities	<u>22,138,113</u>	<u>4,352,374</u>	<u>26,490,487</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	3,513,959	231,665	3,745,624
Total Deferred Inflows of Resources	<u>3,513,959</u>	<u>231,665</u>	<u>3,745,624</u>
NET POSITION			
Net investment in capital assets	596,006	-	596,006
Unrestricted	37,497,651	6,617,148	44,114,799
Total Net Position	<u>\$ 38,093,657</u>	<u>\$ 6,617,148</u>	<u>\$ 44,710,805</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit C-2

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 2,197,062	\$ 11,437,099	\$ 13,634,161
Licenses and permits	41,558,083	-	41,558,083
Fines and penalties	119,547	-	119,547
Total Operating Revenues	<u>43,874,692</u>	<u>11,437,099</u>	<u>55,311,791</u>
OPERATING EXPENSES			
Personnel costs	23,212,892	2,833,920	26,046,812
Other post employment contributions	1,063,130	142,100	1,205,230
Postage	11,224	405	11,629
Insurance	365,378	-	365,378
Supplies and materials	303,432	265,543	568,975
Contractual services	2,223,976	4,534,632	6,758,608
Communications	211,224	41,813	253,037
Transportation	635,900	3,531	639,431
Public utility services	-	2,091,200	2,091,200
Rentals	2,615,711	308,372	2,924,083
Maintenance	337,283	23,830	361,113
Depreciation	164,905	139	165,044
Other	127,319	82,131	209,450
Total Operating Expenses	<u>31,272,374</u>	<u>10,327,616</u>	<u>41,599,990</u>
Operating Income (Loss)	<u>12,602,318</u>	<u>1,109,483</u>	<u>13,711,801</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	148,253	41,065	189,318
Interest expense	(597)	-	(597)
Other revenue	7,997	-	7,997
Total Nonoperating Revenues (Expenses)	<u>155,653</u>	<u>41,065</u>	<u>196,718</u>
Income (Loss) Before Transfers	<u>12,757,971</u>	<u>1,150,548</u>	<u>13,908,519</u>
Transfers In (Out):			
Transfers in	-	25,000	25,000
Transfers out	<u>(4,206,430)</u>	<u>(468,600)</u>	<u>(4,675,030)</u>
Total Transfers In (Out)	<u>(4,206,430)</u>	<u>(443,600)</u>	<u>(4,650,030)</u>
Change in Net Position	8,551,541	706,948	9,258,489
Total Net Position - Beginning of Year	<u>29,542,116</u>	<u>5,910,200</u>	<u>35,452,316</u>
Total Net Position - End of Year	<u>\$ 38,093,657</u>	<u>\$ 6,617,148</u>	<u>\$ 44,710,805</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit C-3

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 44,079,275	\$ 11,434,550	\$ 55,513,825
Payments to suppliers	(7,764,977)	(7,991,461)	(15,756,438)
Payments to employees	(24,697,735)	(2,959,468)	(27,657,203)
Other operating receipts	4,442,238	-	4,442,238
Other operating payments	(5,237,557)	-	(5,237,557)
Other revenue	7,997	-	7,997
Net cash provided (Used) by Operating Activities	<u>10,829,241</u>	<u>483,621</u>	<u>11,312,862</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers from other funds	-	25,000	25,000
Operating subsidies and transfers to other funds	(4,206,430)	(468,600)	(4,675,030)
Net cash provided (Used) by Noncapital Financing Activities	<u>(4,206,430)</u>	<u>(443,600)</u>	<u>(4,650,030)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(116,666)	-	(116,666)
Principal paid on capital debt	(18,554)	-	(18,554)
Interest paid on capital debt	(598)	-	(598)
Net cash provided (Used) by Capital and Related Financing Activities	<u>(135,818)</u>	<u>-</u>	<u>(135,818)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income from pooled investments	148,253	41,066	189,319
Net cash provided (Used) by Investing Activities	<u>148,253</u>	<u>41,066</u>	<u>189,319</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,635,246	81,087	6,716,333
Balances - Beginning of Year	50,625,990	10,698,342	61,324,332
Balances - End of Year	<u>\$ 57,261,236</u>	<u>\$ 10,779,429</u>	<u>\$ 68,040,665</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 12,602,318	\$ 1,109,483	\$ 13,711,801
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	164,905	139	165,044
Other revenues	8,000	-	8,000
Pension expense	(1,728,555)	(177,549)	(1,906,104)
Effect of changes in operating assets and liabilities:			
Receivables, net	5,731	(2,549)	3,182
Accounts payable and other liabilities	328,450	(480,431)	(151,981)
Accrued expenses	(551,608)	34,528	(517,080)
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,829,241</u>	<u>\$ 483,621</u>	<u>\$ 11,312,862</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit C-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
LIQUOR				
Personnel costs	\$ 31,156,922	\$ 33,212,711	\$ 33,212,706	\$ 5
Operating	28,175,326	24,549,656	24,549,654	2
Total	<u>\$ 59,332,248</u>	<u>\$ 57,762,367</u>	57,762,360	<u>\$ 7</u>

Reconciliation to GAAP expenses:

Additions:			
Depreciation			2,372,241
Cost of goods sold			211,517,189
Interest expense			1,839,210
Bad debt expense			399,631
Deductions:			
Cash interest payments			(2,059,419)
Capital outlay			(1,236,572)
Principal paid on bonds			(2,806,220)
Pension expense			(1,418,644)
Encumbrances outstanding at year-end			(1,142,365)
GAAP Expenses			<u>\$ 265,227,411</u>

PERMITTING SERVICES

Personnel costs	\$ 25,015,060	\$ 25,119,369	\$ 24,941,447	\$ 177,922
Operating	8,878,345	9,522,023	8,746,546	775,477
Total	<u>\$ 33,893,405</u>	<u>\$ 34,641,392</u>	33,687,993	<u>\$ 953,399</u>

Reconciliation to GAAP expenses:

Additions:			
Depreciation			164,905
Bad Debt expense			45,735
Deductions:			
Equipment note principal reduction			(18,554)
Pension expense			(1,728,555)
Cash interest payments			(597)
Capital outlay			(116,666)
Encumbrances outstanding at year-end			(761,887)
GAAP Expenses			<u>\$ 31,272,374</u>

COMMUNITY USE OF PUBLIC FACILITIES

Personnel costs	\$ 2,886,551	\$ 3,011,476	\$ 3,011,469	\$ 7
Operating	7,959,724	7,884,567	7,516,219	368,348
Total	<u>\$ 10,846,275</u>	<u>\$ 10,896,043</u>	10,527,688	<u>\$ 368,355</u>

Reconciliation to GAAP expenses:

Additions:			
Depreciation			139
Deductions:			
Pension expense			(177,549)
Encumbrances outstanding at year-end			(22,662)
GAAP Expenses			<u>\$ 10,327,616</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit C-4 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
SOLID WASTE DISPOSAL				
Personnel costs	\$ 9,912,464	\$ 9,832,033	\$ 9,831,768	\$ 265
Operating	95,499,450	92,196,022	92,195,971	51
Total	<u>\$ 105,411,914</u>	<u>\$ 102,028,055</u>	102,027,739	<u>\$ 316</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			1,574,873	
Accrued landfill closing cost			1,467,866	
Bad debt expense			13,894	
Deductions:				
Capital outlay expenditures			(2,983,192)	
Encumbrances outstanding at year-end			(7,064,511)	
Pension expense			(430,384)	
Adjustment of landfill closure costs			(1,334,306)	
GAAP Expenses			<u>\$ 93,271,979</u>	
SOLID WASTE COLLECTION				
Personnel costs	\$ 1,331,993	\$ 1,335,111	\$ 1,323,015	\$ 12,096
Operating	5,145,946	5,146,781	4,699,281	447,500
Total	<u>\$ 6,477,939</u>	<u>\$ 6,481,892</u>	6,022,296	<u>\$ 459,596</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			6,048	
Pension expense			2,333	
Deductions:				
Deferred outflow of resources for contributions made to pension plan during current fiscal year			(103,982)	
Encumbrances outstanding at year-end			(1,235)	
GAAP Expenses			<u>\$ 5,925,460</u>	
SOLID WASTE LEAFING				
Personnel costs	\$ 3,093,384	\$ 2,899,544	\$ 2,899,536	\$ 8
Operating	2,324,211	3,098,358	3,098,350	8
Total	<u>\$ 5,417,595</u>	<u>\$ 5,997,902</u>	5,997,886	<u>\$ 16</u>
Reconciliation to GAAP expenses:				
Additions:				
Interfund activities budgeted as transfers - charges for services from disposal			1,052,224	
Deductions:				
Pension expense			(207,823)	
GAAP Expenses			<u>\$ 6,842,287</u>	
Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:				
GAAP Expenses:				
Solid Waste Disposal			\$ 93,271,979	
Solid Waste Collection			5,925,460	
Solid Waste Leafing			6,842,287	
Total Solid Waste Activities			<u>\$ 106,039,726</u>	*

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit C-4 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
SILVER SPRING PARKING				
Personnel costs	\$ 2,441,497	\$ 2,450,575	\$ 2,239,463	\$ 211,112
Operating	9,008,472	9,013,105	8,403,397	609,708
Total	<u>\$ 11,449,969</u>	<u>\$ 11,463,680</u>	10,642,860	<u>\$ 820,820</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			5,108,066	
CIP - other operating costs			175,590	
Deductions:				
Pension expense			(107,056)	
Encumbrances outstanding at year-end			(146,236)	
GAAP Expenses			<u>\$ 15,673,224</u>	

BETHESDA PARKING

Personnel costs	\$ 2,221,252	\$ 2,230,480	\$ 2,182,522	\$ 47,958
Operating	12,925,346	12,975,279	11,821,923	1,153,356
Total	<u>\$ 15,146,598</u>	<u>\$ 15,205,759</u>	14,004,445	<u>\$ 1,201,314</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			6,109,113	
Interest expense			1,179,135	
CIP - other operating costs			98,706	
Bad debt expense			405	
Deductions:				
Encumbrances outstanding at year-end			(146,930)	
Pension expense			(102,149)	
Principal paid on bonds			(3,245,000)	
Cash interest payments			(1,585,444)	
GAAP Expenses			<u>\$ 16,312,281</u>	

WHEATON PARKING

Personnel costs	\$ 374,890	\$ 377,121	\$ 370,739	\$ 6,382
Operating	970,289	969,977	776,724	193,253
Total	<u>\$ 1,345,179</u>	<u>\$ 1,347,098</u>	1,147,463	<u>\$ 199,635</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			324,884	
CIP - other operating costs			20,961	
Deductions:				
Encumbrances outstanding at year-end			(18,624)	
Pension expense			(20,003)	
GAAP Expenses			<u>\$ 1,454,681</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit C-4 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
MONTGOMERY HILLS PARKING				
Personnel costs	\$ 49,832	\$ 49,874	\$ 46,948	\$ 2,926
Operating	34,399	34,399	30,161	4,238
Total	<u>\$ 84,231</u>	<u>\$ 84,273</u>	77,109	<u>\$ 7,164</u>

Reconciliation to GAAP expenses:

Additions:		
Depreciation		37
Deductions:		
Pension expense		(2,881)
Encumbrances outstanding at year-end		(17)
GAAP Expenses		<u>\$ 74,248</u>

Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:

GAAP Expenses:		
Silver Spring Parking		\$ 15,673,224
Bethesda Parking		16,312,281
Wheaton Parking		1,454,681
Montgomery Hills Parking		74,248
Total Parking Lot Districts		<u>\$ 33,514,434</u> *

* Includes operating and nonoperating expenses



INTERNAL SERVICE FUNDS

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

Motor Pool

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

Liability and Property Coverage Self-Insurance

Accounts for the fiscal activity related to liability, property, and workers' compensation insurance needs of the participating governmental agencies.

Employee Health Benefits Self-Insurance

Accounts for the fiscal activity related to health, life, vision, dental, and long-term disability insurance needs of active employees of the participating governmental agencies.

Central Duplicating

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



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2016
 Exhibit D-1

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
ASSETS					
Current Assets:					
Equity in pooled cash and investments	\$ 13,815,998	\$ 153,337,051	\$ 35,698,600	\$ 1,049,814	\$ 203,901,463
Cash	300	-	-	-	300
Receivables (net of allowances for uncollectibles):					
Accounts	1,165,170	152,600	552,362	-	1,870,132
Due from other funds	-	-	7,495,350	-	7,495,350
Due from component units	18,281	-	1,177,270	6,243	1,201,794
Due from other governments	3,146	-	63,066	29,375	95,587
Inventory of supplies	4,525,263	-	-	-	4,525,263
Prepays	15,258	871	-	17,994	34,123
Total Current Assets	<u>19,543,416</u>	<u>153,490,522</u>	<u>44,986,648</u>	<u>1,103,426</u>	<u>219,124,012</u>
Noncurrent Assets:					
Capital Assets:					
Land, improved and unimproved	22,506	-	-	-	22,506
Improvements other than buildings	268,565	-	-	-	268,565
Furniture, fixtures, equipment, and machinery	3,082,441	-	-	770,456	3,852,897
Automobiles and trucks	87,871,471	-	-	-	87,871,471
Subtotal	<u>91,244,983</u>	<u>-</u>	<u>-</u>	<u>770,456</u>	<u>92,015,439</u>
Less: Accumulated depreciation	<u>57,822,399</u>	<u>-</u>	<u>-</u>	<u>696,880</u>	<u>58,519,279</u>
Total Capital Assets (net of accumulated depreciation)	<u>33,422,584</u>	<u>-</u>	<u>-</u>	<u>73,576</u>	<u>33,496,160</u>
Total Assets	<u>52,966,000</u>	<u>153,490,522</u>	<u>44,986,648</u>	<u>1,177,002</u>	<u>252,620,172</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	<u>1,590,425</u>	<u>715,871</u>	<u>162,288</u>	<u>444,857</u>	<u>2,913,441</u>
Total Deferred Outflows of Resources	<u>1,590,425</u>	<u>715,871</u>	<u>162,288</u>	<u>444,857</u>	<u>2,913,441</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	2,558,508	1,227,641	9,679,250	77,350	13,542,749
Claims payable	-	31,494,305	8,245,794	-	39,740,099
Accrued liabilities	2,113,307	1,704,105	591,022	336,261	4,744,695
Due to other funds	281,555	60,311	3,936,920	35,940	4,314,726
Due to component units	-	17,922	-	-	17,922
Due to other governments	-	110,413	47,840	-	158,253
Unearned revenue	-	-	34,816	-	34,816
Total Current Liabilities	<u>4,953,370</u>	<u>34,614,697</u>	<u>22,535,642</u>	<u>449,551</u>	<u>62,553,260</u>
Noncurrent Liabilities:					
Claims payable	-	105,373,195	5,143,000	-	110,516,195
Compensated absences	524,697	114,257	92,456	59,900	791,310
Net pension liability	1,999,713	952,749	204,335	634,622	3,791,419
Other postemployment benefits	983,943	43,753	-	113,518	1,141,214
Total Noncurrent Liabilities	<u>3,508,353</u>	<u>106,483,954</u>	<u>5,439,791</u>	<u>808,040</u>	<u>116,240,138</u>
Total Liabilities	<u>8,461,723</u>	<u>141,098,651</u>	<u>27,975,433</u>	<u>1,257,591</u>	<u>178,793,398</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	<u>914,536</u>	<u>435,725</u>	<u>93,450</u>	<u>290,234</u>	<u>1,733,945</u>
Total Deferred Inflows of Resources	<u>914,536</u>	<u>435,725</u>	<u>93,450</u>	<u>290,234</u>	<u>1,733,945</u>
NET POSITION					
Net investment in capital assets	33,422,584	-	-	-	33,422,584
Unrestricted	<u>11,757,582</u>	<u>12,672,017</u>	<u>17,080,053</u>	<u>74,034</u>	<u>41,583,686</u>
Total Net Position (Deficit)	<u>\$ 45,180,166</u>	<u>\$ 12,672,017</u>	<u>\$ 17,080,053</u>	<u>\$ 74,034</u>	<u>\$ 75,006,270</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit D-2

