

MONTGOMERY COUNTY MARYLAND

Comprehensive Annual Financial Report



Fiscal Year 2018

July 1, 2017 - June 30, 2018
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, 2017

Executive Director/CEO

MONTGOMERY COUNTY MARYLAND

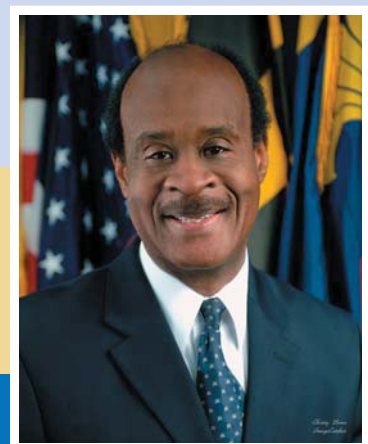
Comprehensive Annual Financial Report



Prepared by the
DEPARTMENT OF FINANCE

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

Fiscal Year 2018
July 1, 2017 - June 30, 2018



Isiah Leggett
ISIAH LEGGETT

Mission Statement

MONTGOMERY COUNTY GOVERNMENT

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

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

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

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

Montgomery County, Maryland
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2018
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INTRODUCTORY SECTION

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DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Alexandre A. Espinosa
Director

November 30, 2018

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, 2018.

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, 2018. 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

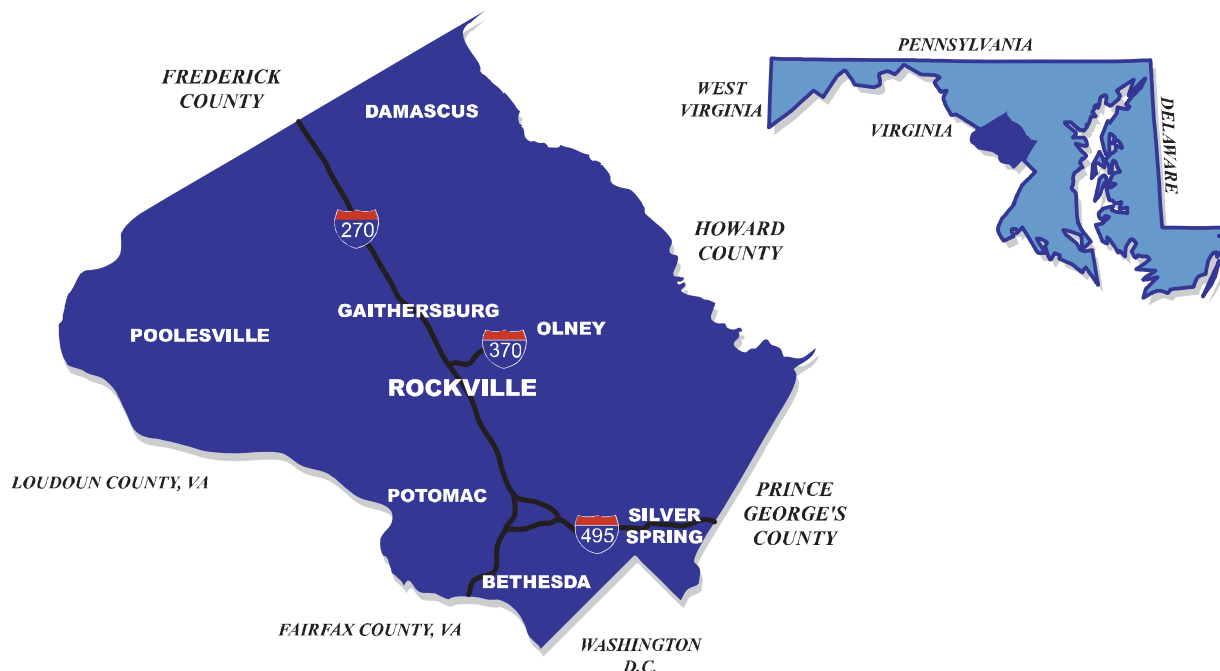
montgomerycountymd.gov/311



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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.

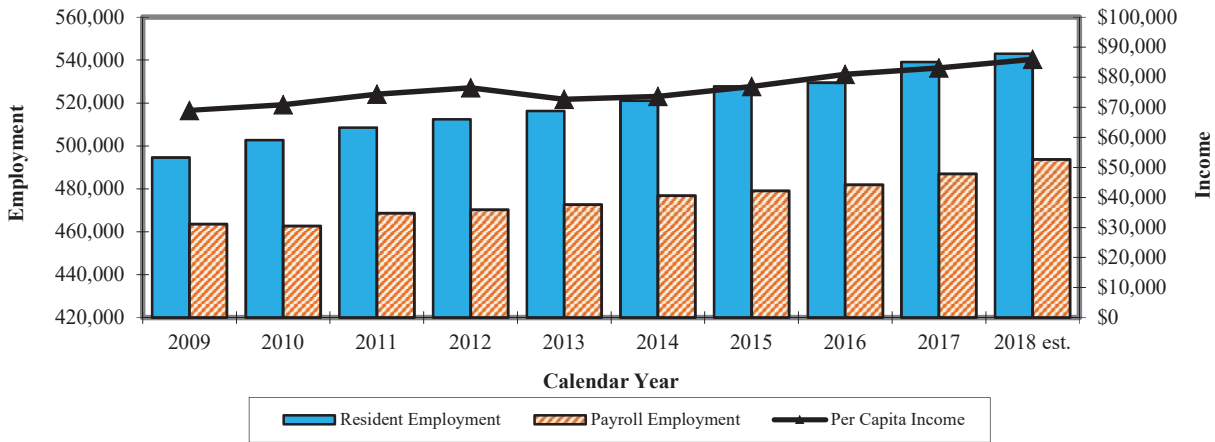
The Local Economy

Montgomery County's economy improved during fiscal year 2018 (FY18) compared to the economic performance in FY17. On a fiscal year basis, the major reasons for the improvement were increases in payroll employment (1.4%) and in resident employment (0.7%). Other economic indicators improved during FY18 as well. The unemployment rate remained at its lowest level in nine years at 3.4 percent in FY18. While sales of existing homes decreased from 12,644 in FY17 to 12,227 in FY18 (3.3%), the average sales price for an existing home increased from \$513,922 to \$527,567 (2.7%). Total new construction increased 10.1 percent in FY18, attributed to new non-residential construction which increased 10.1 percent and new residential construction increased 10.2 percent.

Personal Income and Employment

Income tax revenues for the County represented 46.4 percent of total tax revenues for the General Fund in FY18. 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 \$68,975 in 2009 to an estimated \$85,948 in 2018 – an average annual rate of 2.5 percent. However, over the past ten years, the rate of growth in per capita personal income experienced three distinct cycles. From 2009 to 2012, per capita income increased at an average annual rate of 3.5 percent, but from 2012 to 2014, declined at an annual rate of 1.9 percent, and is estimated to increase at an average annual rate of 3.9 percent from 2014 to 2018.