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 72,320,290	\$ 64,759,153	\$ 147,168,149	\$ 7,974,844	\$ 292,222,436
Claim recoveries	1,574,575	575,149	-	-	2,149,724
Total Operating Revenues	<u>73,894,865</u>	<u>65,334,302</u>	<u>147,168,149</u>	<u>7,974,844</u>	<u>294,372,160</u>
OPERATING EXPENSES					
Personnel costs	20,091,816	3,775,058	1,764,460	2,064,706	27,696,040
Other post employment contributions	1,057,870	52,630	-	163,150	1,273,650
Postage	1,818	192	30,142	1,216,697	1,248,849
Self-insurance incurred and estimated claims	-	49,671,736	107,170,888	-	156,842,624
Insurance	1,888,444	4,504,152	22,266,876	-	28,659,472
Supplies and materials	21,778,506	4,401	25,103	621,864	22,429,874
Contractual services	515,775	8,835,119	6,179,303	486,182	16,016,379
Communications	185,924	8,995	87,696	263,037	545,652
Transportation	145,223	19,644	1,488	36,056	202,411
Public utility services	1,089,543	-	-	-	1,089,543
Rentals	-	-	-	2,523,693	2,523,693
Maintenance	14,619,368	95	445	18,668	14,638,576
Depreciation	6,717,793	-	-	50,467	6,768,260
Other	46,391	15,825	634,165	10,613	706,994
Total Operating Expenses	<u>68,138,471</u>	<u>66,887,847</u>	<u>138,160,566</u>	<u>7,455,133</u>	<u>280,642,017</u>
Operating Income (Loss)	<u>5,756,394</u>	<u>(1,553,545)</u>	<u>9,007,583</u>	<u>519,711</u>	<u>13,730,143</u>
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	172,639	-	-	-	172,639
Investment income	46,765	463,826	44,454	3,887	558,932
Interest expense	(910)	-	-	-	(910)
Insurance recoveries	-	861,147	-	-	861,147
Total Nonoperating Revenues (Expenses)	<u>218,494</u>	<u>1,324,973</u>	<u>44,454</u>	<u>3,887</u>	<u>1,591,808</u>
Income (Loss) Before Transfers	<u>5,974,888</u>	<u>(228,572)</u>	<u>9,052,037</u>	<u>523,598</u>	<u>15,321,951</u>
Transfers In (Out):					
Transfers in	39,184	-	-	-	39,184
Transfers out	(550,000)	-	-	-	(550,000)
Total Transfers In (Out)	<u>(510,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(510,816)</u>
Change in Net Position	5,464,072	(228,572)	9,052,037	523,598	14,811,135
Total Net Position - Beginning of Year, as restated	39,716,094	12,900,589	8,028,016	(449,564)	60,195,135
Total Net Position - End of Year	<u>\$ 45,180,166</u>	<u>\$ 12,672,017</u>	<u>\$ 17,080,053</u>	<u>\$ 74,034</u>	<u>\$ 75,006,270</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit D-3

	Motor Pool	Liability and Property Coverage Self Insurance	Employee Health Benefits Self Insurance	Central Duplicating	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 73,963,865	\$ 64,762,086	\$ 145,219,146	\$ 7,971,208	\$ 291,916,305
Payments to suppliers	(41,780,566)	(12,755,156)	(23,679,703)	(5,044,506)	(83,259,931)
Payments to employees	(20,765,866)	(3,260,715)	(1,750,145)	(2,158,975)	(27,935,701)
Claims paid	-	(40,946,736)	(107,484,577)	-	(148,431,313)
Other revenue	-	575,149	-	-	575,149
Net Cash Provided (Used) by Operating Activities	11,417,433	8,374,628	12,304,721	767,727	32,864,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Insurance reimbursement claims	-	861,147	-	-	861,147
Net Cash Provided (Used) by Noncapital Financing Activities	-	861,147	-	-	861,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	322,750	-	-	-	322,750
Purchases of capital assets	(8,824,229)	-	-	-	(8,824,229)
Principal paid on capital debt	(61,550)	-	-	-	(61,550)
Interest paid on capital debt	(910)	-	-	-	(910)
Internal activity-payment from other funds	(510,816)	-	-	-	(510,816)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,074,755)	-	-	-	(9,074,755)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income from pooled investments	46,765	463,826	44,454	3,887	558,932
Net Cash Provided (Used) by Investing Activities	46,765	463,826	44,454	3,887	558,932
Net Increase (Decrease) in Cash and Cash Equivalents	2,389,443	9,699,601	12,349,175	771,614	25,209,833
Balances - Beginning of Year	11,426,855	143,637,450	23,349,425	278,200	178,691,930
Balances - End of Year	\$ 13,816,298	\$ 153,337,051	\$ 35,698,600	\$ 1,049,814	\$ 203,901,763
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 5,756,394	\$ (1,553,545)	\$ 9,007,583	\$ 519,711	\$ 13,730,143
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,717,793	-	-	50,467	6,768,260
Pension expense	(510,771)	(338,462)	1,768	(112,892)	(960,357)
Effect of changes in operating assets and liabilities:					
Receivables, net	69,000	2,933	(1,949,003)	(3,636)	(1,880,706)
Inventories, prepaids and other assets	(68,061)	13,622	-	273,579	219,140
Accounts payable and other liabilities	(344,448)	672,301	5,242,394	8,763	5,579,010
Claims payable	-	8,725,000	-	-	8,725,000
Accrued expenses	(202,474)	852,779	1,979	31,735	684,019
Net Cash Provided (Used) by Operating Activities	\$ 11,417,433	\$ 8,374,628	\$ 12,304,721	\$ 767,727	\$ 32,864,509

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit D-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
LIABILITY AND PROPERTY COVERAGE SELF-INSURANCE				
Personnel costs	\$ 4,286,746	\$ 4,286,746	\$ 4,113,520	\$ 173,226
Operating	<u>56,203,678</u>	<u>56,647,715</u>	<u>54,808,954</u>	<u>1,838,761</u>
Total	<u>\$ 60,490,424</u>	<u>\$ 60,934,461</u>	58,922,474	<u>\$ 2,011,987</u>

Reconciliation to GAAP expenses:

Additions:

Portion of incurred but not reported claims not
required to be budgeted

8,725,000

Deductions:

Pension expense
Encumbrances outstanding at year-end

(338,462)

(421,165)

GAAP Expenses

\$ 66,887,847

EMPLOYEE HEALTH BENEFITS SELF-INSURANCE

Personnel costs	\$ 2,518,477	\$ 2,518,477	\$ 1,762,692	\$ 755,785
Operating	<u>224,542,469</u>	<u>224,544,719</u>	<u>136,422,142</u>	<u>88,122,577</u>
Total	<u>\$ 227,060,946</u>	<u>\$ 227,063,196</u>	138,184,834	<u>\$ 88,878,362</u>

Reconciliation to GAAP expenses:

Additions:

Portion of incurred but not reported claims not
required to be budgeted

86,682

Pension expense

1,768

Deductions:

Encumbrances outstanding at year-end

(112,718)

GAAP Expenses

\$ 138,160,566

FIDUCIARY FUNDS

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

Pension and Other Employee Benefit Trust

Account for the accumulation of resources for, and payment of, retirement annuities and/or other benefits and administrative costs.

- Employees' Retirement System
- Employees' Retirement Savings Plan
- Deferred Compensation Plan
- Retiree Health Benefits

Private Purpose Trust

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

- Private Contributions
- Tricentennial

Agency

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

- Recreation Activities
- Property Tax
- Miscellaneous



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
 JUNE 30, 2016
Exhibit E-1

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Retiree Health Benefits	Total
ASSETS					
Current Assets:					
Equity in pooled cash and investments	\$ 1,151,082	\$ 636,194	\$ 9,244	\$ 1,044,488	\$ 2,841,008
Investments:					
Government and agency obligations	403,510,670	-	-	96,790,927	500,301,597
Asset-backed securities	3,713,101	-	-	-	3,713,101
Municipal/Provincial bonds	15,015,541	-	-	1,066,033	16,081,574
Corporate bonds	709,062,527	-	-	138,560,674	847,623,201
Collateralized mortgage obligations	840,430	-	-	-	840,430
Commercial mortgage-backed securities	726,834	-	-	-	726,834
Common and preferred stock	1,506,763,258	-	-	308,830,578	1,815,593,836
Mutual and commingled funds	389,914,184	333,662,465	348,083,230	84,604,340	1,156,264,219
Short-term investments	94,518,574	-	-	14,497,442	109,016,016
Cash collateral received under securities lending agreements	224,650,451	-	-	49,687,620	274,338,071
Real assets	196,611,691	-	-	12,588,036	209,199,727
Private equity	283,122,107	-	-	22,279,084	305,401,191
Total Investments	3,828,449,368	333,662,465	348,083,230	728,904,734	5,239,099,797
Receivables (net of allowances for uncollectibles):					
Receivables and accrued interest	32,931,237	-	-	2,070,706	35,001,943
Accounts	489,461	120,939	-	-	610,400
Due from other funds	8,174,082	1,449,915	878,384	3,921,873	14,424,254
Due from component units	63,323	122,019	-	-	185,342
Due from other governments	835	181	-	-	1,016
Total Current Assets	3,871,259,388	335,991,713	348,970,858	735,941,801	5,292,163,760
Noncurrent Assets:					
Capital assets:					
Miscellaneous	900,043	-	-	-	900,043
Less: Accumulated depreciation	600,028	-	-	-	600,028
Total Capital Assets (net of accumulated depreciation)	300,015	-	-	-	300,015
Total Assets	3,871,559,403	335,991,713	348,970,858	735,941,801	5,292,463,775
LIABILITIES					
Current Liabilities:					
Accounts payable	225,301,561	4,124	-	53,530,038	278,835,723
Accrued liabilities	4,495,623	18,526	-	715,386	5,229,535
Claims payable	-	-	-	3,921,873	3,921,873
Due to other funds	17,422	1,348	-	2,208	20,978
Unearned revenue	77,121	-	-	-	77,121
Total Current Liabilities	229,891,727	23,998	-	58,169,505	288,085,230
Noncurrent Liabilities:					
Compensated absences	65,062	6,958	-	7,677	79,697
Total Liabilities	229,956,789	30,956	-	58,177,182	288,164,927
NET POSITION					
Held in trust for pension and other postemployment benefits	\$ 3,641,602,614	\$ 335,960,757	\$ 348,970,858	\$ 677,764,619	\$ 5,004,298,848

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit E-2

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Retiree Health Benefits	Total
ADDITIONS					
Contributions:					
Employers	\$ 134,806,256	\$ 19,681,949	\$ -	\$ 164,807,986	\$ 319,296,191
Members	27,056,040	10,713,887	18,760,847	24,658,936	81,189,710
Federal government - Medicare Part D	-	-	-	8,663,516	8,663,516
Total Contributions	161,862,296	30,395,836	18,760,847	198,130,438	409,149,417
Investment income (loss)	74,976,728	212,203	(62,774)	2,647,982	77,774,139
Less: Investment expenses	17,300,671	4,908	-	2,414,131	19,719,710
Net Investment Income (Loss)	57,676,057	207,295	(62,774)	233,851	58,054,429
Other income - forfeitures	-	292,437	-	-	292,437
Total Additions, net	219,538,353	30,895,568	18,698,073	198,364,289	467,496,283
DEDUCTIONS					
Benefits:					
Annuities:					
Retirees	171,391,248	-	-	-	171,391,248
Survivors	9,017,219	-	-	-	9,017,219
Disability	50,287,324	-	-	-	50,287,324
Claims	-	-	-	106,594,157	106,594,157
Total Benefits	230,695,791	-	-	106,594,157	337,289,948
Member refunds	5,887,137	10,054,841	22,374,067	-	38,316,045
Administrative expenses	2,714,041	180,886	-	7,726,949	10,621,876
Depreciation	300,014	-	-	-	300,014
Total Deductions	239,596,983	10,235,727	22,374,067	114,321,106	386,527,883
Net Increase (Decrease)	(20,058,630)	20,659,841	(3,675,994)	84,043,183	80,968,400
Net Position - Beginning of Year	3,661,661,244	315,300,916	352,646,852	593,721,436	4,923,330,448
Net Position - End of Year	\$ 3,641,602,614	\$ 335,960,757	\$ 348,970,858	\$ 677,764,619	\$ 5,004,298,848

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2016
Exhibit E-3

	Private Contributions	Tri- Centennial	Total
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ 52,678	\$ 7,346	\$ 60,024
Total Current Assets	<u>52,678</u>	<u>7,346</u>	<u>60,024</u>
Total Assets	<u>52,678</u>	<u>7,346</u>	<u>60,024</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	44,585	-	44,585
Total Current Liabilities	<u>44,585</u>	<u>-</u>	<u>44,585</u>
Total Liabilities	<u>44,585</u>	<u>-</u>	<u>44,585</u>
NET POSITION			
Held in trust	<u>\$ 8,093</u>	<u>\$ 7,346</u>	<u>\$ 15,439</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit E-4

	Private Contributions	Tri- Centennial	Total
ADDITIONS			
Total Additions, net	\$ -	\$ -	\$ -
DEDUCTIONS			
Total Deductions	-	-	-
Net Increase (Decrease)	-	-	-
Net Position - Beginning of Year	8,093	7,346	15,439
Net Position - End of Year	<u>\$ 8,093</u>	<u>\$ 7,346</u>	<u>\$ 15,439</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit E-5

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>RECREATION ACTIVITIES FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 3,362,258	\$ 32,180,676	\$ 32,406,719	\$ 3,136,215
Accounts receivable	365,137	75,541,918	67,328,574	8,578,481
Total Assets	<u>\$ 3,727,395</u>	<u>\$ 107,722,594</u>	<u>\$ 99,735,293</u>	<u>\$ 11,714,696</u>
LIABILITIES				
Accounts payable	\$ 130,586	\$ 13,350,055	\$ 13,119,152	\$ 361,489
Due to other funds	310,000	-	310,000	-
Due to other governments	-	19,385,756	19,384,585	1,171
Other liabilities	3,286,809	50,393,265	42,328,038	11,352,036
Total Liabilities	<u>\$ 3,727,395</u>	<u>\$ 83,129,076</u>	<u>\$ 75,141,775</u>	<u>\$ 11,714,696</u>
<u>PROPERTY TAX FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 24,144,846	\$ 2,082,250,994	\$ 2,083,623,166	\$ 22,772,674
Property taxes receivable	5,137,480	404,594,740	404,636,654	5,095,566
Accounts receivable	-	84	84	-
Due from other governments	295,332	-	295,332	-
Total Assets	<u>\$ 29,577,658</u>	<u>\$ 2,486,845,818</u>	<u>\$ 2,488,555,236</u>	<u>\$ 27,868,240</u>
LIABILITIES				
Uncollected property taxes due to governments	\$ 4,812,994	\$ 404,594,740	\$ 404,636,654	\$ 4,771,080
Due to other governments	-	411,855,540	411,359,466	496,074
Undistributed taxes and refunds	3,423,955	2,075,961,966	2,075,949,370	3,436,551
Tax sale surplus and redemptions payable	3,744,750	9,088,587	8,757,306	4,076,031
Other liabilities	17,595,959	429,768,619	432,276,074	15,088,504
Total Liabilities	<u>\$ 29,577,658</u>	<u>\$ 3,331,269,452</u>	<u>\$ 3,332,978,870</u>	<u>\$ 27,868,240</u>
<u>MISCELLANEOUS AGENCY FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 6,806,478	\$ 5,125,179	\$ 5,473,155	\$ 6,458,502
Cash	132,871	-	1,926	130,945
Property taxes receivable	306	1,057,115	1,057,147	274
Accounts receivable	219,296	366,505	395,926	189,875
Total Assets	<u>\$ 7,158,951</u>	<u>\$ 6,548,799</u>	<u>\$ 6,928,154</u>	<u>\$ 6,779,596</u>
LIABILITIES				
Accrued liabilities	\$ -	\$ 11,144	\$ -	\$ 11,144
Due to component units	6,324	21,976	28,300	-
Due to other governments	1,395,642	2,129,704	2,161,693	1,363,653
Other liabilities	1,829,614	7,217,390	7,309,099	1,737,905
Deposits	3,927,371	1,257,026	1,517,503	3,666,894
Total Liabilities	<u>\$ 7,158,951</u>	<u>\$ 10,637,240</u>	<u>\$ 11,016,595</u>	<u>\$ 6,779,596</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit E-5 (Concluded)

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Equity in pooled cash and investments	\$ 34,313,582	\$ 2,119,556,849	\$ 2,121,503,040	\$ 32,367,391
Cash	132,871	-	1,926	130,945
Property taxes receivable	5,137,786	405,651,855	405,693,801	5,095,840
Accounts receivable	584,433	75,908,507	67,724,584	8,768,356
Due from other governments	295,332	-	295,332	-
Total Assets	<u>\$ 40,464,004</u>	<u>\$ 2,601,117,211</u>	<u>\$ 2,595,218,683</u>	<u>\$ 46,362,532</u>
LIABILITIES				
Accounts payable	\$ 130,586	\$ 13,350,055	\$ 13,119,152	\$ 361,489
Accrued liabilities	-	11,144	-	11,144
Deposits	3,927,371	1,257,026	1,517,503	3,666,894
Due to other funds	310,000	-	310,000	-
Due to component units	6,324	21,976	28,300	-
Due to other governments	1,395,642	433,371,000	432,905,744	1,860,898
Uncollected property taxes due to governments	4,812,994	404,594,740	404,636,654	4,771,080
Undistributed taxes and refunds	3,423,955	2,075,961,966	2,075,949,370	3,436,551
Tax sale surplus and redemptions payable	3,744,750	9,088,587	8,757,306	4,076,031
Other liabilities	22,712,382	487,379,274	481,913,211	28,178,445
Total Liabilities	<u>\$ 40,464,004</u>	<u>\$ 3,425,035,768</u>	<u>\$ 3,419,137,240</u>	<u>\$ 46,362,532</u>

NONMAJOR COMPONENT UNITS

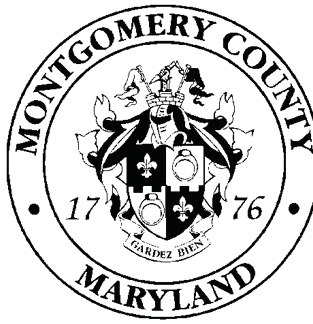


MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR COMPONENT UNITS
 JUNE 30, 2016
Exhibit F-1

	BUP	MCRA	MC	Total
ASSETS				
Equity in pooled cash and investments	\$ -	\$ -	\$ 26,778,184	\$ 26,778,184
Cash with fiscal agents	-	-	6,255,470	6,255,470
Cash	858,022	5,687,877	99,398	6,645,297
Investments - cash equivalents	-	-	13,811,820	13,811,820
Investments	-	-	44,877,433	44,877,433
Receivables (net of allowance for uncollectibles):				
Capital leases	-	11,898,895	-	11,898,895
Accounts	15,966	-	9,161,677	9,177,643
Notes	-	65,038,705	-	65,038,705
Other	2,804	545,362	4,730,617	5,278,783
Due from primary government	31,197	-	8,763,882	8,795,079
Due from other governments	12,740	303,624	5,339,639	5,656,003
Inventory of supplies	-	456,245	3,923	460,168
Prepays	43,897	22,164	2,226,380	2,292,441
Other assets	5,075	-	5,908,733	5,913,808
Restricted cash	-	547,717	-	547,717
Investment	-	1,473,981	20,407,083	21,881,064
Capital Assets:				
Nondepreciable assets	-	31,753,902	7,912,563	39,666,465
Depreciable assets, net	425,982	13,719,156	534,715,634	548,860,772
Total Assets	<u>1,395,683</u>	<u>131,447,628</u>	<u>690,992,436</u>	<u>823,835,747</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	918,791	-	918,791
Pension deferrals	-	717,765	6,393,900	7,111,665
Accumulated decrease in fair value of hedging derivatives	-	127,583	47,358	174,941
Total Deferred Outflow of Resources	<u>-</u>	<u>1,764,139</u>	<u>6,441,258</u>	<u>8,205,397</u>
LIABILITIES				
Accounts payable	181,742	301,551	6,257,098	6,740,391
Retainage payable	-	-	1,434,951	1,434,951
Accrued liabilities	263,633	1,143,552	18,648,432	20,055,617
Deposits	-	309,279	-	309,279
Due to primary government	19,645	330,073	429,626	779,344
Due to other governments	-	-	373,939	373,939
Unearned revenue	-	761,121	7,483,035	8,244,156
Other liabilities	30,998	-	2,085,810	2,116,808
Noncurrent Liabilities:				
Due within one year	22,768	5,991,844	2,636,541	8,651,153
Due in more than one year	68,566	90,307,120	94,132,440	184,508,126
Total Liabilities	<u>587,352</u>	<u>99,144,540</u>	<u>133,481,872</u>	<u>233,213,764</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	1,136,239	1,136,239
Pension deferrals	-	793,180	3,332,000	4,125,180
Total Deferred Intflow of Resources	<u>-</u>	<u>793,180</u>	<u>4,468,239</u>	<u>5,261,419</u>
NET POSITION				
Net investment in capital assets	425,982	27,388,289	479,965,236	507,779,507
Restricted for:				
Capital projects	-	142,923	-	142,923
Debt service	-	1,473,981	-	1,473,981
Other purposes	-	404,794	30,678,609	31,083,403
Unrestricted (deficit)	<u>382,349</u>	<u>3,864,060</u>	<u>48,839,738</u>	<u>53,086,147</u>
Total Net Position	<u>\$ 808,331</u>	<u>\$ 33,274,047</u>	<u>\$ 559,483,583</u>	<u>\$ 593,565,961</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 NONMAJOR COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Exhibit F-2

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	BUP	MCRA	MC	Total
Component Units:								
General government	\$ 4,881,463	\$ 4,685,640	\$ 187,760	\$ -	\$ (8,063)	\$ -	\$ -	\$ (8,063)
Culture and recreation	18,761,380	16,711,082	-	1,170,300	-	(879,998)	-	(879,998)
Education	350,557,109	78,168,637	20,392,373	-	-	-	(251,996,099)	(251,996,099)
Total component units	<u>\$ 374,199,952</u>	<u>\$ 99,565,359</u>	<u>\$ 20,580,133</u>	<u>\$ 1,170,300</u>	<u>(8,063)</u>	<u>(879,998)</u>	<u>(251,996,099)</u>	<u>(252,884,160)</u>
General revenues:								
Grants and contributions not restricted to specific programs					17,643	-	263,829,890	263,847,533
Investment Income					-	2,500,978	1,681,069	4,182,047
Gain (loss) on sale of capital assets					32,500	(30,679)	(64,949)	(63,128)
Total general revenues					<u>50,143</u>	<u>2,470,299</u>	<u>265,446,010</u>	<u>267,966,452</u>
Change in net position					42,080	1,590,301	13,449,911	15,082,292
Total Net Position - beginning, as restated					<u>766,251</u>	<u>31,683,746</u>	<u>546,033,672</u>	<u>578,483,669</u>
Total Net Position - ending					<u>\$ 808,331</u>	<u>\$ 33,274,047</u>	<u>\$ 559,483,583</u>	<u>\$ 593,565,961</u>



STATISTICAL SECTION

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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

Indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information

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

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



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

Table 1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net investment in capital assets	\$ 1,880,672,363	\$ 1,875,327,937	\$ 1,937,493,317	\$ 1,965,289,080	\$ 1,923,668,729	\$ 1,880,813,780	\$ 1,932,495,036	\$ 2,112,879,507	\$ 2,099,290,326	\$ 2,280,466,863
Restricted	440,714,792	410,457,623	393,404,279	380,181,540	426,265,013	502,059,858	296,564,191	315,878,315	493,320,702	415,275,255
Unrestricted (deficit) (1)	(423,363,652)	(652,576,967)	(1,043,969,070)	(1,372,709,340)	(1,388,128,738)	(1,365,476,872)	(1,147,060,057)	(1,247,964,983)	(1,882,775,991)	(1,974,687,523)
Total Governmental Activities Net Position	<u>1,898,023,503</u>	<u>1,633,208,593</u>	<u>1,286,928,526</u>	<u>972,761,280</u>	<u>961,805,004</u>	<u>1,017,396,766</u>	<u>1,081,999,170</u>	<u>1,180,792,839</u>	<u>709,835,037</u>	<u>721,054,595</u>
Business-type Activities:										
Net investment in capital assets	160,807,324	166,059,652	177,697,087	178,781,693	173,232,831	185,300,678	191,266,741	181,965,592	186,001,533	139,122,346
Restricted	72,370,254	76,590,751	66,606,205	54,684,729	52,817,393	93,254,622	94,329,133	64,810,807	48,386,118	88,115,316
Unrestricted	33,422,201	36,328,335	24,449,753	16,127,031	18,434,295	26,894,257	41,045,651	69,285,828	57,451,970	71,413,125
Total Business-type Activities Net Position	<u>266,599,779</u>	<u>278,978,738</u>	<u>268,753,045</u>	<u>249,593,453</u>	<u>244,484,519</u>	<u>305,449,557</u>	<u>326,641,525</u>	<u>316,062,227</u>	<u>291,839,621</u>	<u>298,650,787</u>
Primary Government:										
Net investment in capital assets	1,996,886,602	1,999,920,988	2,003,119,670	2,109,006,202	2,065,797,289	2,066,114,458	2,123,761,777	2,294,845,099	2,285,291,859	2,419,589,209
Restricted	513,085,046	513,085,046	487,048,374	434,866,269	479,082,406	595,314,480	390,893,324	380,689,122	541,706,820	503,390,571
Unrestricted (deficit) (1)	(345,348,366)	(348,382,752)	(577,980,713)	(1,321,517,738)	(1,338,590,172)	(1,338,582,615)	(1,106,014,406)	(1,178,679,155)	(1,825,324,021)	(1,903,274,398)
Total Primary Government Net Position	<u>\$ 2,164,623,282</u>	<u>\$ 2,164,623,282</u>	<u>\$ 1,912,187,331</u>	<u>\$ 1,222,354,733</u>	<u>\$ 1,206,289,523</u>	<u>\$ 1,322,846,323</u>	<u>\$ 1,408,640,695</u>	<u>\$ 1,496,855,066</u>	<u>\$ 1,001,674,658</u>	<u>\$ 1,019,705,382</u>

NOTES:

- * This table is a summary of net position information presented in the basic financial statement Exhibit A-1.
 - * Government-wide net position information is reported on the accrual basis of accounting.
 - * Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County.
 - * Beginning in FY13, the County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which requires amounts formerly reported as net assets be reported as net position. The effect of this implementation is reflected in the above table.*
 - * Certain amounts have been restated or reclassified to conform with the following year's presentation.
- (1) The County's governmental activities has an unrestricted deficit because the County issues debt to fund construction costs for MCPS and MC, two of its component units, and for M-NCPPC, a joint venture. Absent the effect of this relationship, the County would have reported a smaller government-wide deficit for its governmental activities and for government-wide purposes. Government-wide unrestricted net position would have been:

Unrestricted (deficit) net position reported above	\$ (345,348,366)	\$ (348,382,752)	\$ (577,980,713)	\$ (1,321,517,738)	\$ (1,338,590,172)	\$ (1,338,582,615)	\$ (1,106,014,406)	\$ (1,178,679,155)	\$ (1,825,324,021)	\$ (1,903,274,398)
Debt issued for capital on behalf of others	<u>1,109,741,009</u>	<u>1,023,021,034</u>	<u>1,122,854,267</u>	<u>1,252,293,676</u>	<u>1,359,354,018</u>	<u>1,399,452,195</u>	<u>1,471,314,322</u>	<u>1,498,460,648</u>	<u>1,634,742,350</u>	<u>1,664,939,419</u>
County net position absent effect of this relationship	<u>\$ 764,392,643</u>	<u>\$ 674,638,282</u>	<u>\$ 544,873,554</u>	<u>\$ (69,224,062)</u>	<u>\$ 20,763,846</u>	<u>\$ 60,869,580</u>	<u>\$ 365,299,916</u>	<u>\$ 319,781,493</u>	<u>\$ (190,581,671)</u>	<u>\$ (238,334,979)</u>

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS

Table 2-a

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	\$ 274,005,357	\$ 304,526,806	\$ 337,557,085	\$ 293,349,395	\$ 287,987,929	\$ 351,138,451	\$ 400,023,515	\$ 474,084,799	\$ 470,405,790	\$ 624,551,802
Public safety	529,748,046	601,156,598	626,855,553	611,714,420	614,081,563	600,877,545	609,565,746	607,555,402	591,702,869	620,407,666
Public works and transportation	210,395,916	233,193,597	257,041,963	297,864,026	255,731,300	263,586,549	278,716,716	273,021,015	288,226,716	279,744,940
Health and human services	252,066,273	286,907,329	288,519,635	287,883,637	283,727,427	256,703,043	272,032,818	291,657,233	296,567,081	292,252,497
Culture and recreation	103,765,006	118,017,417	116,186,268	108,490,460	88,433,456	93,560,027	93,965,468	95,084,426	95,703,122	116,004,130
Community development and housing	18,213,040	19,134,520	21,365,597	40,627,603	73,432,068	46,198,670	37,821,686	38,160,065	32,001,034	42,140,359
Environment	12,962,711	14,967,339	13,618,312	16,446,934	19,189,065	28,584,840	28,913,062	31,590,141	30,905,863	29,886,401
Education	1,669,681,121	1,783,953,133	1,842,962,933	1,738,633,028	1,728,747,256	1,751,721,080	1,797,097,286	1,770,301,285	1,826,117,289	1,899,997,038
Interest on long-term debt	81,262,618	95,931,334	92,511,000	86,352,825	99,272,929	116,354,151	113,688,959	101,268,081	112,420,639	99,889,037
Total Governmental Activities Expenses	3,152,100,088	3,457,788,073	3,596,618,346	3,481,362,328	3,450,602,993	3,508,724,356	3,631,825,256	3,682,722,447	3,744,050,403	4,004,873,870
Business-type Activities:										
Liquor control	180,243,618	190,742,139	197,044,956	204,677,766	215,359,402	220,242,176	225,650,484	239,218,758	248,982,109	264,763,943
Solid waste activities	103,455,706	98,166,937	96,857,869	100,709,914	100,890,192	99,723,180	106,039,038	129,531,260	109,351,706	105,838,154
Parking lot districts	26,622,097	27,854,499	29,003,485	30,698,606	30,755,951	29,724,042	30,321,385	30,140,788	37,103,525	33,453,769
Permitting services	23,463,486	26,977,767	27,878,868	27,306,059	25,490,571	25,039,256	27,534,056	29,486,839	29,002,673	31,042,939
Community use of public facilities	7,657,662	8,456,433	8,744,741	8,397,989	8,727,217	8,890,716	9,533,241	8,997,721	9,444,551	10,301,634
Total Business-type Activities Expenses	341,442,569	352,197,775	359,529,919	371,790,334	381,223,333	383,619,370	399,078,204	437,375,366	433,884,564	445,400,439
Total Primary Government Expenses	3,493,542,657	3,809,985,848	3,956,148,265	3,853,152,662	3,831,826,326	3,892,343,726	4,030,903,460	4,120,097,813	4,177,934,967	4,450,274,309
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	58,026,709	52,271,766	55,124,011	53,793,781	72,444,386	69,255,366	67,955,551	35,879,186	75,223,054	67,180,168
Public safety	21,633,121	33,618,772	44,359,719	33,115,674	38,595,219	35,960,217	44,887,666	52,773,389	52,554,641	56,419,015
Public works and transportation	18,262,635	17,750,337	18,997,028	22,214,073	26,974,805	28,375,493	31,024,303	28,606,534	32,070,795	31,222,409
Health and human services	3,894,842	6,504,109	5,604,372	1,497,239	4,721,205	5,785,003	4,976,188	5,448,684	4,968,870	4,210,725
Culture and recreation	26,155,477	27,740,357	29,964,898	31,559,913	32,590,653	36,029,762	37,693,903	38,555,482	39,462,050	39,033,846
Community development and housing	245,105	3,947,238	3,937,188	4,745,237	5,019,056	5,328,444	7,882,996	5,097,251	5,245,558	5,943,869
Environment	5,954,673	6,062,667	8,594,412	10,832,323	11,860,231	17,686,313	23,115,938	23,130,913	28,232,295	107,496
Operating Grants and Contributions:										
General government	9,906,187	9,833,718	6,720,731	8,425,267	5,849,908	4,727,151	4,746,333	7,177,643	5,900,190	5,783,686
Public safety	32,672,761	29,421,302	30,138,410	30,382,733	37,520,540	34,066,226	37,548,290	32,105,352	34,566,646	38,001,429
Public works and transportation	65,774,815	65,513,498	71,494,515	30,127,888	29,181,943	17,616,341	34,642,383	48,675,916	40,840,283	48,018,142
Health and human services	113,457,584	102,694,709	109,573,451	95,136,860	104,007,562	87,045,926	105,230,050	111,498,816	112,388,538	103,139,187
Culture and recreation	4,852,256	5,084,296	4,729,985	5,270,729	5,366,409	5,391,330	12,344,981	5,089,403	5,362,215	5,564,089
Community development and housing	4,568,516	3,825,474	6,300,663	10,997,335	10,261,792	13,596,969	738,299	4,765,528	2,843,614	3,382,444
Environment	336,713	20,104	924	86,862	567,585	2,984,828	623,999	1,740,066	23,547	126,632
Capital Grants and Contributions:										
General government	1,068	702,125	2,019,511	1,785,014	5,102,185	6,279,853	6,998,575	6,728,959	8,780,438	8,057,312
Public safety	6,444,925	1,867,152	5,112,282	1,830,899	212,915	805,520	1,866,778	2,144,407	986,711	1,085,087
Public works and transportation (3)	29,777,979	22,482,671	16,919,856	43,203,926	38,384,823	49,814,738	11,801,526	26,115,518	18,100,100	46,691,306