Resident, Payroll Employment, and Per Capita Income Montgomery County



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

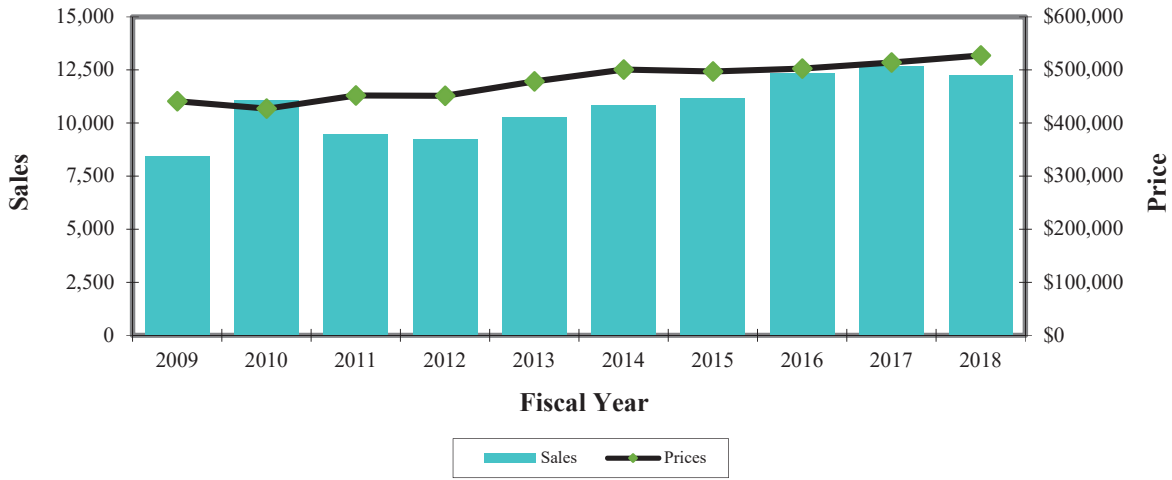
In 2009, resident employment in Montgomery County stood at 494,565. By calendar year 2018 (CY18), employment is expected to reach approximately 543,000 — an average annual increase of 1.0 percent.

Payroll employment in the County was approximately 463,600 in 2009 and is expected to experience an increase in 2018 to approximately 493,700 – an average annual increase of 0.7 percent. Payroll employment experienced two distinct cycles over the ten-year period. From 2009 to 2011, payroll employment steadily increased at an average annual rate of 0.4 percent. From 2011 to 2018, payroll employment is expected to increase at an average annual rate of 0.9 percent.

Construction and Real Estate

The property taxes in the General Fund and the transfer and recordation taxes consisted of 40.0 percent share and 5.0 percent share, respectively, of total tax revenues for the General Fund in FY18. Construction and real estate activity play a significant role in Montgomery County’s economy and their effects on the amount of property taxes and transfer and recordation taxes collected. Non-residential and residential construction help maintain the value of existing assessable property tax base by replacing technologically obsolescent property (equipment and real estate) and grow the base by providing additional capacity to meet increases in employment and new households. Changes in home prices affect both the property tax assessments and the transfer and recordation taxes. However, changes in home prices may affect property tax revenues with a lag because of the homestead tax credit. Average prices for existing homes were up 2.7 percent in FY18, but sales of existing homes decreased 3.3 percent. That decrease in home sales followed an increase of 11.4 percent in FY13, an increase of 5.5 percent in FY14, an increase of 3.1 percent in FY15, an increase of 10.4 percent in FY16 and an increase of 2.7 percent in FY17. The increase in average sales price and the decrease in sales in FY18 resulted in a decrease of 1.5 percent from residential transfer taxes. Receipts from non-residential transfer taxes (including farm and rezoned rates) decreased over 19.0 percent in FY18. Overall, transfer taxes collected for the General Fund were down 6.7 percent and recordation taxes were down 18.1 percent in FY18 attributed to a decrease in the General Fund rate.

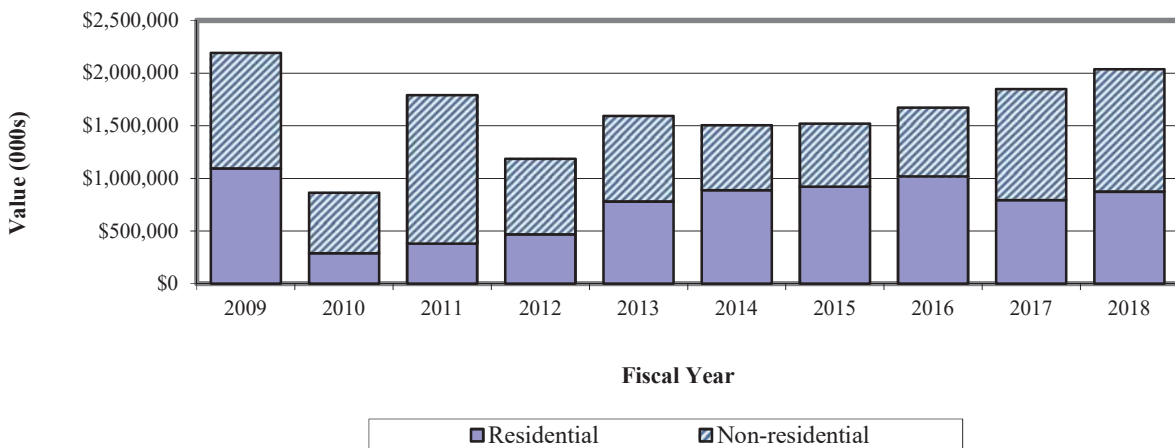
Home Sales and Average Home Prices Montgomery County



SOURCES: Metropolitan Regional Information System, Inc.

While the value of residential construction increased 10.1 percent in FY18, total value of new construction at \$874.1 million was up \$137.0 million compared to the nine-year average between FY09-FY17. The number of new detached single-family units increased 13.6 percent from 1,222 units in FY17 to 1,388 units in FY18. Construction of multi-family units decreased in FY18 from 3,162 to 2,493. Compared to the increase in value of residential sector construction in FY18, the total value of non-residential construction at \$1,162.9 million was up 10.2 percent in FY18.