Culture and recreation	11,974,970	3,183,810	7,909,851	1,565,933	3,123,739	3,794,333	1,739,360	1,715,816	4,950,414	384,826
Community development and housing	3,252,035	3,071,146	2,567,389	1,760,429	79,902	556,768	1,008,236	3,306,075	1,509,342	536,830
Environment	-	1,999,900	-	5,024,146	493,943	12,063	-	-	43,848	5,582,790
Total Governmental Activities Program Revenues	<u>417,192,371</u>	<u>397,595,151</u>	<u>430,069,196</u>	<u>393,356,261</u>	<u>432,358,801</u>	<u>425,112,644</u>	<u>436,825,355</u>	<u>440,554,938</u>	<u>474,053,149</u>	<u>470,471,288</u>
Business-type Activities:										
Charges for Services:										
Liquor control	201,744,558	213,711,131	220,795,524	229,317,194	242,802,606	252,285,232	259,327,227	268,677,859	278,768,662	294,593,991
Solid waste activities	99,990,932	102,107,187	100,139,024	103,373,586	106,304,522	108,410,918	108,780,916	109,251,865	111,621,329	109,338,285
Parking lot districts	25,306,635	26,486,431	27,303,666	28,252,122	30,647,758	29,208,719	31,980,146	31,093,981	34,717,204	32,731,451
Permitting services	25,523,639	28,320,497	22,998,323	27,840,904	30,537,026	41,196,475	45,231,452	44,393,317	38,595,012	43,882,689
Community use of public facilities	7,869,818	7,788,733	8,576,323	8,405,087	9,854,373	10,378,258	10,555,506	10,986,875	11,133,118	11,437,099
Operating Grants and Contributions:										
Solid waste activities	11,135	10,000	8,700	30,000	-	-	-	-	-	-
Total Business-type Activities Program Revenues	<u>360,446,717</u>	<u>378,423,979</u>	<u>379,821,560</u>	<u>397,218,893</u>	<u>420,146,285</u>	<u>441,479,602</u>	<u>455,875,247</u>	<u>464,403,897</u>	<u>474,835,325</u>	<u>491,983,515</u>
Total Primary Government Program Revenues	<u>777,639,088</u>	<u>776,019,130</u>	<u>809,890,756</u>	<u>790,575,154</u>	<u>852,505,086</u>	<u>866,592,246</u>	<u>892,700,602</u>	<u>904,958,835</u>	<u>948,888,474</u>	<u>962,454,803</u>
Net (Expense) Revenue (1)										
Governmental activities	(2,734,907,717)	(3,060,192,922)	(3,166,549,150)	(3,088,006,067)	(3,018,244,192)	(3,083,611,712)	(3,194,999,901)	(3,242,167,509)	(3,269,997,254)	(3,534,402,582)
Business-type activities	19,004,148	26,226,204	20,291,641	25,428,559	38,922,952	57,860,232	56,797,043	27,028,531	40,950,761	46,583,076
Total Primary Government Net Expense	<u>(2,715,903,569)</u>	<u>(3,033,966,718)</u>	<u>(3,146,257,509)</u>	<u>(3,062,577,508)</u>	<u>(2,979,321,240)</u>	<u>(3,025,751,480)</u>	<u>(3,138,202,858)</u>	<u>(3,215,138,978)</u>	<u>(3,229,046,493)</u>	<u>(3,487,819,506)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes (2)	2,867,870,217	2,707,037,561	2,759,520,047	2,711,817,013	2,945,614,528	3,083,078,491	3,208,768,624	3,290,585,776	3,228,243,148	3,488,157,212
Grants, contributions, and other revenue not restricted to specific programs	-	-	-	-	-	-	-	588,567	-	-
Investment income (3)	42,003,532	42,586,707	14,173,076	8,299,709	5,543,975	7,035,479	8,036,630	6,457,962	6,787,434	7,907,133
Gain/(loss) on sale of capital assets	6,209,594	13,309,573	1,604,285	(1,366,889)	2,669,858	1,103,216	4,965,531	(3,529,635)	3,882,648	172,639
Transfers	34,073,566	32,444,171	44,971,675	55,088,988	53,459,555	47,986,288	44,703,099	46,858,508	55,489,227	49,385,156
Total Governmental Activities	<u>2,950,156,909</u>	<u>2,795,378,012</u>	<u>2,820,269,083</u>	<u>2,773,838,821</u>	<u>3,007,287,916</u>	<u>3,139,203,474</u>	<u>3,266,473,884</u>	<u>3,340,961,178</u>	<u>3,294,402,457</u>	<u>3,545,622,140</u>
Business-type Activities:										
Property taxes	9,562,592	11,266,747	11,854,882	9,931,045	9,273,198	8,503,222	10,063,874	10,391,101	10,903,699	(657,506)
Investment income	8,339,098	7,330,179	2,599,459	569,792	154,471	43,202	51,852	100,857	215,823	415,329
Gain/(loss) on sale of capital assets	34,637	-	-	-	-	42,544,670	-	(1,241,279)	175,100	9,855,423
Transfers	(34,073,566)	(32,444,171)	(44,971,675)	(55,088,988)	(53,459,555)	(47,986,288)	(44,703,099)	(46,858,508)	(55,489,227)	(49,385,156)
Total Business-type Activities	<u>(16,137,239)</u>	<u>(13,847,245)</u>	<u>(30,517,334)</u>	<u>(44,588,151)</u>	<u>(44,031,886)</u>	<u>3,104,806</u>	<u>(34,587,373)</u>	<u>(37,607,829)</u>	<u>(44,194,605)</u>	<u>(39,771,910)</u>
Total Primary Government	<u>2,934,019,670</u>	<u>2,781,530,767</u>	<u>2,789,751,749</u>	<u>2,729,250,670</u>	<u>2,963,256,030</u>	<u>3,142,308,280</u>	<u>3,231,886,511</u>	<u>3,303,353,349</u>	<u>3,250,207,852</u>	<u>3,505,850,230</u>
Change in Net Position										
Governmental activities	215,249,192	(264,814,910)	(346,280,067)	(314,167,246)	(10,956,276)	55,591,762	71,473,983	98,793,669	24,405,203	11,219,558
Business-type activities	2,866,909	12,378,959	(10,225,693)	(19,159,592)	(5,108,934)	60,965,038	22,209,670	(10,579,298)	(3,243,844)	6,811,166
Total Primary Government	<u>\$ 218,116,101</u>	<u>\$ (252,435,951)</u>	<u>\$ (356,505,760)</u>	<u>\$ (333,326,838)</u>	<u>\$ (16,065,210)</u>	<u>\$ 116,556,800</u>	<u>\$ 93,683,653</u>	<u>\$ 88,214,371</u>	<u>\$ 21,161,359</u>	<u>\$ 18,030,724</u>

NOTES:

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

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

(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses.

(2) See Table 2-b for detail of General Tax Revenues.

(3) Certain amounts have been restated or reclassified to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES
 LAST TEN FISCAL YEARS

Table 2-b

	2007	2008	2009	2010	2011
Property taxes	\$ 1,126,632,925	\$ 1,146,965,583	\$ 1,296,974,051	\$ 1,371,964,491	\$ 1,358,968,819
County income taxes	1,388,927,139	1,246,939,067	1,169,568,981	1,010,874,757	1,151,260,721
Real property transfer taxes	106,902,482	80,380,388	64,771,739	77,106,332	71,809,475
Recordation taxes	72,672,928	54,658,577	42,437,216	44,934,687	57,725,334
Fuel energy taxes	118,853,224	118,277,973	129,328,307	156,880,330	233,408,845
Hotel-motel taxes	17,476,723	17,783,194	16,829,254	17,064,493	19,295,158
Telephone taxes	29,375,812	30,472,124	30,906,025	29,741,879	49,087,889
Other taxes	7,028,984	11,560,655	8,704,474	3,250,044	4,058,287
Total Taxes - Governmental Activities	<u>\$ 2,867,870,217</u>	<u>\$ 2,707,037,561</u>	<u>\$ 2,759,520,047</u>	<u>\$ 2,711,817,013</u>	<u>\$ 2,945,614,528</u>

	2012	2013	2014	2015	2016
Property taxes	\$ 1,395,693,492	\$ 1,463,855,656	\$ 1,528,302,790	\$ 1,528,093,085	\$ 1,593,880,896
County income taxes	1,265,289,159	1,311,161,472	1,329,827,192	1,276,415,595	1,464,946,447
Real property transfer taxes	76,089,437	84,391,394	90,496,157	92,068,495	100,566,864
Recordation taxes	51,207,341	57,635,661	53,962,477	55,530,762	61,141,531
Fuel energy taxes	226,148,664	223,948,716	210,678,660	207,195,218	193,281,367
Hotel-motel taxes	18,167,827	18,910,872	17,675,982	19,007,650	19,444,152
Telephone taxes	46,470,315	45,696,525	53,160,865	48,839,958	49,694,945
Other taxes	4,012,256	3,168,328	6,481,653	1,092,385	5,201,010
Total Taxes - Governmental Activities	<u>\$ 3,083,078,491</u>	<u>\$ 3,208,768,624</u>	<u>\$ 3,290,585,776</u>	<u>\$ 3,228,243,148</u>	<u>\$ 3,488,157,212</u>

NOTES:

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

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

Table 3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 7,774,404	\$ 8,465,100	\$ 8,621,928	\$ 7,596,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	308,977,204	164,347,706	99,484,134	39,665,617	-	-	-	-	-	-
Nonspendable	-	-	-	-	4,181,482	5,635,580	5,649,319	6,159,553	6,799,926	7,275,055
Restricted	-	-	-	-	-	-	184,879,381	208,001,441	231,233,570	261,313,852
Committed	-	-	-	-	23,275,746	41,243,696	49,695,245	68,078,344	70,586,279	71,684,134
Assigned	-	-	-	-	11,022,956	20,382,922	29,344,177	33,293,736	26,575,194	27,035,009
Unassigned	-	-	-	-	69,031,737	192,937,060	238,947,394	284,211,537	156,538,119	113,028,313
Total General Fund	<u>316,751,608</u>	<u>172,812,806</u>	<u>108,106,062</u>	<u>47,262,456</u>	<u>107,511,921</u>	<u>260,199,258</u>	<u>508,515,516</u>	<u>599,744,611</u>	<u>491,733,088</u>	<u>480,336,363</u>
All Other Governmental Funds:										
Reserved	266,598,847	210,340,019	225,379,967	292,759,512	-	-	-	-	-	-
Unreserved (deficit), reported in:										
Capital Projects Fund	19,800,904	(12,377,776)	(86,447,622)	(34,256,005)	-	-	-	-	-	-
Special Revenue Funds	186,764,337	211,866,176	176,689,046	107,931,281	-	-	-	-	-	-
Nonspendable	-	-	-	-	212,311,293	212,663,632	102,478	-	1,842,076	1,487,983
Restricted	-	-	-	-	116,843,705	172,168,580	273,243,953	314,830,001	491,602,469	413,787,272
Committed	-	-	-	-	97,110,019	117,227,649	23,217,760	-	-	-
Assigned	-	-	-	-	(16,187,982)	(6,573,775)	-	1,777,868	-	-
Unassigned	-	-	-	-	-	-	(4,023,811)	(45,043,906)	(123,843)	-
Total All Other Governmental Funds	<u>473,164,088</u>	<u>409,828,419</u>	<u>315,621,391</u>	<u>366,434,788</u>	<u>410,077,035</u>	<u>495,486,086</u>	<u>292,540,380</u>	<u>271,563,963</u>	<u>493,320,702</u>	<u>415,275,255</u>
Total All Governmental Funds	<u>\$ 789,915,696</u>	<u>\$ 582,641,225</u>	<u>\$ 423,727,453</u>	<u>\$ 413,697,244</u>	<u>\$ 517,588,956</u>	<u>\$ 755,685,344</u>	<u>\$ 801,055,896</u>	<u>\$ 871,308,574</u>	<u>\$ 985,053,790</u>	<u>\$ 895,611,618</u>

NOTE:

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

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

(1) Beginning in fiscal year 2011, the County implemented GASB Statement No. 54 which revised the fund balance categories for Governmental Funds.

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

Table 4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 2,751,864,063	\$ 2,752,355,883	\$ 2,872,519,430	\$ 2,742,547,034	\$ 2,842,907,152	\$ 3,071,355,492	\$ 3,213,926,861	\$ 3,340,415,154	\$ 3,262,424,596	\$ 3,447,864,362
Licenses and permits	12,418,584	11,192,157	11,545,500	11,864,114	12,846,648	12,195,140	10,738,233	11,614,419	11,326,007	12,265,385
Intergovernmental	267,675,931	244,672,132	226,479,924	247,787,259	233,177,719	238,828,101	203,295,273	238,025,684	239,344,101	243,783,791
Charges for services	79,501,815	80,355,654	89,226,745	88,114,055	95,328,028	104,474,174	118,897,641	137,867,556	138,342,978	118,467,372
Fines and forfeitures	12,588,526	21,583,162	28,423,775	24,010,876	22,095,048	19,823,291	23,990,181	24,718,907	29,527,268	29,007,222
Investment income	34,147,428	37,012,601	12,114,916	8,167,875	2,501,375	1,678,682	3,559,251	3,246,853	3,140,302	3,981,063
Miscellaneous (1)	13,199,158	13,919,065	17,856,623	13,186,434	35,697,895	32,262,972	28,609,606	19,238,372	22,099,346	18,754,780
Total Revenues	3,171,395,505	3,161,090,654	3,258,166,913	3,135,677,647	3,244,553,865	3,480,617,852	3,603,017,046	3,775,126,945	3,706,204,598	3,874,123,975
Expenditures										
General government	248,252,022	257,381,611	277,007,216	251,799,095	250,208,030	304,292,249	377,437,886	427,961,485	436,469,967	423,988,597
Public safety	506,729,330	543,200,962	569,158,754	551,861,356	540,676,570	545,731,975	584,117,898	609,901,721	638,867,007	654,542,863
Public works and transportation	171,901,834	171,903,223	176,414,373	209,734,805	172,602,449	163,495,587	182,373,840	202,423,119	201,412,836	210,800,081
Health and human services	251,396,734	272,823,056	276,831,826	274,811,330	259,840,844	241,758,579	262,670,134	290,822,526	307,899,487	298,572,142
Culture and recreation	87,872,720	96,010,787	93,616,178	87,134,422	69,468,004	69,919,113	75,063,030	83,710,619	86,389,803	92,157,698
Community development and housing	17,125,576	15,916,219	19,208,889	38,595,295	56,344,179	44,426,304	42,401,492	34,324,023	42,434,875	37,372,312
Environment	8,620,911	9,242,386	10,318,956	12,667,903	13,758,025	20,857,521	20,173,173	19,621,158	21,828,607	23,414,990
Education (2)	1,490,679,488	1,563,374,406	1,643,643,553	1,562,095,633	1,525,074,457	1,484,470,943	1,541,101,257	1,569,587,294	1,615,305,046	1,674,058,571
Debt service:										
Principal	383,983,419	146,194,699	373,014,292	136,317,844	142,318,320	160,126,917	164,255,364	176,485,346	197,898,016	192,160,354
Interest	75,133,526	78,949,436	87,192,902	85,337,817	90,118,001	96,102,824	26,472,773	22,100,609	27,134,321	29,873,326
Leases and other obligations	16,030,672	16,358,135	19,857,064	20,921,170	28,650,471	24,704,102	112,329,448	115,657,356	124,957,396	133,478,302
Issuing costs	1,208,672	937,441	2,087,524	5,544,495	4,407,985	6,108,436	3,943,616	4,509,475	5,669,380	3,715,273
Capital projects	342,299,052	424,518,682	447,794,002	511,372,430	496,309,888	559,056,287	603,801,660	617,298,883	556,683,579	624,096,406
Total Expenditures	3,601,233,956	3,596,811,043	3,996,145,529	3,748,193,595	3,649,777,223	3,721,050,837	3,996,141,571	4,174,403,614	4,262,950,320	4,398,230,915
Excess (Deficiency) of Revenues over (under) Expenditures	(429,838,451)	(435,720,389)	(737,978,616)	(612,515,948)	(405,223,358)	(240,432,985)	(393,124,525)	(399,276,669)	(556,745,722)	(524,106,940)
Other Financing Sources (Uses)										
Transfers in	349,888,069	382,434,018	367,718,614	440,418,586	407,905,174	494,213,344	500,639,293	468,468,576	518,356,272	498,634,256
Transfers (out)	(316,432,051)	(352,397,173)	(324,259,745)	(370,535,898)	(351,883,159)	(447,138,462)	(438,499,850)	(414,155,565)	(452,713,522)	(448,738,284)
Sale of property	6,540,519	13,370,213	1,629,312	1,596,976	3,124,492	1,578,365	5,652,439	1,552,618	3,596,267	1,192,070
Financing under notes and leases payable	3,259,280	-	-	22,969,000	97,525	35,151,498	8,395,000	15,857,552	18,128,411	8,360,742
Payment to refunded bond escrow agent	-	(74,751,270)	-	(183,217,861)	-	(314,114,061)	(33,636,846)	(29,837,255)	(429,855,226)	-

Debt Issued:

General obligation bonds	268,839,000	-	250,000,000	310,000,000	325,000,000	320,000,000	295,000,000	295,000,000	500,000,000	300,000,000
Premium on general obligation bonds	-	-	-	9,937,130	28,107,877	37,661,920	32,201,168	30,795,345	81,853,250	26,706,450
Bond anticipation notes	300,000,000	150,000,000	250,000,000	125,000,000	75,000,000	-	-	-	-	-
Certificates of participation	-	34,583,195	-	24,483,684	-	-	-	-	-	-
Lease revenue bonds	835,614	399,231	15,059,652	14,700	29,360,000	28,840,000	-	-	-	-
Taxable LTD obligation certificate	-	-	-	30,400,000	-	-	-	38,015,000	-	-
Discount on Taxable LTD obligation certificate	-	-	-	-	-	-	-	(4,763)	-	-
Variable rate demand obligations	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	10,000,000	-	-	-	-	-	-	-
Premium on general obligation refunding bonds	-	-	-	22,055,598	-	43,863,734	2,013,430	5,023,826	74,595,486	-
Capital lease financing	663,698	12,407	-	11,985	-	-	-	-	-	-
General obligation refunding bonds	-	74,795,297	8,917,011	161,755,000	-	237,655,000	23,360,000	25,059,716	356,510,000	-
Lease revenue refunding bonds	-	-	-	-	-	35,465,000	-	-	-	-
Premium on lease revenue refunding bonds	-	-	-	-	-	5,353,035	57,288	-	-	-
Revenue bonds	-	-	-	-	-	-	37,835,000	32,383,753	-	46,500,000
Premium on revenue bonds	-	-	-	-	-	-	5,478,155	1,370,544	-	2,009,534
Total Other Financing Sources (Uses)	<u>613,594,129</u>	<u>228,445,918</u>	<u>579,064,844</u>	<u>594,888,900</u>	<u>516,711,909</u>	<u>478,529,373</u>	<u>438,495,077</u>	<u>469,529,347</u>	<u>670,470,938</u>	<u>434,664,768</u>
Net Change in Fund Balances	<u>\$ 183,755,678</u>	<u>\$ (207,274,471)</u>	<u>\$ (158,913,772)</u>	<u>\$ (17,627,048)</u>	<u>\$ 111,488,551</u>	<u>\$ 238,096,388</u>	<u>\$ 45,370,552</u>	<u>\$ 70,252,678</u>	<u>\$ 113,725,216</u>	<u>\$ (89,442,172)</u>
Debt service as a percentage of noncapital expenditures (1, 2)	13.29%	6.56%	12.13%	6.44%	6.80%	7.47%	5.15%	5.25%	5.66%	5.44%

NOTES:

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

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

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

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

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF CASH AND INVESTMENTS AND INVESTMENT AND INTEREST INCOME - ALL FUNDS
 AS OF JUNE 30, 2016 AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table 5

	Cash and Investments			Investment and Interest Income (Loss)		
	Pooled	Non-pooled	Total	Pooled	Non-pooled	Total
Primary Government:						
General Fund	\$ 369,469,565	\$ 6,835,895	\$ 376,305,460	\$ 956,696	\$ 36,090	\$ 992,786
Debt Service Fund	16,032,300	10,851,234	26,883,534	-	18,416	18,416
Capital Projects Fund	160,498,919	78,882,687	239,381,606	369,215	36,729	405,944
Special Revenue Funds:						
Recreation	5,117,576	5,750	5,123,326	18,277	-	18,277
Fire Tax District	19,412,434	5,000	19,417,434	123,031	-	123,031
Mass Transit Facilities	32,108,629	2,000	32,110,629	61,101	-	61,101
Housing Initiative	23,347,984	212,450	23,560,434	57,616	2,029,114	2,086,730
Rehabilitation Loan	1,993,477	-	1,993,477	5,020	39,175	44,195
Cable TV (2)	7,102,397	-	7,102,397	22,756	-	22,756
Grants (1)	1,207,398	-	1,207,398	-	127,078	127,078
Agricultural Transfer Tax	1,584,711	-	1,584,711	3,101	-	3,101
Drug Enforcement Forfeitures	2,893,660	25,000	2,918,660	8,199	-	8,199
Water Quality Protection	22,884,312	-	22,884,312	69,878	-	69,878
Restricted Donations	1,848,465	-	1,848,465	-	-	-
Total Special Revenue Funds	119,501,043	250,200	119,751,243	368,979	2,195,367	2,564,346
Enterprise Funds:						
Liquor	2,238,172	5,002,685	7,240,857	8,513	19,407	27,920
Solid Waste Activities	65,352,856	3,600	65,356,456	103,777	-	103,777
Parking Lot Districts	34,936,091	3,205,463	38,141,554	89,880	4,434	94,314
Permitting Services	57,261,236	-	57,261,236	148,253	-	148,253
Community Use of Public Facilities	10,779,429	-	10,779,429	41,065	-	41,065
Total Enterprise Funds	170,567,784	8,211,748	178,779,532	391,488	23,841	415,329
Internal Service Funds:						
Motor Pool	13,815,998	300	13,816,298	46,765	-	46,765
Liability & Property Coverage Self-Insurance	153,337,051	-	153,337,051	463,826	-	463,826
Employee Health Benefits Self-Insurance	35,698,600	-	35,698,600	44,454	-	44,454
Central Duplicating	1,049,814	-	1,049,814	3,887	-	3,887
Total Internal Service Funds	203,901,463	300	203,901,763	558,932	-	558,932
Pension and Other Employee Benefit Trust Funds (1)	2,841,008	5,239,099,797	5,241,940,805	33,937	77,740,202	77,774,139
Investment Trust Fund	9,348,109	-	9,348,109	129,482	-	129,482
Private Purpose Trust Funds	60,024	-	60,024	-	-	-
Agency Funds	32,367,391	130,946	32,498,337	2,757	-	2,757
Total Primary Government	1,084,587,606	5,344,262,807	6,428,850,413	2,811,486	80,050,645	82,862,131
Component Units (Participation in County Pool)	382,491	-	382,491	660	-	660
Total	\$ 1,084,970,097	\$ 5,344,262,807	\$ 6,429,232,904	\$ 2,812,146	\$ 80,050,645	\$ 82,862,791

NOTES:

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

(1) Non-pooled investment income of these funds includes adjustments to fair value of nonpooled investments.

(2) Pooled investment income of the Cable TV Special Revenue Fund includes \$152 related to interest earned on deposits, which has been classified as a liability.

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF CASH AND INVESTMENTS - BY FINANCIAL INSTITUTION
 JUNE 30, 2016

Table 6

Description	Total
PNC Bank	\$ 427,509,418
Bank of New York	1,000,000
Capital One Bank	15,158,783
Congressional Bank	3,802,797
Eagle Bank	43,682,155
Capital Bank	2,500,146
United Bank	17,000,000
Washington First Bank	10,009,496
Total Financial Institutions	<u>520,662,795</u>
Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow:	
General Fund	6,835,895
Debt Service Fund	10,851,234
Capital Projects Fund	78,882,687
Special Revenue Funds	250,200
Enterprise Funds	5,111,077
Internal Service Funds	300
Fiduciary Funds	130,946
Total Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow	<u>102,062,339</u>
Total Cash Deposits in Financial Institutions and on Hand	622,725,134
Investments, at carrying value	5,805,033,473
Accrued interest receivable	1,474,297
Total Cash and Investments (1)	<u>\$ 6,429,232,904</u>

NOTES:

This table presents detailed cash and investment information that supports amounts reported in Table 5 and in Note III-A Cash and Investments.

(1) Includes component units' participation in County external investment pool (see Table 5).

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 COMBINED SCHEDULE OF INVESTMENTS
 JUNE 30, 2016

Table 7

	Pooled	Non-Pooled		Total Carrying Value (2)
		Enterprise	Fiduciary	
Investments, including accrued interest:				
U.S. Government Securities	\$ 407,341,732	\$ -	\$ -	\$ 407,341,732
U.S. Treasury Securities	10,001,700	-	-	10,001,700
Commercial paper	36,795,040	-	-	36,795,040
Money Market Funds	-	3,100,671	-	3,100,671
State Pool	108,694,533	-	-	108,694,533
Pension and Other Employee Benefit Trusts	-	-	5,239,099,797	5,239,099,797
Total (1)	<u>\$ 562,833,005</u>	<u>\$ 3,100,671</u>	<u>\$ 5,239,099,797</u>	<u>\$ 5,805,033,473</u>

NOTES:

* This table presents detailed cash and investment information that supports amounts reported in Table 5 and in Note III-A Cash and Investments.

(1) Includes component units' participation in County external investment pool (see Table 5).

(2) Carrying value is the same as fair value.

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

Table 8

Fiscal Year	Real Property						Total Direct Tax Rate (3)
	Residential (1)		Commercial/Other		Total		
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	
2007	\$ 96,569,606,606	\$ 101,120,006,917	\$ 29,141,169,512	\$ 30,514,313,625	\$ 125,710,776,118	\$ 131,634,320,542	0.902
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,472	164,038,891,569	0.902
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834	0.904
2012	129,513,818,139	139,412,075,499	32,683,331,619	35,181,196,575	162,197,149,758	174,593,272,074	0.947
2013	124,783,384,563	134,320,112,554	33,489,446,285	36,048,919,575	158,272,830,848	170,369,032,129	0.990
2014	125,035,897,087	136,502,071,055	34,855,968,247	38,052,367,082	159,891,865,334	174,554,438,137	1.008
2015	127,929,975,330	138,452,354,253	35,726,782,876	38,665,349,433	163,656,758,206	177,117,703,686	0.995
2016	130,228,674,548	140,940,123,970	39,947,771,504	43,233,518,943	170,176,446,052	184,173,642,913	0.986

Fiscal Year	Personal Property (2)				Total Direct Tax Rate (3)	Real and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value	
	Business		Public Utility			Assessed Value	Estimated Actual Value		
	Individuals	Corporations	Operating Property	Domestic Shares					
2007	\$ 36,342,680	\$ 2,353,070,220	\$ 1,070,305,710	\$ 489,230,940	\$ 3,948,949,550	2.244	\$ 129,659,725,668	\$ 135,583,270,092	95.63
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2.241	146,276,982,963	149,181,195,934	98.05
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,492	167,959,062,589	96.48
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2.247	171,220,840,149	179,277,920,655	95.51
2011	44,693,880	2,295,053,040	1,075,595,252	440,849,780	3,856,191,952	2.247	171,646,984,481	193,664,780,786	88.63
2012	44,967,690	2,206,151,910	1,063,567,900	404,258,210	3,718,945,710	2.357	165,916,095,468	178,312,217,784	93.05
2013	46,638,380	2,092,070,220	1,081,466,940	384,303,210	3,604,478,750	2.463	161,877,309,598	173,973,510,879	93.05
2014	42,416,630	2,172,248,760	1,120,973,968	373,688,150	3,709,327,508	2.509	163,601,192,842	178,263,765,645	91.77
2015	42,008,150	2,075,584,320	1,181,901,740	355,639,000	3,655,133,210	2.473	167,311,891,416	180,772,836,896	92.55
2016	47,898,060	2,234,518,270	1,258,731,007	343,201,680	3,884,349,017	2.450	174,060,795,069	188,057,991,930	92.56

NOTES:

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

(1) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.

(2) For personal property, the assessed value and estimated actual value are the same.

(3) See Table 9-a for real and personal property direct tax rates.

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

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - COUNTY DIRECT RATE
 LAST TEN FISCAL YEARS

Table 9-a

	County-wide					Substantially County-wide (1)					Total County Direct Rate (3)
	County		M-NCPPC (2)		Subtotal	County		M-NCPPC (2)		Prorata Tax Rate	
	County	Fire Tax District	Transit District	Advance Land Acquisition		Recreation	Storm Drainage	Regional District	Metropolitan District		
Real Property:											
2007	\$.6240	\$.1340	\$.0530	\$.0010	\$.8120	\$.0240	\$.0030	\$.0200	\$.0570	\$.0900	\$.9020
2008	.6270	.1260	.0580	.0010	.8120	.0240	.0030	.0190	.0580	.0900	.9020
2009	.6610	.1160	.0400	.0010	.8180	.0220	.0030	.0190	.0530	.0840	.9020
2010	.6830	.1050	.0370	.0010	.8260	.0190	.0030	.0180	.0500	.0780	.9040
2011	.6990	.0970	.0370	.0010	.8340	.0180	.0030	.0150	.0450	.0700	.9040
2012	.7130	.1210	.0380	.0010	.8730	.0180	.0030	.0170	.0480	.0740	.9470
2013	.7240	.1340	.0480	.0010	.9070	.0210	.0030	.0180	.0540	.0830	.9900
2014	.7590	.1250	.0420	.0010	.9270	.0200	.0030	.0180	.0530	.0810	1.0080
2015	.7320	.1360	.0400	.0010	.9090	.0230	.0030	.0170	.0560	.0857	0.9947
2016	.7230	.1160	.0600	.0010	.9000	.0230	.0030	.0180	.0552	.0858	.9858
Personal Property:											
2007	\$ 1.5600	\$.3350	\$.1330	\$.0030	\$ 2.0310	\$.0600	\$.0080	\$.0500	\$.1430	\$.2130	\$ 2.2440
2008	1.5670	.3150	.1450	.0030	2.0300	.0600	.0070	.0470	.1450	.2110	2.2410
2009	1.6520	.2900	.1000	.0030	2.0450	.0550	.0070	.0470	.1320	.1960	2.2410
2010	1.7070	.2620	.0920	.0030	2.0640	.0470	.0070	.0450	.1250	.1830	2.2470
2011	1.7470	.2420	.0920	.0030	2.0840	.0450	.0070	.0380	.1120	.1630	2.2470
2012	1.7830	.3030	.0950	.0030	2.1840	.0450	.0080	.0430	.1200	.1730	2.3570
2013	1.8100	.3350	.1200	.0030	2.2680	.0530	.0080	.0450	.1350	.1950	2.4630
2014	1.8980	.3130	.1050	.0030	2.3190	.0500	.0080	.0450	.1330	.1900	2.5090
2015	1.8300	.3400	.1000	.0030	2.2730	.0580	.0080	.0430	.1400	.2003	2.4733
2016	1.8075	.2900	.1500	.0025	2.2500	.0575	.0075	.0450	.1380	.1998	2.4498

NOTES:

- * The Tax rates are per \$100 of assessed value.
- * The charter requires that revenues from real property taxes cannot exceed last year's revenues adjusted by the rate of inflation excluding revenues from new construction. The Council can adopt tax rates that exceed this limit by a supermajority of seven out of nine councilmembers.
- * No discounts are allowed.
- * Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1 for non-owner occupied property.
- * Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payment due by September 30 and December 31 for owner occupied property.
- * Interest and penalty at 20 percent are assessed on delinquent tax bills.
- * Revised tax bills based upon certifications from the State received after September 1 may be paid within thirty days without interest.
- * Delinquent taxes on real property are collected by sale. Taxes on personal property are enforced by legal action. Corporations may lose charter for failure to pay taxes.
- * Costs of tax sale, which vary, are added to tax bills. The last sale cost \$50 per parcel.
- * Tax sale date: second Monday in June.
- * Personal property tax rates are applied to 100 percent of the property assessment.

- (1) Rates classified as substantially county-wide represent those tax rates that are levied against all of the County's assessable base, except those incorporated cities and municipalities that provide their own such service.
- (2) M-NCPPC County property tax rates are included in the County's direct rate since the County Council has the power to set, modify, or approve these tax rates for this joint venture organization.
- (3) County direct rate includes: County tax rates that are levied County-wide, and County tax rates levied by M-NCPPC. For County special taxing district tax rates that are levied substantially County-wide, the direct rate includes a prorata portion of the tax rate that corresponds to the portion of the County's assessable base against which the rate is levied. Therefore, the total County direct rate presented above is not a mathematical sum of all the individual rates presented.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - COUNTY SPECIAL TAXING DISTRICTS
 LAST TEN FISCAL YEARS

Table 9-b

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts		Development Districts		
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown	White Flint (2)
Real Property:												
2007	\$.2800	\$.2800	\$.2400	\$.2400	\$.0240	\$.0160	\$.0300	\$.0500	\$.0010	\$.0650	\$.1610	\$.0000
2008	.2800	.2800	.2400	.2400	.0240	.0160	.0300	.0800	.0800	.0710	.1560	.0000
2009	.2800	.2800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0630	.1440	.0000
2010	.2800	.1800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0860	.1370	.0000
2011	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0790	.1630	.0000
2012	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0770	.0800	.0990	.1650	.1070
2013	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0100	.0990	.1730	.1120
2014	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.1050	.1830	.1130
2015	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.0810	.1820	.1120
2016	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0660	.1510	.1111
Personal Property:												
2007	\$.7000	\$.7000	\$.6000	\$.6000	\$.0600	\$.0400	\$.0750	\$.1250	\$.1250	\$.0000	\$.0000	\$.0000
2008	.7000	.7000	.6000	.6000	.0600	.0400	.0750	.2000	.2000	.0000	.0000	.0000
2009	.7000	.7000	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2010	.7000	.4500	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2011	.7920	.2600	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2012	.7930	.2600	.6000	.6000	.0600	.0300	.0750	.1930	.2000	.0000	.0000	.0000
2013	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0250	.0000	.0000	.0000
2014	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2015	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2016	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * The County special taxing district rates above represent taxes that are levied against mutually exclusive specific geographic portions of the County's assessable base. Such rates are not included in the County direct rate on Table 9-a, as they are not reflective of what all County taxpayers would pay.
- (1) Parking Lot Districts also carry a tax rate of one-half the amount shown which applies to property zoned commercial but not used as such.
- (2) White Flint Special Taxing District was established in November 2010 and levy year 2011 was the first year that the property tax on commercial properties went into effect.