Total Value of New Construction Montgomery County

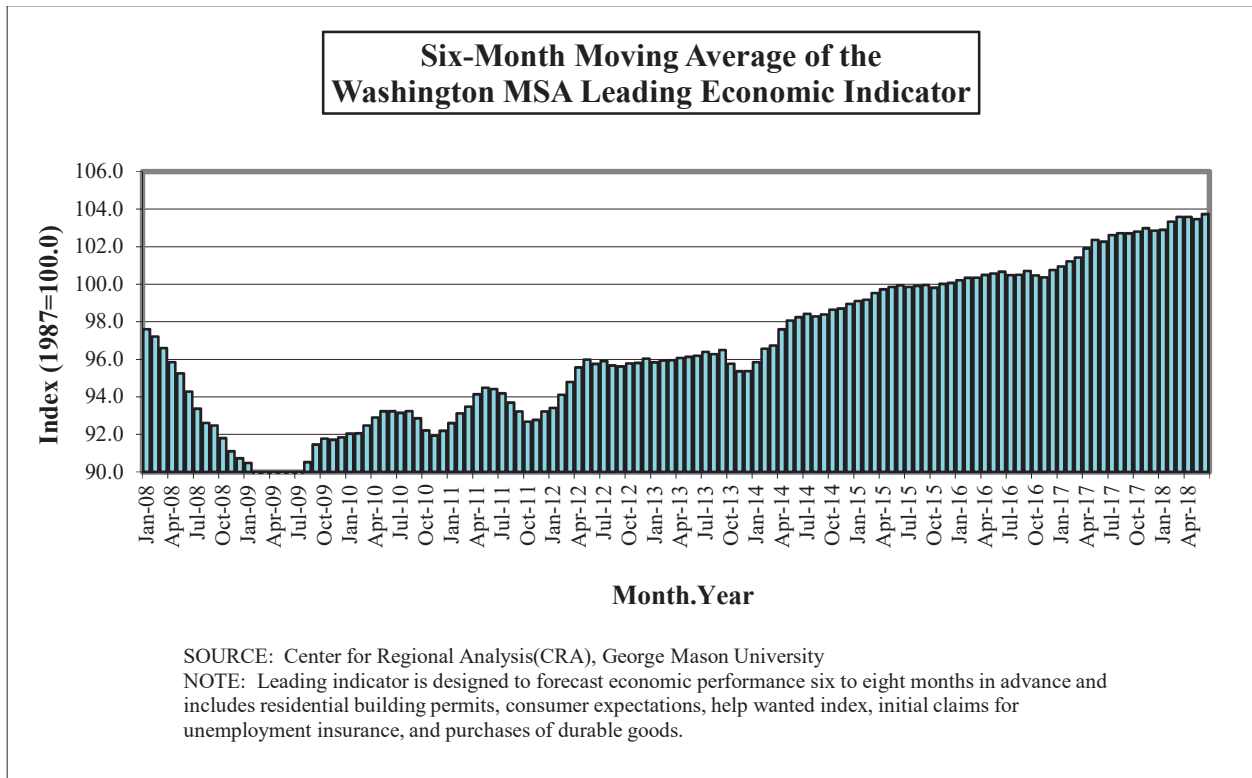


SOURCES: McGraw-Hill Construction
Montgomery County Department of Finance

Future Economic Outlook

Following FY18 in which the County’s economy experienced an increase in resident employment (0.7%), a decline in the average monthly unemployment rate to 3.4 percent, an estimated increase in per capita income (3.9% in *calendar* year 2018), and an increase in the average sales prices of existing homes, the outlook for FY19 is expected to see a modest continuation of economic growth with uncertainty regarding increases in interest rates. Because of the uncertainty of the increases in interest rates – both the rate and the number of increases - attributed to the actions by the Federal Reserve in FY19, such increases could have an impact on mortgage rates and thereby affect the sales prices of homes in the County and affect both residential transfer and recordation tax revenues.

According to the Stephen S. Fuller Institute, the Washington Area Leading Index, which forecasts the performance of the region’s economy six to eight months in advance, increased 2.0 percent in FY18 from FY17. The Leading Index has registered solid gains for six consecutive months in calendar year 2018 (from January through June) compared to the second half of calendar year 2017. The positive performance of the Leading Index during this six-month period suggests further economic growth through FY19.



Collective Bargaining

International Association of Fire Fighters (IAFF)

Full funding was appropriated for the following contract provisions in FY19 for the Local 1664, Montgomery County Career Fire Fighters Association of the International Association of Fire Fighters, AFL-CIO:

- 2% general wage adjustment for all bargaining unit members on the first full pay period after July 1, 2018
- 3.5% longevity increments for bargaining unit members with either 20 or 24 years of service.
- 3.5% service increments for all eligible bargaining unit members on their anniversary date.

Fraternal Order of Police (FOP)

Full funding was appropriated for the following contract provisions in FY19 for the Fraternal Order of the Police, Lodge 35:

- 2% general wage adjustment for all bargaining unit members on the first full pay period beginning after July 1, 2018.
- 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 FY19 for Local 1994, Municipal and County Government Employees Organization of the United Food and Commercial Workers, AFL-CIO (MCGEO):

- 2% general wage adjustment payable on the first full pay period after December 1, 2018.
- 3.5% service increments for all eligible bargaining unit members on their anniversary date.
- 3.5% longevity increments for eligible bargaining unit members of the MCGEO public safety with 20 years of service and at the maximum of their grade.
- Two 3.0 percent longevity increments are provided to non-public safety MCGEO employees who are at the maximum of their grade. The first is paid upon completion of 18 years of service and the second is paid upon completion of 24 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 FY19 – FY24 period. The County is closely monitoring proposed changes in the federal budget and tax policy, and analyzing the potential impact on the County's economy and financial position.

Relevant Financial Policies

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

Major Initiatives

Major initiatives of the County during FY18 that are expected to affect future financial position include the following:

Housing

The County invested over \$51.6 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, the creation of housing units for special needs residents, services to the "Building Neighborhoods to Call Home" and "Housing First" programs, and the creation of mixed income housing. Since FY08, \$1.01 billion has been invested in support of affordable housing, leveraging \$1.17 billion in non-County funding.

Transportation

The County has developed and funded transit solutions in a number of corridors by focusing on transit-oriented development; expanding or adding bus routes; implementing transit improvements including bus rapid transit; development of transit centers in Silver Spring, Montgomery Mall, Takoma/Langley Park, and White Oak; non-vehicular transportation elements such as sidewalks, shared-use paths, bike lanes, and a bikeshare system which has expanded to 73 stations, supporting Purple Line construction, advancing traffic improvements around the National Naval Medical Center in Bethesda, and significantly increased funding levels for highway maintenance and road resurfacing programs.

The county obtained a Federal bus emissions grant to support infrastructure and purchase costs for new electric buses in FY19. The Department of General Service's Fleet Management is one of the first government fleets in the United States to purchase Chevrolet Bolt Electric Vehicles. With a range of over 200 miles, the additional capacity allows the County to accomplish its mission in an energy efficient manner.