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

Table 9-c

Fiscal Year	Cities			Towns									Washington Grove
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	
Real Property:													
2007	\$.2120	\$.3120	\$.6300	\$.0600	\$.1500	\$.0260	\$.1900	\$.1200	\$.1470	\$.1400	\$.2000	\$.0400	\$.2020
2008	.2120	.3020	.6100	.0540	.1500	.0230	.1900	.1200	.1390	.1400	.1800	.0400	.2020
2009	.2120	.2920	.6050	.0540	.1500	.0210	.1900	.1300	.1300	.1200	.1600	.0400	.1810
2010	.2120	.2920	.5800	.0490	.1500	.0100	.1920	.1300	.1220	.1100	.1500	.0400	.1810
2011	.2620	.2920	.5800	.0514	.1500	.0100	.1920	.1300	.1360	.1000	.1594	.0800	.2210
2012	.2620	.2920	.5800	.0514	.1500	.0105	.2100	.1300	.1360	.1100	.1594	.0800	.2210
2013	.2620	.2920	.5800	.0514	.1500	.0104	.2100	.1340	.1360	.1100	.1590	.0800	.3170
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400	.1360	.1000	.1672	.0800	.3000
2015	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400	.1360	.0900	.1672	.0800	.3000
2016	.2620	.2920	.5850	.0514	.2000	.0000	.2100	.1400	.1360	.0900	.1700	.0800	.2860
Personal Property:													
2007	\$.5300	\$.8050	\$ 1.5750	\$.2000	\$.4500	\$.1000	\$ 1.0000	\$.8000	\$.5000	\$.3500	\$.6000	\$.2200	\$.6000
2008	.5300	.8050	1.5250	.2000	.4500	.1000	1.0000	.8000	.5000	.3500	.6000	.2200	.6000
2009	.5300	.8050	1.5130	.2000	.4500	.1000	1.0000	.8000	.5000	.3300	.6000	1.0000	.6000
2010	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5000	.3100	.6000	1.0000	.6000
2011	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2012	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2013	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.5700	.3000	.6000	1.0000	.7000
2015	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.6200	.3000	.6000	1.0000	.7000
2016	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.6500	.3000	.6000	1.0000	.7000

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - VILLAGES
 LAST TEN FISCAL YEARS

Table 9-d

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
2007	\$.0500	\$.0200	\$.0000	\$.0230	\$.1230	\$.0480	\$.0400	\$.0080	\$.0520	\$.0600
2008	.0500	.0200	.0000	.0220	.1110	.0480	.0400	.0080	.0520	.0600
2009	.0500	.0200	.0000	.0220	.1030	.0480	.0400	.0080	.0520	.0400
2010	.0500	.0200	.0000	.0220	.0960	.0480	.0400	.0080	.0520	.0400
2011	.0500	.0200	.0000	.0220	.0900	.0480	.0400	.0400	.0520	.0400
2012	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0460	.0520	.0400
2013	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0470	.0520	.0400
2014	.0500	.0200	.0000	.0220	.1000	.0480	.0400	.0470	.0520	.0400
2015	.0500	.0200	.0000	.0220	.0850	.0480	.0400	.0472	.0520	.0400
2016	.0500	.0200	.0000	.0220	.0828	.0480	.0400	.0472	.0520	.0400
Personal Property:										
2007	\$.1250	\$.0500	\$.0000	\$.0000	\$.6600	\$.1200	\$.0400	\$.0080	\$.1300	\$.1000
2008	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2009	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2010	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2011	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2012	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2013	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2014	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2015	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2016	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
Table 10

For the Fiscal Year Ended June 30, 2016				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 825,783,493	\$ 5,521,133	\$ 820,262,360	0.47 %
Federal Realty Investment Trust	577,517,398	574,334,768	3,182,630	0.33
Wash Metro Area Transit Auth	352,330,267	352,330,267	-	0.20
Verizon - Maryland	336,926,560	-	336,926,560	0.19
Montgomery Mall LLC	335,389,300	335,389,300	-	0.19
Street Retail Inc.	299,542,445	299,542,445	-	0.17
Chevy Chase Land Co	298,395,235	298,395,235	-	0.17
Washington Gas Light Co.	277,048,240	-	277,048,240	0.16
WP Project Developer LLC	254,225,902	254,225,902	-	0.15
Wheaton Plaza Reg Shopping Center	226,272,500	226,272,500	-	0.13
Total	\$ 3,783,431,340	\$ 2,346,011,550	\$ 1,437,419,790	2.16 %
Total Assessable Base	\$ 174,060,795,069			100.00 %

For the Fiscal Year Ended June 30, 2007				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 705,060,996	\$ 6,931,466	\$ 698,129,530	0.54 %
Verizon	670,608,660	30,345,000	640,263,660	0.52
Montgomery Mall	335,367,236	334,691,666	675,570	0.26
Washington Gas Light Co.	229,028,830	-	229,028,830	0.18
Chevy Chase Land Co.	213,530,560	213,530,560	-	0.16
Mirant Mid-Atlantic LLC	198,571,702	75,319,332	123,252,370	0.15
7501 Wisconsin Avenue LLC	198,508,332	198,508,332	-	0.15
Wheaton Plaza Regional Shopping Center	174,942,430	173,759,100	1,183,330	0.13
Bryant F. Foulger, Trustee	174,503,400	174,503,400	-	0.13
Camalier, Anne D. et al, Trustee	172,456,415	172,456,415	-	0.13
Total	\$ 3,072,578,561	\$ 1,380,045,271	\$ 1,692,533,290	2.35 %
Total Assessable Base	\$ 129,659,725,668			100.00 %

Source: State of Maryland Department of Assessments and Taxation

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

Table 11

Fiscal Year	Tax Levy			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years	Total Adjusted Levy	Amount (1)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2007	\$ 1,087,613,905	\$ (1,814,829)	\$ 1,085,799,076	\$ 1,081,566,118	99.44 %	\$ (871,095)	\$ 1,080,695,023	99.53 %
2008	1,137,590,824	(3,478,825)	1,134,111,999	1,132,548,519	99.56	(2,863,211)	1,129,685,308	99.61
2009	1,282,437,423	1,419,457	1,283,856,880	1,278,337,019	99.68	652,835	1,278,989,854	99.62
2010	1,344,626,102	(5,404,010)	1,339,222,092	1,343,140,289	99.89	(17,215,284)	1,325,925,005	99.01
2011	1,350,416,973	(2,333,797)	1,348,083,176	1,349,698,631	99.95	(4,064,453)	1,345,634,178	99.82
2012	1,365,605,932	1,281,550	1,366,887,482	1,363,217,734	99.83	2,010,890	1,365,228,624	99.88
2013	1,390,542,228	(290,079)	1,390,252,149	1,384,563,178	99.57	3,034,726	1,387,597,904	99.81
2014	1,437,898,506	(397,571)	1,437,500,935	1,434,787,650	99.78	79,753	1,434,867,403	99.82
2015	1,447,816,313	1,003,611	1,448,819,924	1,442,602,468	99.64	2,511,500 **	1,445,113,968	99.74
2016	1,521,343,303	-	1,521,343,303	1,518,519,304	99.81	-	1,518,519,304	99.81

NOTES:

* This table includes data for all property taxes billed applicable to all funds for Montgomery County, Maryland to include General, Special Revenue, Debt Service, and Enterprise Funds.

Property taxes billed for the State of Maryland, various municipalities and development districts, the Washington Suburban Sanitary Commission, and the Maryland-National Capital Park and Planning Commission, are excluded.

** Amount for FY15 was reduced by a payment to the Maryland Economic Development Assistance Fund for LY14.

(1) Amounts represent collections received, including overpayments, net of refunds. Penalties and interest are excluded. See Table 12 Note (3) for treatment of such overpayments.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
SCHEDULE OF FISCAL YEAR PROPERTY TAX LEVY, PROPERTY TAX REVENUES,
AND ADDITIONAL ITEMS RELATED TO THE PROPERTY TAX BILLING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Table 12

	Fiscal Year Property Tax Levy	Collections of Current Levy Year Assessment (1)	Collection of Prior Levy Year Assessment (1)	Adjustments and Accruals	Total Revenues (2)
General Fund ***					
Bethesda Urban District	\$ 571,977	\$ 567,934	\$ (934)	\$ 12,224	\$ 579,224
Silver Spring Urban District	769,672	706,071	18,171	6,225	730,467
Wheaton Urban District	184,371	183,740	5,088	6,629	195,457
All Other General Fund	1,171,363,784	1,171,515,967	2,195,693	(49,221,209)	1,124,490,451
Total General Fund	1,172,889,804	1,172,973,712	2,218,018	(49,196,131)	1,125,995,599
Special Revenue Funds: ***					
Recreation	32,308,746	32,114,957	92,950	3,678,951	35,886,858
Mass Transit	96,861,676	96,240,732	201,514	10,945,212	107,387,458
Fire Tax District	186,856,967	186,113,015	740,605	21,095,871	207,949,491
Water Quality Protection Charges (3)	32,426,110	31,076,888	(205,481)	(65,181)	30,806,226
Total Special Revenue Funds	348,453,499	345,545,592	829,588	35,654,853	382,030,033
Silver Spring Parking Lot District **	-	-	50,771	(461,717)	(410,946)
Bethesda Parking Lot District **	-	-	18,307	(229,335)	(211,028)
Wheaton Parking Lot District **	-	-	(96,004)	37,240	(58,764)
Montgomery Hills Parking Lot District **	-	-	(349)	458	109
Total Enterprise Funds	-	-	(27,275)	(653,354)	(680,629)
Total Property Tax - Montgomery County	1,521,343,303	1,518,519,304	3,020,331	(14,194,632)	1,507,345,003
Tax Bill Items Other than Montgomery County					
Property Taxes:					
M-NCPPC Joint Venture Property Taxes:					
M-NCPPC Administration	25,148,069	24,996,755	71,382	2,883,027	27,951,164 *
M-NCPPC Park	77,122,847	76,661,537	178,551	8,875,240	85,715,328 *
M-NCPPC Land Acquisition	1,612,951	1,602,994	7,660	184,585	1,795,239 *
Agency Relationship Property Taxes:					
State of Maryland	191,350,411	190,626,453	(687,752)	(3,889,050)	186,049,651 *
Municipalities	90,175,125	89,606,998	341,444	557,949	90,506,391 *
Development Districts	2,875,756	2,875,483	18,567	9,650	2,903,700 *
Charges for Services:					
Refuse Disposal - Solid Waste Activities Fund	67,201,778	65,988,348	(150,512)	670,968	66,508,804 *
Refuse Collection - Solid Waste Activities Fund	6,396,075	6,392,022	2,886	(149)	6,394,759 *
Leaf Vacuuming	6,830,152	6,825,198	2,502	2,385	6,830,085 *
Municipality Refuse Charges	1,289,634	1,288,366	1,609	36	1,290,011 *
Development District Special Assessments	173,652	173,652	-	-	173,652 *
WSSC FFBC	12,053,519	12,044,978	(12,919)	16,726	12,048,785 *
Bay Restoration Fund	826,200	823,872	(5,574)	(4,979)	813,319 *
Total Other Items	483,056,169	479,906,656	(232,156)	9,306,388	488,980,888
Grand Total	\$ 2,004,399,472	\$ 1,998,425,960	\$ 2,788,175	\$ (4,888,244)	\$ 1,996,325,891

NOTES:

* Amounts represent collections, rather than revenues.

** County Council set the real and personal property tax rate for parking lot districts for the levy year 2015 (FY16) to zero.

*** Beginning in FY16, the Urban Districts are included in the General Fund and the Water Quality Protection is included with Special Revenue Funds.

(1) Amounts represent collections received net of refunds.

(2) Amounts represent collections received net of refunds and payment to the Maryland Exonomic Development Assistance Fund for LY14.

(3) Total Revenues represent the sum of Collections, during the current year, of Current and Prior Year Levy Assessments, (i.e., cash basis) and related Adjustments and Accruals to convert such data to revenues on the modified or full accrual basis of accounting. Penalties and interest are excluded.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 SCHEDULE OF PROPERTY TAXES RECEIVABLE BY FUND TYPE
 JUNE 30, 2016
Table 13

Year	General*	Special Revenue	Enterprise	Other Fiduciary*	Total
2007 & prior	\$ 2,111,154	\$ 568,021	\$ 72,170	\$ 853,475	\$ 3,604,820
2008	308,530	108,883	14,510	106,243	538,166
2009	627,927	172,313	16,130	116,405	932,775
2010	834,716	182,079	9,305	237,929	1,264,029
2011	623,286	147,785	43,012	307,860	1,121,943
2012	558,302	161,972	41,207	267,191	1,028,672
2013	880,528	319,163	75,354	356,925	1,631,970
2014	1,201,972	293,544	62,205	701,637	2,259,358
2015	2,020,519	531,599	88,377	556,066	3,196,561
2016	4,686,590	1,287,567	265	1,592,109	7,566,531
Total Property Taxes Receivable	<u>\$ 13,853,524</u>	<u>\$ 3,772,926</u>	<u>\$ 422,535</u>	<u>\$ 5,095,840</u>	<u>\$ 23,144,825</u>

NOTES:

* Beginning in FY16, the Urban Districts are included in the General Fund and the Development Districts are included in Other Fiducia

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
INCOME TAX RATES
LAST TEN TAX YEARS
Table 14

Tax Year	State Income Tax Rate				Montgomery County Income Tax Direct Rate
	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	
2005	2.00 %	3.00 %	4.00 %	4.75 %	3.20 %
2006	2.00	3.00	4.00	4.75	3.20
2007	2.00	3.00	4.00	4.75	3.20
2008	2.00	3.00	4.00	4.75-6.25	3.20
2009	2.00	3.00	4.00	4.75-6.25	3.20
2010	2.00	3.00	4.00	4.75-6.25	3.20
2011	2.00	3.00	4.00	4.75-5.50	3.20
2012	2.00	3.00	4.00	4.75-5.75	3.20
2013	2.00	3.00	4.00	4.75-5.75	3.20
2014	2.00	3.00	4.00	4.75-5.75	3.20

NOTES:

- * Rates are based on tax year which coincides with calendar year.
- * From tax years 2008-2010, the State's income tax rates for net taxable income in excess of \$3,000 were 4.75%, 5.00%, 5.25%, 5.50%, and 6.25% depending on the filing status and net taxable income.
- * Beginning with tax year 2011, the State's income tax rates for net taxable income in excess of \$3,000 were 4.75%, 5.00%, 5.25%, and 5.50% depending on the filing status and net taxable income.
- * Beginning with tax year 2012, the State added a 5.75% rate for the top bracket.
- * Tax Year 2014 is the latest tax year for which data are available.

Source: Revenue Administration Division, State Comptroller's Office.

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

Table 15

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Montgomery County Income Tax Direct Rate
2005	380,241	\$ 39,581,589,250	\$ 32,241,963,585	\$ 1,384,669,182	\$ 1,025,536,849	\$ 2,410,206,031	3.20 %
2006	383,214	41,836,264,633	34,089,151,444	1,470,625,709	1,084,440,791	2,555,066,500	3.20
2007	387,875	45,044,465,276	36,947,166,594	1,610,260,135	1,175,936,199	2,786,196,334	3.20
2008	379,739	41,070,791,364	32,876,469,466	1,511,917,178	1,046,272,919	2,558,190,097	3.20
2009	376,323	39,060,773,506	31,075,877,228	1,410,063,716	987,098,452	2,397,162,168	3.20
2010	386,891	42,234,426,562	34,040,992,827	1,556,444,328	1,081,538,245	2,637,982,573	3.20
2011	393,640	43,986,140,274	35,879,078,661	1,622,232,304	1,139,960,820	2,762,193,124	3.20
2012	401,848	47,554,137,682	39,644,979,160	1,845,214,377	1,259,631,971	3,104,846,348	3.20
2013	407,363	45,607,413,448	38,036,993,408	1,789,843,794	1,207,855,836	2,997,699,630	3.20
2014	413,501	48,591,853,475	40,868,459,662	1,920,372,577	1,283,681,651	3,204,054,228	3.20

NOTES:

- * See Table 16 for detailed breakout of adjusted gross income level.
- * Rates are based on tax year which coincides with calendar year.
- * Tax Year 2014 is the latest tax year for which data are available.

Source: Revenue Administration Division, State Comptroller's Office.

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

Table 16

	2014						2013					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level												
\$200,000 and higher	50,930	12.3 %	\$ 22,545,414,493	55.1 %	\$ 707,232,455	55.0 %	47,399	11.6 %	\$ 20,082,401,088	52.7 %	\$ 642,615,654	53.2 %
\$100,000 - 199,999	83,150	20.0	9,686,668,621	23.7	309,843,847	24.1	81,264	20.0	9,380,510,171	24.7	300,161,908	24.9
\$80,000 - 99,999	32,884	8.0	2,269,659,433	5.6	72,609,217	5.7	32,704	8.0	2,243,475,972	5.9	71,790,335	5.9
\$50,000 - 79,999	70,572	17.1	3,320,713,280	8.1	106,237,189	8.3	70,247	17.2	3,292,911,673	8.7	105,364,132	8.7
\$25,000 - 49,999	95,479	23.1	2,321,932,637	5.7	68,806,063	5.4	95,475	23.4	2,317,332,376	6.1	68,911,128	5.7
\$10,000 - 24,999	69,968	16.9	690,098,980	1.7	18,213,654	1.4	69,904	17.2	686,312,740	1.8	18,250,977	1.5
Under \$10,000	10,518	2.6	33,972,218	0.1	739,226	0.1	10,370	2.6	34,049,388	0.1	761,702	0.1
Total	413,501	100.0 %	\$ 40,868,459,662	100.0 %	\$ 1,283,681,651	100.0 %	407,363	100.0 %	\$ 38,036,993,408	100.0 %	\$ 1,207,855,836	100.0 %

	2012						2011					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level												
\$200,000 and higher	46,219	11.5 %	\$ 22,039,899,095	53.9 %	\$ 705,083,255	54.9 %	43,367	11.0 %	\$ 18,940,921,100	52.8 %	\$ 606,109,387	53.1 %
\$100,000 - 199,999	80,423	19.8	9,191,004,899	22.5	294,106,087	22.9	78,493	19.9	8,754,369,086	24.4	280,131,565	24.6
\$80,000 - 99,999	32,356	8.1	2,200,179,738	5.4	70,404,468	5.5	31,549	8.0	2,109,818,960	5.9	67,512,836	5.9
\$50,000 - 79,999	69,779	17.4	3,234,709,580	7.9	103,501,417	8.1	69,024	17.5	3,158,538,933	8.8	101,065,265	8.9
\$25,000 - 49,999	94,285	23.5	2,275,703,684	5.6	67,996,861	5.3	93,603	23.9	2,230,397,502	6.2	67,065,011	5.9
\$10,000 - 24,999	68,129	17.0	666,921,915	1.6	17,760,659	1.4	67,074	17.0	647,673,860	1.8	17,271,011	1.5
Under \$10,000	10,657	2.6	36,560,249	0.1	779,224	0.1	10,530	2.7	37,359,220	0.1	805,745	0.1
Total	401,848	99.9 %	\$ 39,644,979,160	97.0 %	\$ 1,259,631,971	98.2 %	393,640	100.0 %	\$ 35,879,078,661	100.0 %	\$ 1,139,960,820	100.0 %