Public Safety

The county has increased the budget for public safety agencies nearly 26% over twelve years. The county has placed new fire apparatus in service. Montgomery County Fire and Rescue Service was awarded a Federal SAFER grant of \$1.5 million to fund ten additional firefighter positions and bring two fire suppression units to four-person staffing. The county added District Community Action Teams in each of the six Police districts. The County enhances its response to gang activity by adding 4 sworn officers and 2 civilian crime analysts.

Culture and Recreation

The county expanded a partnership with Strathmore for the East County Arts Initiative, including East County Strings, Bloom Concert Series, and began a programming partnership for the re-opening of the Good Hope Neighborhood Recreation Center in the Fall of 2018.

Education

The County increased the contribution to MCPS by \$79.3 million or 3.2%. The County's total contribution is \$19.3 million over the State required MOE level of funding.

The County's funding for Montgomery College is \$2.75 million over MOE for the seventh year in a row. The County contribution increased by 49.9% in total and 84% on a per student full-time enrollment basis since 2013.

General Government

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

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County, Maryland for its CAFR for the fiscal year ended June 30, 2017. Montgomery County has received the Certificate of Achievement more than any other county in the nation; 48 times since 1951, and consecutively for 46 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.

Popular Annual Financial Report

The GFOA awarded the Outstanding Achievement Award in Financial Reporting for the County's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017. This is the first year Montgomery County has submitted a PAFR to GFOA for review and consideration for the Outstanding Achievement Award.

In order to be eligible for the PAFR award, a government must also submit its comprehensive annual financial report (CAFR) to GFOA's Certificate of Achievement for Excellence in Financial Reporting and receive the award for the fiscal year. The PAFR is evaluated on a variety of categories, including reader appeal, understandability, distribution methods, creativity, and other elements. The Outstanding Achievement Award is valid for a period of one year only.

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, 2018. 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, Accounts Receivable, Accounts Payable, and Administration Section for their outstanding performance in the preparation of this report. A list of individuals whose dedicated efforts produced this report is provided separately after this letter. A special appreciation is extended to the finance and accounting managers of the component units whose cooperation greatly facilitated the preparation of this report. I express my appreciation to the County Executive, the members of the County Council, and the Chief Administrative Officer who served the County during the reporting period, and their staffs, for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

USE OF THIS REPORT

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

Respectfully submitted,



Alexandre A. Espinosa
Director of Finance

ACKNOWLEDGMENTS

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

Department of Finance, The Division of the Controller

Mahlet Alemu	Jayanthi Hariprasadh	Xuerong Liu	Karen Smith
Yihui Brown	Jason Hsu	Marcia Mikulski	Iraj Soroori
Douglas Campbell	Rachel Hsu	Lenny Moore	Sarita Swar
Chander Chadha	Tim Hughes	Jay Narang	Michael Toney
Mei Chen	Ning Jin	Frances Oviedo	Almon Turner
Mauricio Delgado	Chong Lee	Lal Sangliani	Jeanie Yu
Jennifer Frank	Michael Lee	Lisa Sesny	Kim Williams
Jiaojiao Gu	Dongmei Li	Laleh Shabani	Rami Zackaria

Department of General Services

Jamie P. Cooke	Michelle West
Quinton McHenry	Rick Taylor
The Print Shop	

Department of Liquor Control

Bill Davis
Courtney Orsini

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

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

Department of Environmental Protection

Richard Hands	Dan Rogers
Don Birnesser	Anthony Skinner
Scott McClure	

Office of Management and Budget

Mary Beck
Chris Mullin

Office of Public Information

David Jeo

Department of Transportation

Alex Kinyenje	Flor Reichers
Annette Cheng	Luz Rodriguez

Office of Human Resources

Karen Bass	Jennifer Shovlin
Kay Russell Deerin	

Montgomery County Employee Retirement Plans

Linda Herman	Yan Yan
Priti Mehta	

Component Units

Bethesda Urban Partnership, Inc.

Jeff Oyer

Montgomery County Public Schools

Robert Reilly	Jack Dodson
Nicola Diamond	

Housing Opportunities Commission

Eugenia Pascual	Cornelia Kent
Francisco Vega	

Montgomery College

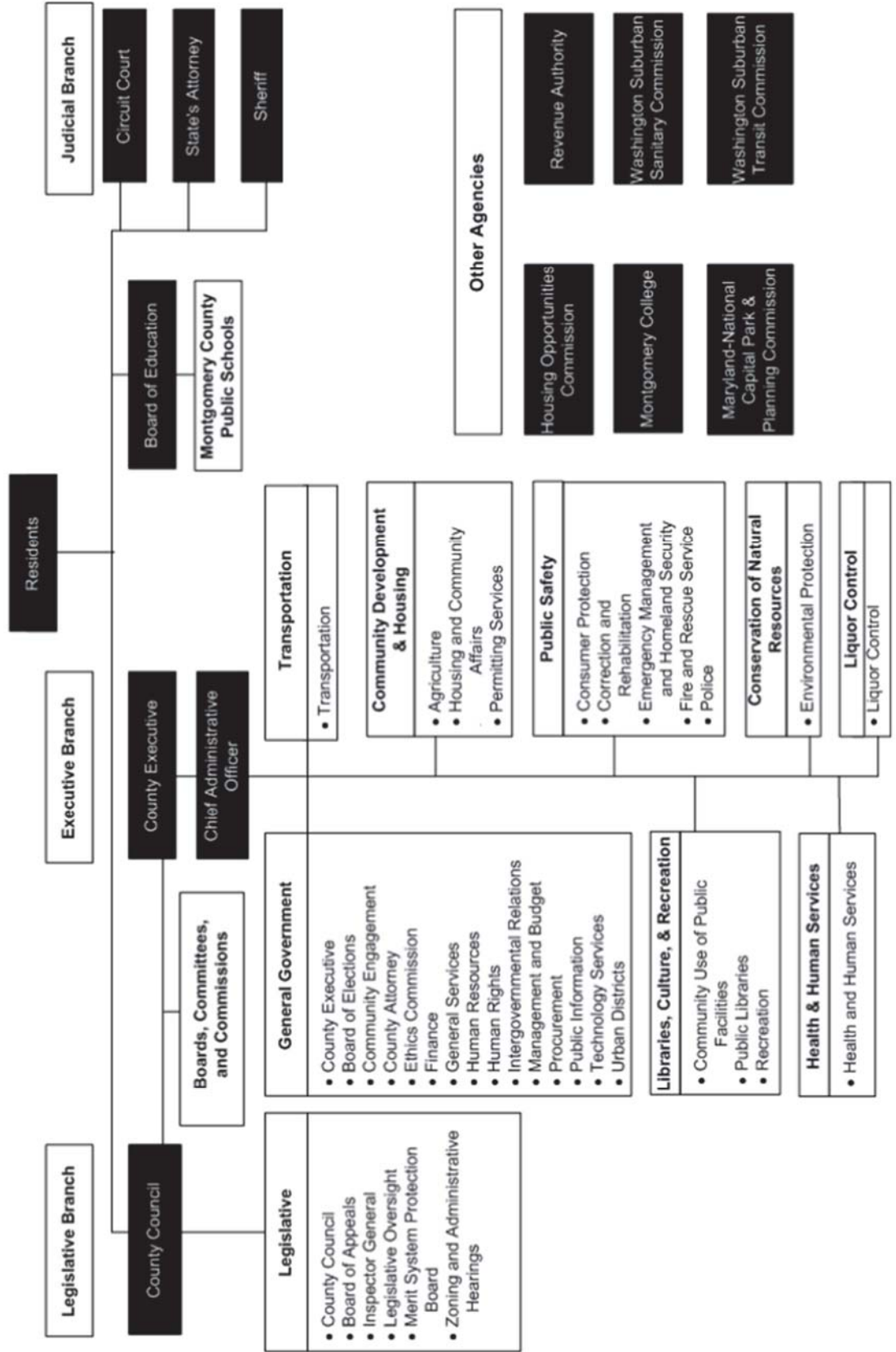
Phillip Howard	Monica Wong
Elizabeth Greaney	

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, 2018**

**COUNTY EXECUTIVE
Isiah Leggett**

COUNTY COUNCIL

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

Other Elected Officials

Administrative Judge Circuit Court	Robert A. Greenberg
Clerk of the Circuit Court	Barbara H. Meiklejohn
Register of Wills	Joseph M. Griffin
Sheriff	Darren M. Popkin
State's Attorney	John McCarthy

APPOINTED OFFICIALS

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

COMPONENT UNIT OFFICIALS

Montgomery County Public Schools

Board of Education:

Michael A. Durso, President
Shebra L. Evans, Vice President

Jeanette E. Dixon Jill Ortman-Fouse
Dr. Judith R. Docca Rebecca Smondrowski
Patricia O'Neill
Ananya Tadikonda, 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 D. Freishtat
Andrew W. Kleine
Jonathan W. Powell
Ramona Bell-Pearson, Ex-Officio Member

Keith Miller, Chief Executive Officer

Bethesda Urban Partnership, Inc.

Board of Directors:

Robert Donohoe, Jr., Chair
Deborah Michaels, Vice Chair
Gregory Rooney, Treasurer
Jane Fairweather, Secretary

Jack Alexander Patrick O'Neil
Andrew Jones Samir Paul
Elaine Joost Sarah Wolek

Kenneth B. Hartman, Ex-Officio: County Executive Rep
Rick Ammirato, Executive Director

Montgomery College

Board of Trustees:

Michael J. Knapp, Chair
Gloria A. Blackwell, First Vice Chair
Dr. Leslie S. Levine, Second Vice Chair

Dr. Michael A. Brintnall Robert F. Levey
Dr. Kenneth J. Hoffman Marsha Suggs Smith
Robert J. Hydorn Benjamin H. Wu
Diyana Kahawita, Student Trustee

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

Housing Opportunities Commission of Montgomery County

Commissioners:

Jackie Simon, Chair
Richard Y. Nelson, Jr. Vice Chair
Edgar G. Rodriguez, Chair Pro Tem

Pamela Byrd
Linda Croom
Margaret McFarland
Roy O. Priest

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



Hans Riemer
Council President



Nancy Navarro
Council Vice President



Roger Berlner
Council Member



Marc Elrich
Council Member



Nancy Floreen
Council Member



Tom Hucker
Council Member



Sidney Katz
Council Member



George Leventhal
Council Member



Craig Rice
Council Member





FINANCIAL SECTION

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CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAAconnect.com

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., which represent 2.2 percent, 4.1 percent, and 0.1 percent, respectively, of the assets, net position and revenues of the non-major component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Bethesda Urban Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

During the fiscal year ended June 30, 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the County reported a restatement for the change in accounting principle (See Note I.E). Our auditors' opinion was not modified with respect to the restatement.

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 27 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 168 through 170 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, 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
November 30, 2018