	2010						2009					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level												
\$200,000 and higher	41,013	10.2 %	\$ 17,579,946,541	51.7 %	\$ 562,543,777	51.9 %	37,938	10.1 %	\$ 15,099,696,016	48.6 %	\$ 483,182,753	48.9 %
\$100,000 - 199,999	77,120	20.0	8,500,689,337	21.4	272,017,224	21.6	75,337	20.0	8,205,421,074	26.4	262,570,303	26.6
\$80,000 - 99,999	31,087	7.7	2,052,626,152	5.2	65,684,030	5.2	30,539	8.1	1,991,569,519	6.4	63,727,815	6.5
\$50,000 - 79,999	68,176	17.0	3,069,598,268	7.7	98,220,784	7.8	67,318	17.9	2,997,962,262	9.6	95,930,462	9.7
\$25,000 - 49,999	91,738	23.8	2,157,173,705	5.4	65,083,691	6.0	91,012	24.2	2,133,139,837	6.9	64,605,378	6.6
\$10,000 - 24,999	66,278	16.4	639,553,522	1.6	17,109,443	1.4	63,453	16.8	609,402,845	2.0	16,258,806	1.6
Under \$10,000	11,479	2.9	41,405,302	0.1	879,296	0.1	10,726	2.9	38,685,675	0.1	822,935	0.1
Total	386,891	98.0 %	\$ 34,040,992,827	93.1 %	\$ 1,081,538,245	94.0 %	376,323	100.0 %	\$ 31,075,877,228	100.0 %	\$ 987,098,452	100.0 %

(Continued)

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

Table 16 (Concluded)

	2008						2007					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level												
\$200,000 and higher	38,578	10.0 %	\$ 16,973,535,490	51.7 %	\$ 543,156,343	52.0 %	39,973	10.3 %	\$ 20,721,888,649	56.1 %	\$ 663,101,691	56.4 %
\$100,000 - 199,999	74,717	19.3	8,091,343,219	23.8	258,922,960	23.9	73,690	19.0	8,058,872,420	21.8	257,889,666	21.9
\$80,000 - 99,999	30,776	8.0	1,986,294,082	5.8	63,561,396	5.9	30,713	7.9	2,030,595,581	5.5	64,983,024	5.5
\$50,000 - 79,999	68,045	17.6	2,989,265,979	8.8	95,651,414	8.8	67,534	17.4	3,057,948,389	8.3	97,861,191	8.3
\$25,000 - 49,999	92,617	23.9	2,175,555,800	6.4	67,165,848	6.2	93,694	24.2	2,298,139,649	6.2	71,322,924	6.1
\$10,000 - 24,999	62,729	16.2	613,532,524	1.8	16,788,721	1.6	67,786	17.5	719,513,016	1.9	19,469,703	1.7
Under \$10,000	12,277	3.2	46,942,372	0.1	1,026,237	0.1	14,485	3.7	60,208,890	0.2	1,308,000	0.1
Total	379,739	98.2 %	\$ 32,876,469,466	98.4 %	\$ 1,046,272,919	98.5 %	387,875	100.0 %	\$ 36,947,166,594	100.0 %	\$ 1,175,936,199	100.0 %

	2006						2005					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level												
\$200,000 and higher	35,634	9.4 %	\$ 18,364,689,191	53.8 %	\$ 587,671,196	54.2 %	32,289	8.5 %	\$ 16,822,880,955	52.1 %	\$ 538,333,470	52.5 %
\$100,000 - 199,999	70,202	18.5	7,643,868,101	22.4	244,608,348	22.6	67,171	17.7	7,344,360,047	22.8	235,024,270	22.9
\$75,000 - 99,999	30,178	7.9	1,998,995,282	5.9	63,973,086	5.9	29,705	7.8	1,973,884,323	6.1	63,168,474	6.2
\$50,000 - 74,999	66,285	17.5	2,995,838,794	8.8	95,875,398	8.8	65,722	17.3	2,990,204,062	9.3	95,694,416	9.3
\$25,000 - 49,999	95,337	24.8	2,306,395,629	6.8	71,796,673	6.6	96,118	25.3	2,312,771,299	7.2	72,276,536	7.0
\$10,000 - 24,999	70,328	18.5	715,858,507	2.1	19,067,166	1.8	72,054	18.9	727,599,564	2.3	19,364,575	1.9
Under \$10,000	15,250	4.0	63,505,940	0.2	1,448,924	0.1	17,182	4.5	70,263,335	0.2	1,675,108	0.2
Total	383,214	100.6 %	\$ 34,089,151,444	100.0 %	\$ 1,084,440,791	100.0 %	380,241	100.0 %	\$ 32,241,963,585	100.0 %	\$ 1,025,536,849	100.0 %

NOTES:

- * Information in this table presents data by adjusted gross income level to support summary level information in Table 15.
- * Information relating to the ten highest tax payers is not available from the State of Maryland; therefore, as an alternative, data is presented above by adjusted gross income level.
- * Rates are based on tax year which coincides with calendar year.
- * See Tables 14 and 15 for direct tax rate information.
- * Tax Year 2014 is the latest tax year for which data are available.

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

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (2) (3)

Table 17

Fiscal Year	Governmental Activities										Total Governmental Activities
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations	Bond Anticipation Notes	Notes Payable	Lease Revenue Bonds	Certificates of Participation	Capital Leases	Revenue Bonds	Taxable Limited Obligation Certificates	
2007	\$ 1,512,675,607	\$ 100,000,000	\$ -	\$ 150,000,000	\$ 13,975,293	\$ 38,255,000	\$ -	\$ 81,316,156	\$ -	\$ -	\$ 1,896,222,056
2008	1,366,758,054	100,000,000	-	300,000,000	9,920,647	36,670,000	33,580,000	74,472,783	-	-	1,921,401,484
2009	1,496,561,371	100,000,000	-	300,000,000	15,764,265	35,025,000	30,475,000	67,929,435	14,463,000	-	2,060,218,071
2010	1,437,839,285	100,000,000	232,000,000	425,000,000	13,897,942	33,320,000	50,255,000	81,564,283	13,923,324	30,400,000	2,418,199,834
2011	1,517,280,000	100,000,000	338,320,000	500,000,000	15,023,170	31,550,000	43,935,000	71,156,741	42,803,956	29,470,000	2,689,538,867
2012	1,658,970,000	100,000,000	338,320,000	500,000,000	59,537,476	33,100,000	37,420,000	46,530,000	41,265,110	56,265,000	2,871,407,586
2013	1,930,155,391	100,000,000	339,827,520	500,000,000	49,745,063	33,802,447	30,675,000	20,130,000	83,556,016	54,661,870	3,142,553,307
2014	2,085,028,317	100,000,000	339,671,879	500,000,000	55,419,997	32,812,650	24,305,000	16,432,750	112,031,698	90,509,121	3,352,043,876
2015	2,465,315,677	100,000,000	339,516,238	500,000,000	60,499,112	30,251,464	17,685,000	13,817,910	106,941,278	86,711,269	3,712,336,512
2016	2,582,259,186	100,000,000	323,901,913	500,000,000	53,985,826	27,624,182	10,800,000	11,158,430	151,269,640	82,881,644	3,843,880,821

Fiscal Year	Business-type Activities					Ratios		
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Total Business-Type Activities	Total Primary Government	Debt to Personal Income (1)	Outstanding Debt per Capita (1)
2007	\$ 2,447	\$ 61,800,000	\$ 926,268	\$ 10,033,172	\$ 72,761,887	\$ 1,968,983,943	3.14 %	\$ 2,113
2008	-	54,685,000	724,795	-	55,409,795	1,976,811,279	3.00	2,097
2009	-	79,567,000	467,876	-	80,034,876	2,140,252,947	3.38	2,232
2010	-	73,101,676	252,610	-	73,354,286	2,491,554,120	3.78	2,564
2011	-	71,566,044	81,782	-	71,647,826	2,761,186,693	3.98	2,816
2012	-	87,674,890	-	-	87,674,890	2,959,082,476	4.08	2,990
2013	-	86,295,600	1,976,348	-	88,271,948	3,230,880,916	4.40	3,233
2014	-	97,163,694	1,701,104	-	98,864,798	3,450,908,674	4.40	3,389
2015	-	91,756,076	4,655,348	-	95,803,289	3,808,139,801	4.80	3,733
2016	-	83,929,819	5,756,247	-	89,686,066	3,933,566,887	4.77	3,745

NOTES:

- (1) See Table 23 for personal income and population data, used in calculating these ratios.
- (2) Beginning in fiscal year 2013, the County changed its presentation of outstanding debt in the statistical section to include unamortized premiums, discounts, and deferred differences on refundings. Amounts presented prior to fiscal year 2013 are shown at gross amounts.
- (3) Certain amounts have been reclassified or restated to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (4)

Table 18

Fiscal Year	General Bonded Debt Outstanding (1)				Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations				
2007	\$ 1,512,675,607	\$ 100,000,000	\$ -	\$ -	\$ 1,612,675,607	1.19 %	\$ 1,713
2008	1,366,758,054	100,000,000	-	-	1,466,758,054	0.98	1,538
2009	1,496,561,371	100,000,000	-	-	1,596,561,371	0.95	1,643
2010	1,437,839,285	100,000,000	232,000,000		1,769,839,285	0.99	1,821
2011	1,517,280,000	100,000,000	338,320,000		1,955,600,000	1.01	1,996
2012	1,658,970,000	100,000,000	338,320,000		2,097,290,000	1.18	2,119
2013	1,930,155,391	100,000,000	339,827,520		2,369,982,911	1.36	2,372
2014	2,085,028,317	100,000,000	339,671,879		2,524,700,196	1.42	2,479
2015	2,465,315,677	100,000,000	339,516,238		2,904,831,915	1.61	2,848
2016	2,582,259,186	100,000,000	323,901,913		3,006,161,099	1.60	2,863

NOTES:

- (1) General Bonded Debt includes all general obligation debt, variable rate demand obligation, regardless of purpose or repayment source, and other bonded debt financed with general government resources. Governmental lease revenue bonds and business-type revenue bonds are excluded because they are repayable from specific resources other than general governmental resources. Other debt is excluded because it is not in the form of bonds.
- (2) See Table 8 for estimated actual value of taxable property data.
- (3) See Table 23 for population data. However, when population data for prior years is revised, per capita amounts presented herein are reported as originally stated.
- (4) Certain amounts have been reclassified or restated to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
JUNE 30, 2016
Table 19

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 317,900	100.00 %	\$ 317,900
Poolesville - bonds	2,050,879	100.00	2,050,879
Rockville:			
Bonds	133,210,000	100.00	133,210,000
Certificates or notes	4,210,191	100.00	4,210,191
Somerset - bonds	1,470,000	100.00	1,470,000
Takoma Park:			
Bonds	2,066,500	100.00	2,066,500
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	58,807,911	100.00	58,807,911
MC - capital leases	48,155,000	100.00	48,155,000
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	118,238,127	41.57	49,155,000
Advance land acquisition bonds	1,075,000	100.00	1,075,000
Development Districts (2):			
Kingsview Village Center - bonds	1,112,999	100.00	1,112,999
West Germantown - bonds	11,440,000	100.00	<u>11,440,000</u>
Total Overlapping Debt			313,221,380
Montgomery County direct debt (5)			<u>3,843,880,821</u>
Total Direct and Overlapping Debt			<u><u>\$ 4,157,102,201</u></u>

NOTES:

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

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS (4)

Table 20

	2007	2008	2009	2010	2011
Assessed Value					
Real property (1, 3)	\$ 125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472	\$ 167,096,843,537	\$ 167,790,792,529
Personal property (2)	3,948,949,550	3,970,547,370	3,920,171,020	4,123,996,612	3,856,191,952
Total Assessed Value	<u>\$ 129,659,725,668</u>	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,492</u>	<u>\$ 171,220,840,149</u>	<u>\$ 171,646,984,481</u>
Legal Debt Margin					
Debt limit - percentage of assessable base:					
For real property at 6%	\$ 7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552
For personal property at 15%	592,342,433	595,582,106	588,025,653	618,599,492	578,428,793
Legal limitation for the borrowing of funds and the issuance of bonds	8,134,989,000	9,133,968,242	10,076,035,141	10,644,410,104	10,645,876,345
Debt Applicable to Limit:					
General obligation bonds	1,512,675,607	1,366,758,054	1,496,561,371	1,437,839,285	1,517,280,000
Variable rate demand obligation	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs general obligation	-	-	-	232,000,000	338,320,000
Bond anticipation notes	150,000,000	300,000,000	300,000,000	425,000,000	500,000,000
Total Debt Applicable to Limit	<u>1,762,675,607</u>	<u>1,766,758,054</u>	<u>1,896,561,371</u>	<u>2,194,839,285</u>	<u>2,455,600,000</u>
Legal Debt Margin	<u>\$ 6,372,313,393</u>	<u>\$ 7,367,210,188</u>	<u>\$ 8,179,473,770</u>	<u>\$ 8,449,570,819</u>	<u>\$ 8,190,276,345</u>
Legal Debt Margin as a Percentage of Debt Limit	78%	81%	81%	79%	77%
Assessed Value					
Real property (1, 3)	\$ 162,197,149,758	\$ 158,272,830,848	\$ 159,891,865,334	\$ 163,656,758,206	\$ 170,176,446,052
Personal property (2)	3,718,945,710	3,604,478,750	3,709,327,508	3,655,133,210	3,884,349,017
Total Assessed Value	<u>\$ 165,916,095,468</u>	<u>\$ 161,877,309,598</u>	<u>\$ 163,601,192,842</u>	<u>\$ 167,311,891,416</u>	<u>\$ 174,060,795,069</u>
Legal Debt Margin					
Debt limit - percentage of assessable base:					
For real property at 6%	\$ 9,731,828,985	\$ 9,496,369,851	\$ 9,593,511,920	\$ 9,819,405,492	\$ 10,210,586,763
For personal property at 15%	557,841,857	540,671,813	556,399,126	548,269,982	582,652,353
Legal limitation for the borrowing of funds and the issuance of bonds	10,289,670,842	10,037,041,664	10,149,911,046	10,367,675,474	10,793,239,116
Debt Applicable to Limit:					
General obligation bonds	1,658,970,000	1,930,155,391	2,085,028,317	2,465,315,677	2,582,259,186
Variable rate demand obligation	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs general obligation	338,320,000	339,827,520	339,671,879	339,516,238	323,901,913
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>2,597,290,000</u>	<u>2,869,982,911</u>	<u>3,024,700,196</u>	<u>3,404,831,915</u>	<u>3,506,161,099</u>
Legal Debt Margin	<u>\$ 7,692,380,842</u>	<u>\$ 7,167,058,753</u>	<u>\$ 7,125,210,850</u>	<u>\$ 6,962,843,559</u>	<u>\$ 7,287,078,017</u>
Legal Debt Margin as a Percentage of Debt Limit	75%	71%	70%	67%	68%

NOTES:

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

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

Fiscal Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue for Debt Service	Debt Service (4)			Coverage %
				Principal	Interest	Total	
Bethesda Parking Lot District:							
2007	\$ 20,055,735	\$ 6,587,481	\$ 13,468,254	\$ 3,550,000	\$ 1,848,185	\$ 5,398,185	249.50 %
2008	20,991,790	6,935,238	14,056,552	3,175,000	1,709,435	4,884,435	287.78
2009	21,538,148	7,409,414	14,128,734	3,340,000	1,566,585	4,906,585	287.95
2010	20,046,662	8,188,688	11,857,974	1,840,000	1,429,335	3,269,335	362.70
2011	19,217,766 (a)	7,829,314	11,388,452	1,915,000	1,355,235	3,270,235	348.25
2012	18,137,767 (a)	8,038,372	10,099,395	1,995,000	1,278,135	3,273,135	308.55
2013	20,201,622 (a)	8,006,351	12,195,271	2,020,000	2,030,369	4,050,369	301.09
2014	19,001,427 (a)	8,129,681	10,871,746	2,100,000	1,910,939	4,010,939	271.05
2015	21,153,076 (a)	9,015,362	12,137,714	3,120,000	1,839,789	4,959,789	244.72
2016	17,963,769 (a)	9,024,033	8,939,736	3,245,000	1,575,467	4,820,467	185.45
Liquor Control:							
2010	\$ 229,335,472	\$ 201,443,397	\$ 27,892,075	\$ 1,745,000	\$ 2,024,478	\$ 3,769,478	739.95 %
2011	242,614,756	212,550,427	30,064,329	1,550,000	2,108,248	3,658,248	821.82
2012	252,364,670	217,254,363	35,110,307	2,825,000	3,530,455	6,355,455	552.44
2013	258,903,266	222,759,553	36,143,713	2,790,000	3,561,750	6,351,750	569.04
2014	268,683,615	235,187,621	33,495,994	4,725,000	5,038,843	9,763,843	343.06
2015	278,792,397	245,176,046	33,616,351	4,640,000	5,188,539	9,828,539	342.03
2016	294,621,921	261,015,960	33,605,961	4,865,000	4,972,389	9,837,389	341.61
Metrorail Garage Project:							
2007	\$ 3,294,214	\$ -	\$ 3,294,214	\$ 1,535,000	\$ 1,759,214	\$ 3,294,214	100.00 %
2008	3,292,339	-	3,292,339	1,585,000	1,707,339	3,292,339	100.00
2009	3,295,276	-	3,295,276	1,645,000	1,650,276	3,295,276	100.00
2010	3,294,214	-	3,294,214	1,705,000	1,589,214	3,294,214	100.00
2011	3,292,009	-	3,292,009	1,770,000	1,522,009	3,292,009	100.00
2012	3,416,120	-	3,416,120	2,365,000	1,051,120	3,416,120	100.00
2013	3,472,363	-	3,472,363	1,860,000	1,612,363	3,472,363	100.00
2014	3,474,363	-	3,474,363	1,955,000	1,519,363	3,474,363	100.00
2015	3,481,613	-	3,481,613	2,060,000	1,421,613	3,481,613	100.00
2016	3,478,613	-	3,478,613	2,160,000	1,318,613	3,478,613	100.00
Water Quality Protection:							
2013	\$ 25,302,118	\$ 16,937,522	\$ 8,364,596	\$ 915,000	\$ 1,207,601	\$ 2,122,601	394.07 %
2014	26,047,644	17,248,871	8,798,773	1,310,000	1,706,150	3,016,150	291.72
2015	30,745,793	20,016,830	10,728,963	1,340,000	1,678,850	3,018,850	355.40
2016	33,454,313	20,751,317	12,702,996	1,395,000	1,625,250	3,020,250	420.59

NOTES:

- (1) Table includes debt that is secured by a pledge of a specific revenue stream, and is designed to reflect whether the County had to use general (unpledged) revenues to repay debt that was intended to be self-supporting.
- (2) Gross revenues include non-operating investment income. Gross revenues for the parking lot district bonds include all revenues of the district and consist primarily of parking fee charges for services, parking fines, and dedicated property taxes. Gross revenues for the metrorail garage project lease revenue bonds include lease payments from WMATA. Gross revenues for the liquor control bonds come primarily from the sale of beverage alcohol products. Gross revenues for the water quality protection bonds include the water quality protection excise tax that is part of property tax bills and based on the potential for a property to contribute to stormwater runoff.
- (3) Operating expenses do not include interest, depreciation, or amortization expenses.
- (4) Debt service consists of amounts relating to revenue or lease revenue bonds; amounts relating to general obligation bonds are excluded.
- (a) Parking Lot District gross revenue excludes non-cash gains on disposal of capital assets; not available to pay for debt service.