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

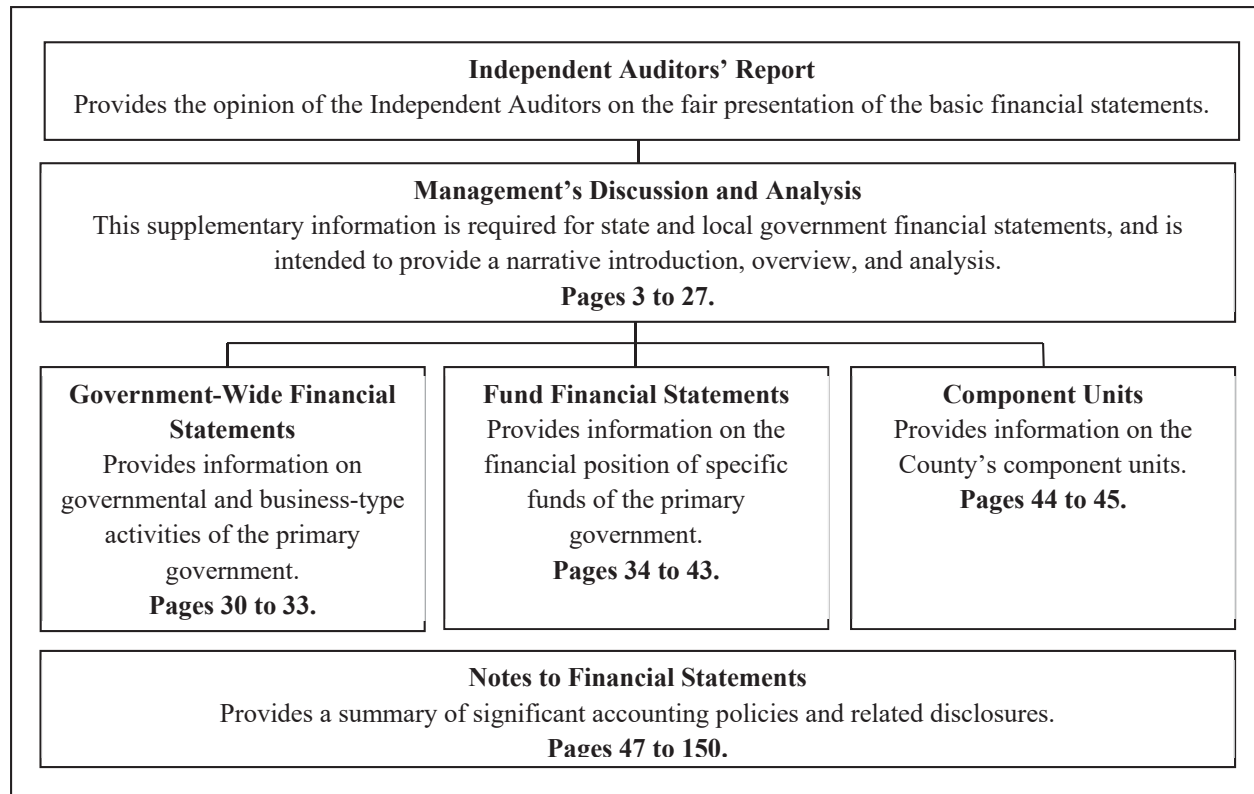
- The government-wide assets and deferred outflows of the County exceeded its liabilities and deferred inflows of resources at the close of FY18 by \$166.3 million. That amount is net of a \$2,920.7 million unrestricted deficit. The deficit occurs mainly because the County issues debt to fund construction 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 \$1,823.4 million at June 30, 2018. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of \$1097.3 million.
- The County's total government-wide net position increased by \$157.3 million.
- As of the close of FY18, the County's governmental funds reported combined ending fund balances of \$1,166.3 million; an increase of \$217.8 million over the prior year's ending fund balances. Of the total ending fund balances, \$97.3 million is available for spending at the County's discretion.
- At the end of FY18, unassigned fund balance for the General Fund was \$102.7 million, or 3.4 percent of total General Fund expenditures.
- The County's government-wide long-term debt and obligations decreased by \$1,67.7 million during FY18 from the restated FY17 balance. See page 6 for the details. The key factors in this increase are:
 - The issuance of \$170.0 million in general obligation (GO) bonds and \$170.0 million in variable rate demand obligations, used to refund \$340.0 million in bond anticipation notes (BANS). Included in this issuance was an addition of \$28.7 million in GO premiums.
 - The issuance of \$516.7 million in general obligation refunding bonds. Included in this issuance was an addition of \$86.3 million in premiums.
 - The issuance of an additional \$340.0 million in BANS.
 - A decrease in the net Other Postemployment Benefits (OPEB) liability of \$249.0 million from the restated FY17 liability.
 - The retirement of \$640.8 million in GO bond and variable rate demand obligation principal and amortization of related premiums of \$69.2 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 reflects 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, three 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 reflects the elimination of these transactions and incorporates 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, 2018 and 2017:

Summary of Net Position *						
June 30, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 2,020,359,892	\$ 1,916,290,728	\$ 237,622,734	\$ 240,962,701	\$ 2,257,982,626	\$ 2,157,253,429
Capital assets, net	4,851,899,173	4,563,021,889	263,086,650	267,940,685	5,114,985,823	4,830,962,574
Total Assets	<u>6,872,259,065</u>	<u>6,479,312,617</u>	<u>500,709,384</u>	<u>508,903,386</u>	<u>7,372,968,449</u>	<u>6,988,216,003</u>
Deferred outflows of resources	<u>216,115,762</u>	<u>418,005,155</u>	<u>8,187,449</u>	<u>13,817,332</u>	<u>224,303,211</u>	<u>431,822,487</u>
Liabilities						
Long-term liabilities outstanding	6,375,648,561	6,534,251,925	149,620,965	162,687,020	6,525,269,526	6,696,938,945
Other liabilities	538,477,301	638,703,194	45,260,635	36,565,897	583,737,936	675,269,091
Total Liabilities	<u>6,914,125,862</u>	<u>7,172,955,119</u>	<u>194,881,600</u>	<u>199,252,917</u>	<u>7,109,007,462</u>	<u>7,372,208,036</u>
Deferred inflows of resources	<u>318,028,021</u>	<u>37,127,197</u>	<u>3,888,326</u>	<u>1,697,815</u>	<u>321,916,347</u>	<u>38,825,012</u>
Net position:						
Net investment in capital assets	2,169,845,557	2,336,853,956	185,894,133	186,321,262	2,355,739,690	2,523,175,218
Restricted	650,720,854	441,648,621	80,545,655	68,287,578	731,266,509	509,936,199
Unrestricted (deficit)	<u>(2,964,345,467)</u>	<u>(3,091,267,121)</u>	<u>43,687,119</u>	<u>67,161,146</u>	<u>(2,920,658,348)</u>	<u>(3,024,105,975)</u>
Total Net Position	<u>\$ (143,779,056)</u>	<u>\$ (312,764,544)</u>	<u>\$ 310,126,907</u>	<u>\$ 321,769,986</u>	<u>\$ 166,347,851</u>	<u>\$ 9,005,442</u>
* Primary Government						
Note: 2017 balances have been restated for the adoption of GASB No.75. See details in Note I-E.						

The County's current and other assets increased by \$100.7 million or 4.7 percent from FY17. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of FY18 by \$166.3 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 \$1,823.4 million at June 30, 2018. Absent the effect of this relationship, the County would have reported a deficit government-wide unrestricted net position of \$ 1,097.3 million. An additional portion of the County's net position (\$731.3 million or 439.6 percent) represents resources that are subject to restrictions on how they may be used.

The County's total net position increased by \$157.3 million for FY18.

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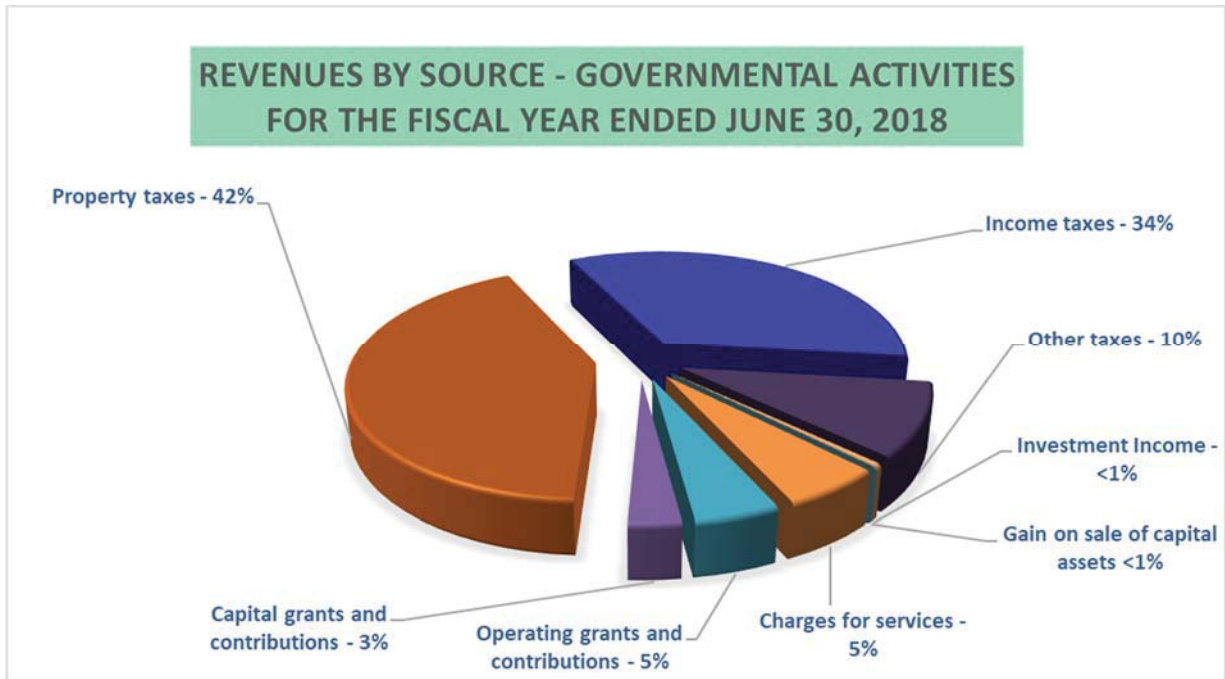
Statement of Activities