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

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees (1)	Rank	Percentage of Total County Employment (2,3)	Employees	Rank	Percentage of Total County Employment (2)
U.S. Department of Health and Human Services	29,040	1	6.25 %	41,250	1	8.87 %
Montgomery County Public Schools	25,480	2	5.48	20,875	2	4.49
Montgomery County Government	11,790	3	2.54	8,675	4	1.87
U.S. Department of Commerce	5,420	4	1.17	6,721	6	1.45
U.S. Department of Defense	5,340	5	1.15	14,709	3	3.16
Adventist Healthcare	4,800	6	1.03	8,134	5	1.75
Marriott International, Inc. (Headquarters)	4,500	7	0.97	3,000	9	0.65
Holy Cross Hospital of Silver Spring	3,860	8	0.83	*		-
Montgomery College	3,550	9	0.76	*		-
Lockheed Martin Corporation	3,100	10	0.67	3,832	8	0.82
Giant Food Corporation	*		-	3,896	7	0.84
U.S. Nuclear Regulatory Commission	*		-	2,712	10	0.58
Total	96,880		20.85 %	113,804		24.48 %

NOTES:

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

(1) Employee numbers are based on DED's analysis of the MD Department of Labor, Licensing and Regulation's Quarterly Census of Employment and Wages for 2015.

(2) Employee counts for federal and military facilities exclude contractors to the extent possible.

(3) Total average payroll employment in FY16 was 464,888.

Source: Montgomery County Department of Economic Development

MONTGOMERY COUNTY, MARYLAND
 DEMOGRAPHIC STATISTICS
 LAST TEN YEARS
Table 23

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year) (7)
2007	931,694	\$ 64,365,237	\$ 69,084	509,769	496,401	2.6 %	137,798
2008	942,748	67,279,968	71,366	515,987	499,705	3.2	137,745
2009	959,013	65,858,231	68,673	522,421	494,565	5.3	137,763
2010	976,006	67,890,159	69,559	532,549	502,710	5.6	140,500
2011	991,645	71,081,967	71,681	536,636	508,528	5.2	143,309
2012	1,004,476	73,467,234	73,140	540,444	512,589	5.2	146,497
2013	1,016,677	73,958,785	72,746	542,029	515,153	5.0	149,018
2014	1,018,000	75,940,000	74,597	540,128	516,420	4.4	151,289
2015	1,020,000	79,300,000	77,745	544,313	522,426	4.0	154,230
2016	1,050,118	82,490,000	78,553	549,900	531,400	3.4	156,447

NOTES:

- (1) Sources: Data for 2007-2014 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2015 and 2016 are estimated by the Montgomery County Department of Finance from Round 8.4 Cooperative Estimates and pertain to population in households.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2007-2014 were revised by BEA. Data for 2015 through 2016 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2007 - 2015. Data for 2016 estimated by Montgomery County Department of Finance based on the percent change from first half of CY15 to the first half of CY16.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2007-2015 revised by BLS. Data for 2016 estimated by Montgomery County Department of Finance based on the percent change from first half of CY15 to the first half of CY16.
- (6) The unemployment rates for 2007 through 2015 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2016 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2016.
- (7) Source: County Executive's Recommended FY17 Operating Budget, Office of Management and Budget, Montgomery County, page 5-16.

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

	2007 ⁽⁴⁾	2008 ⁽⁴⁾	2009 ⁽⁴⁾	2010 ⁽⁴⁾	2011 ⁽⁴⁾	2012 ⁽⁴⁾	2013	2014	2015	2016
Governmental Activities:										
General Government:										
Legislative Branch:										
Board of Appeals	5	5	5	5	4	4	4	4	4	4
County Council	70	73	77	75	70	73	75	77	79	82
Inspector General	5	6	6	5	3	4	5	5	5	7
Legislative Oversight	11	11	11	11	9	9	10	11	11	11
Merit System Protection Board	1	1	1	1	1	1	1	1	1	2
People's Counsel	2	2	2	2	2	-	-	-	-	-
Zoning and Administrative Hearings	4	4	4	4	4	4	4	4	4	4
Judicial Branch:										
Circuit Court	111	108	109	110	107	106	117	118	114	114
State's Attorney	115	118	121	122	119	122	129	132	136	140
Executive Branch:										
Board of Elections	47	47	47	46	44	40	31	31	51	55
Board of Liquor License Commissioners	12	-	-	-	-	-	-	-	-	-
Commission for Women	11	11	11	10	6	-	-	-	-	-
Community Engagement (2)	-	-	-	-	-	24	22	22	22	22
County Attorney	44	44	43	39	37	34	42	43	43	44
County Executive	37	41	50	47	32	26	28	31	32	33
Ethics Commission	3	3	3	2	-	2	3	3	3	3
Finance	117	121	116	108	103	107	114	125	126	126
General Services	-	-	194	199	179	178	184	183	191	162
Human Resources	58	61	59	58	44	49	60	67	66	67
Human Rights	22	22	22	19	15	8	8	8	9	9
Intergovernmental Relations	5	5	5	5	5	5	5	5	5	5
Management and Budget	31	31	30	29	25	25	28	28	29	30
Procurement (5)	30	30	-	-	-	-	-	-	-	33
Public Information	9	9	9	8	42	42	43	42	43	43
Regional Services Centers	30	31	34	29	17	-	-	-	-	-
Technology Services	156	150	146	138	107	102	104	110	110	147
Urban Districts	57	57	58	58	50	52	55	55	58	58
Non-Departmental Accounts	3	3	3	3	3	2	2	4	4	4
Public Safety:										
Consumer Protection	23	22	21	19	15	15	16	17	17	17
Correction and Rehabilitation	626	635	622	599	555	557	512	518	526	527
Emergency Management and Homeland Security	72	72	10	9	10	11	11	12	14	15
Fire and Rescue	1,236	1,335	1,351	1,349	1,267	1,240	1,254	1,282	1,287	1,299
Police	1,733	1,777	1,819	1,789	1,720	1,724	1,744	1,767	1,843	1,868
Sheriff	177	183	183	176	169	166	178	185	183	183
Transportation:										
Fleet Management	170	191	205	202	194	206	205	205	204	204
Transit Services	680	762	871	831	789	831	814	816	836	836
Other (3)	477	480	315	346	305	258	258	273	275	279
Health and Human Services	1,506	1,605	1,613	1,577	1,462	1,484	1,559	1,569	1,589	1,594
Culture and Recreation:										
Cable TV	14	15	17	19	26	27	30	31	31	31
Public Libraries	420	428	426	388	299	273	314	350	385	389
Recreation	442	450	451	422	365	343	375	398	414	417
Community Development and Housing:										
Economic Development	45	52	46	41	32	26	29	31	34	32
Housing and Community Affairs	74	77	73	67	59	58	66	73	77	80
Environmental Protection	49	51	51	52	51	84	91	93	97	102
Business-Type Activities:										
Community Use of Public Facilities	26	26	27	25	22	26	27	27	27	28
Liquor Control	330	341	344	337	313	323	324	339	337	427
Parking Lot Districts	45	47	50	51	46	48	49	49	50	49
Permitting Services	215	214	218	197	173	178	198	201	207	213
Solid Waste Activities	156	155	159	105	99	103	103	102	103	103
Total FTEs	9,512	9,912	#####	9,734	8,999	9,000	9,231	9,447	9,682	9,898

NOTES:

Amounts represent budgeted workyears or FTEs rounded to nearest whole workyear.

- (1) Represents County government FTEs only, and excludes component units. Therefore, no FTEs are listed for Education function, which relates to component units MCPS ;
- (2) Community Engagement Cluster created in FY12 by consolidating the staffing of the Regional Services Centers, the Gilchrist Center and the Commission for Women.
- (3) Excludes programs presented under business-type activities.
- (4) Effective FY13, FTE is used as a measure rather than workyear. Years FY07 to FY12 still reflect original workyear measurements.
- (5) Effective FY16, The Office of Procurement was established per Expedited Bill No. 7-15.

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

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

Table 25

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (1)
Governmental Activities:										
General Government:										
Number of Procurement Office actions (2)	8,779	8,396	7,709	7,188	6,610	6,750	7,711 (6)	8,396	7,556	8,423
Number of property tax bills processed (5)	353,998	358,514	361,237	361,963	362,971	364,050	365,495	366,847	367,708	371,446
Number of payments issued	162,959	153,201	154,416	137,856	117,831	111,211	112,507	129,973	121,311	121,366
Investment portfolio return (5)	5.21 %	4.41 %	1.71 %	0.22 %	0.10 %	0.02 %	0.16 %	0.15 %	0.18 %	0.39 %
Public Safety:										
Fire and Rescue:										
Number of responses to incidents	103,758	106,321	105,736	107,527	109,153	109,597	108,996	109,496	115,366	116,915
Number of inspections completed	10,901	16,771	24,663	20,994	13,139 (7)	7,353	6,036	11,644	13,929	16,439
Number of fire incidents investigated	515	520	584	531	728 (8)	668	745	584	621	582
Police:										
Number of arrests	12,943	11,741	13,286	13,150	13,567	13,216	12,511	13,153	16,518	20,045
Number of traffic citations (calendar years)	106,183	102,280	93,796	82,119	65,439	55,710	53,540	107,040	106,944	105,593
Number of warrants served	12,104	10,222	9,052	7,823	7,542	9,598	12,623	8,297	9,763	8,109
Transportation (3):										
Lane-miles of streets resurfaced	292	248	250	377	258	332	442	311	436	405
Number of passengers transported	28,220,000	29,673,000	29,627,000	27,895,138	26,719,517	27,240,110	26,603,242	26,391,551	25,972,313	24,512,705
Health and Human Services:										
Number of applicants approved for the Home Energy Program	6,402	6,840	8,077	9,681	9,438	8,778	7,308	7,951	7,440	7,822
Number of individuals served through the Crisis Center	61,332	60,390	59,966	60,150	50,083	47,075	48,312	45,749 (6)	45,906	47,191
Number of licensed and registered child care slots in the County	33,500	34,382	35,501	35,403	36,426	38,722	39,806	38,506	39,501	40,292
Number of in-home aide service hours for seniors and people with disabilities	199,478	219,515	182,761	156,634	122,991	101,905	90,000	94,012	110,848	105,000
Culture and Recreation:										
Library:										
Number of items circulated	11,035,542	11,451,481	11,836,563	12,105,851	10,137,952	9,403,471	9,303,918	9,770,776	10,035,027	10,478,360
Recreation:										
Number of community center visits/contacts	4,050,000	4,050,000	1,760,336	1,315,022	1,299,619	1,320,664	1,178,398	1,127,742	985,527	955,160
Number of visits to County pools	1,590,683	1,600,000	2,230,406	2,232,902	2,234,904	2,246,874	2,255,874	2,553,202	2,696,608	N/A
Number of persons registered for camps and classes	25,000	25,000	51,785	66,029	51,648	53,746	55,044	55,829	65,762	76,285
Community Development and Housing:										
Housing and Community Affairs:										
Number of housing rental licenses issued	80,173	82,205	85,285	86,267	89,286	91,555	92,527	96,185	98,525	100,379
Number of housing code enforcement cases	5,955	6,574	7,547	7,282	7,186	6,988	6,597	6,998	7,633	8,250
Environment:										
Number of sediment control inspections performed for development sites	16,790	16,389	17,859	17,666	13,472	12,206	12,839	16,287	18,741	19,109
Education:										
Average number of pupils registered pre-K through 12 (4)	137,798	137,745	139,276	141,777	144,064	146,497	148,779	151,298 (6)	153,852	156,447
College students - credit and non-credit (4)	59,374	58,506	59,479	60,698	60,970	63,837	62,417	59,389	56,228	56,001
Business-Type Activities:										
Land development plans approved	4,244	4,324	3,302	3,432	4,066	4,967	4,517	5,112	5,161	6,048
Refuse collected (tons)	83,545	83,181	81,704	83,826	85,628	86,512	69,568 (6)	71,407	73,996	71,767
Waste processed at the Resource Recovery Facility (tons)	593,185	579,660	540,407	535,980	575,000	540,644	546,644	577,787	591,687	620,505
Number of cases sold from the Department of Liquor Control retail stores	895,785	921,681	979,464	1,014,804	1,096,702	1,093,554	1,094,530	1,155,544	1,131,073 (6)	1,173,587
Number of wholesale liquor cases sold to private liquor stores	4,147,332	4,191,956	4,092,765	4,104,740	4,142,590	4,104,574	4,068,430	4,174,541	4,079,000	4,138,350

NOTES:

N/A - Data not readily available, or not available in a manner consistent with this display.

(1) Indicators represent actuals or latest estimates of actuals.

(2) Indicators provided by Office of Procurement.

(3) Excludes programs presented under "Business-Type Activities."

(4) Indicators provided by the Montgomery County Public Schools and Montgomery College, two component unit organizations.

(5) Indicators provided by Department of Finance.

(6) Revised.

(7) The decrease in number of inspections reflects a loss of 12 inspector positions from mid-2010 thru mid-2011.

(8) The increase in investigations reflects a change in the manner in which explosives incidents are reported to the State. The State captures all explosives incidents including good intent calls for service.

Source: 2006: Montgomery Measures Up!, Montgomery County Office of Management and Budget. 2007 and later: County departments.

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Table 26

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General Government:										
Number of conference centers	1	1	1	1	1	1	1	1	1	1
Landfills	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Police stations	6	6	6	6	6	6	6	6	6	6
Police satellites	7	8	8	8	8	4	4	3	3	3
Police vehicles	1,255	1,340	1,410	1,369	1,327	1,363	1,341	1,345	1,467	1,486
Fire stations (1)	34	34	35	35	36	36	37	37	37	37
Fire apparatus	463	471	498	518	452	464	451	461	447	493
Transportation:										
Streets (miles)	2,602	2,609	2,611	2,621	2,621	2,623	2,627	2,631	2,634	2,640
Ride On buses	459	469	480	462	390	410	412	422	379	403
Administrative vehicles	778	757	806	785	757	734	738	761	764	869
Fire vehicles	110	130	134	122	121	120	115	116	113	94
Heavy equipment	596	540	482	456	454	460	463	482	420	423
Streetlights	65,225	66,528	66,752	66,903	66,962	67,211	67,781	67,931	67,969	71,930
Traffic signals	756	772	779	791	800	814	823	829	836	848
Culture and Recreation:										
Libraries	22	22	22	22	22	22	22	22	22	22
Volumes in library collection	3,203,802	3,131,150	3,168,551	2,809,010	2,660,221	2,564,280	2,500,705	2,834,652	2,556,864	2,941,582
Swimming pools	14	14	14	13	13	13	13	13	13	13
Community Development and Housing:										
Number of low income housing units	102	102	102	101	101	101	101	101	101	101
Environment:										
Storm drains (miles)	860	864	864	874	874	875	877	881	883	888
Education:										
Elementary, Middle and High School buildings	199	200	199	200	200	200	202	202	203	204
College buildings	43	43	44	46	48	48	49	49	49	49
Business-Type Activities:										
Parking spaces in parking lot districts	21,282	21,160	21,169	21,185	21,173	20,470	19,989	19,984	20,970	20,754
Parking garages/lots	40	41	41	41	41	40	40	42	42	41

NOTES:

* Data relates to primary government only, except for education data which relates to MCPS and MC.

(1) FY10 to FY13 restated

Sources: Various County departments, MCPS, and MC.



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* POEB = Pension and Other Employee Benefits

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