The following table summarizes the County's change in net position for the years ended June 30, 2018 and 2017:

Summary of Changes in Net Position *						
For the Fiscal Years Ended June 30, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program Revenues:						
Charges for services	\$ 240,192,109	\$ 235,174,216	\$ 505,076,615	\$ 500,633,492	\$ 745,268,724	\$ 735,807,708
Operating grants and contributions	200,691,060	224,788,411	-	-	200,691,060	224,788,411
Capital grants and contributions	123,848,995	61,960,979	-	-	123,848,995	61,960,979
General revenues:						
Property taxes	1,789,105,013	1,792,921,614	-	(45,762)	1,789,105,013	1,792,875,852
Income taxes	1,448,372,065	1,481,806,881	-	-	1,448,372,065	1,481,806,881
Other taxes	432,905,584	447,445,749	-	-	432,905,584	447,445,749
Investment income	18,175,824	13,770,994	2,073,306	1,068,863	20,249,130	14,839,857
Gain/(loss) on sale of capital assets	2,106,453	-	197,700	162,042	2,304,153	162,042
Total Revenues	<u>4,255,397,103</u>	<u>4,257,868,844</u>	<u>507,347,621</u>	<u>501,818,635</u>	<u>4,762,744,724</u>	<u>4,759,687,479</u>
EXPENSES						
Governmental Activities:						
General government	424,387,485	540,011,504	-	-	424,387,485	540,011,504
Public safety	673,208,779	641,585,272	-	-	673,208,779	641,585,272
Public works and transportation	270,104,981	258,627,800	-	-	270,104,981	258,627,800
Health and human services	340,401,563	319,917,837	-	-	340,401,563	319,917,837
Culture and recreation	124,775,369	134,848,367	-	-	124,775,369	134,848,367
Community development and housing	73,658,830	50,618,370	-	-	73,658,830	50,618,370
Environment	32,168,215	29,095,268	-	-	32,168,215	29,095,268
Education	2,094,083,289	2,037,048,982	-	-	2,094,083,289	2,037,048,982
Interest on long-term debt	118,778,942	100,887,704	-	-	118,778,942	100,887,704
Business-type Activities:						
Liquor control	-	-	268,344,647	273,828,277	268,344,647	273,828,277
Solid waste activities	-	-	100,674,500	92,126,174	100,674,500	92,126,174
Parking lot districts	-	-	33,941,506	34,418,684	33,941,506	34,418,684
Permitting services	-	-	39,017,094	36,065,066	39,017,094	36,065,066
Community use of public facilities	-	-	11,857,115	10,386,038	11,857,115	10,386,038
Total Expenses	<u>4,151,567,453</u>	<u>4,112,641,104</u>	<u>453,834,862</u>	<u>446,824,239</u>	<u>4,605,402,315</u>	<u>4,559,465,343</u>
Net Position Before Transfers	103,829,650	145,227,740	53,512,759	54,994,396	157,342,409	200,222,136
Transfers	65,155,838	31,875,197	(65,155,838)	(31,875,197)	-	-
Change in Net Position	168,985,488	177,102,937	(11,643,079)	23,119,199	157,342,409	200,222,136
Net Position, beginning of year, as restated	<u>(312,764,544)</u>	<u>(489,867,481)</u>	<u>321,769,986</u>	<u>298,650,787</u>	<u>9,005,442</u>	<u>(191,216,694)</u>
Net Position, end of year	<u>\$ (143,779,056)</u>	<u>\$ (312,764,544)</u>	<u>\$ 310,126,907</u>	<u>\$ 321,769,986</u>	<u>\$ 166,347,851</u>	<u>\$ 9,005,442</u>
* Primary Government						
Note: 2017 balances have been restated for the adoption of GASB No.75. See details in Note I-E.						

Governmental Activities

Revenues for the County's governmental activities were \$4,255.4 million for FY18. Sources of revenue are comprised of the following items:

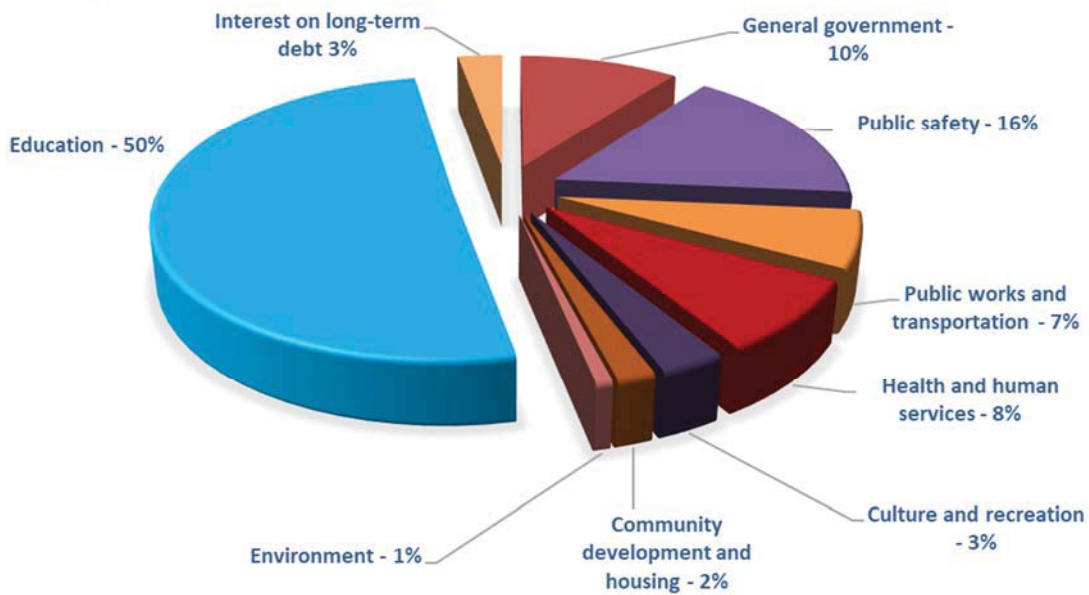


- Taxes constitute the largest source of County revenues, amounting to \$3,670.4 million for FY18.
- Property and local income taxes combined comprise 76.0 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 3.2 percent of the State taxable income for calendar years 2018 and 2017. 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 (\$108.7 million or 54.1 percent), public works and transportation (\$41.1 million or 20.5 percent) and public safety (\$34.0 million or 17.0 percent).

A more detailed discussion of the County's revenue results for FY18 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 FY18 was \$4,151.6 million. As the chart on the next page indicates, education constitutes the County's largest program and highest priority; education expenses totaled \$2,094.1 million. Public safety expenses totaled \$673.2 million, general government services totaled \$424.4 million, and health and human services, the fourth largest expense for the County, totaled \$340.4 million.

**EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



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, 2018 and 2017						
	Expenses		Revenues		Net Cost of Services	
	2018	2017	2018	2017	2018	2017
Education	\$ 2,094,083,289	\$ 2,037,048,982	\$ -	\$ -	\$ 2,094,083,289	\$ 2,037,048,982
Public safety	673,208,779	641,585,272	92,550,618	90,861,570	580,658,161	550,723,702
General government	424,387,485	540,011,504	134,854,403	94,290,229	289,533,082	445,721,275
Public works and transportation	270,104,981	258,627,800	152,256,983	142,662,558	117,847,998	115,965,242
Health and human services	340,401,563	319,917,837	113,511,506	125,629,316	226,890,057	194,288,521
Culture and recreation	124,775,369	134,848,367	47,844,799	50,479,019	76,930,570	84,369,348
Other	224,605,987	180,601,342	23,713,855	18,000,914	200,892,132	162,600,428
Total	\$ 4,151,567,453	\$ 4,112,641,104	\$ 564,732,164	\$ 521,923,606	\$ 3,586,835,289	\$ 3,590,717,498

Of the total cost of governmental activities of \$4,151.6 million, \$564.7 million was paid by those who directly benefited from the programs (\$240.2 million) and other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$324.5 million). Of the \$3,586.8 million net cost of services, our taxpayers paid for these activities through County taxes which totaled \$3,670.4 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:**
\$57.0 million increase in resources spent on education. The County contribution was \$19 million over Maintenance of Effort and 2.8 percent higher than FY17 for Montgomery County Public Schools (MCPS) funding. The County's local contribution is \$2.0 million over MOE for Montgomery College. The overall County contribution increased by 47.0 percent in total.
- **General Government:**
\$115.6 million decrease in expenses primarily due to the County's FY 2018 savings plan including \$58.7 million operating budget reduction and additional savings \$62.4 million in operating budget reductions.
- **Public Safety:**
\$31.6 million increase in expenses primarily due to the payment of \$8.0 million of unbudgeted overtime and \$2.7 million in expenditures for unplanned Apparatus repairs for Fire Rescue Services. The Police Department added 62 positions this year and incurred higher costs for salaries, benefits and group insurance of \$6.6 million. Additionally, vehicle maintenance expenses were \$1.7 million greater than FY17 expenses.
- **Public Works and Transportation:**
\$11.5 million increase in expenses primarily driven by the purchase of 23 new buses and the cleanup costs of wind and snow storms in FY18.
- **Culture and Recreation:**
\$10.1 million decrease in expenses due to the County's FY 2018 savings in operating budget reduction.

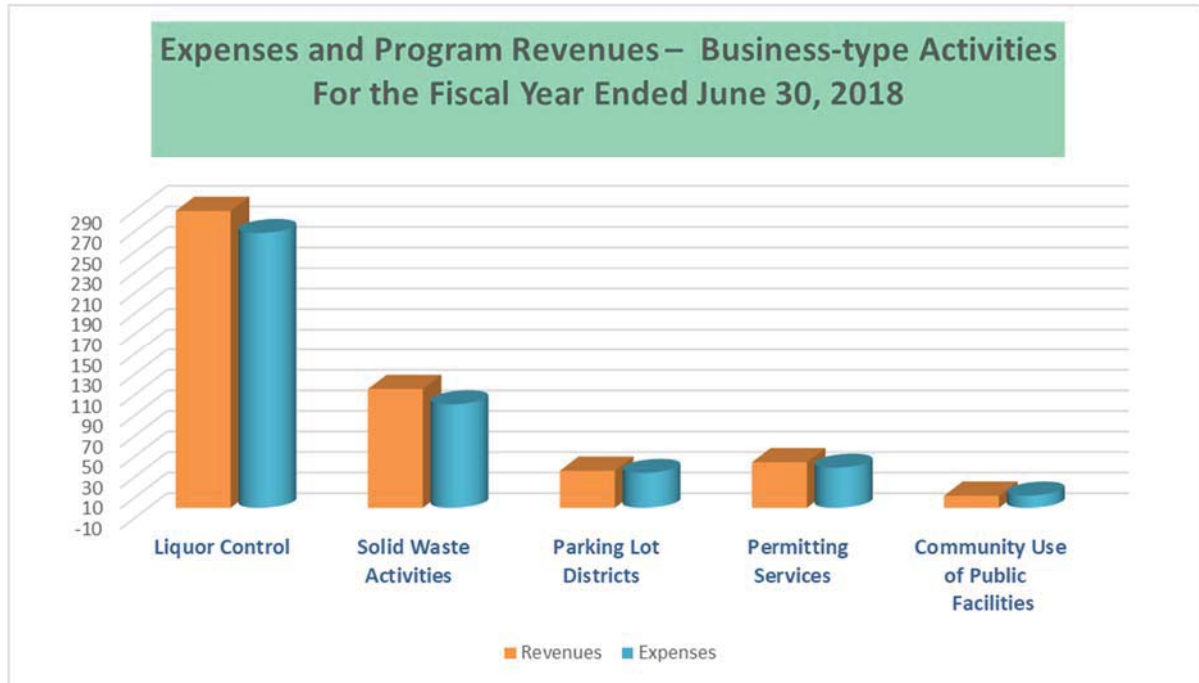
Business-type Activities

Highlights of the County's business-type activities for FY18 are as follows:

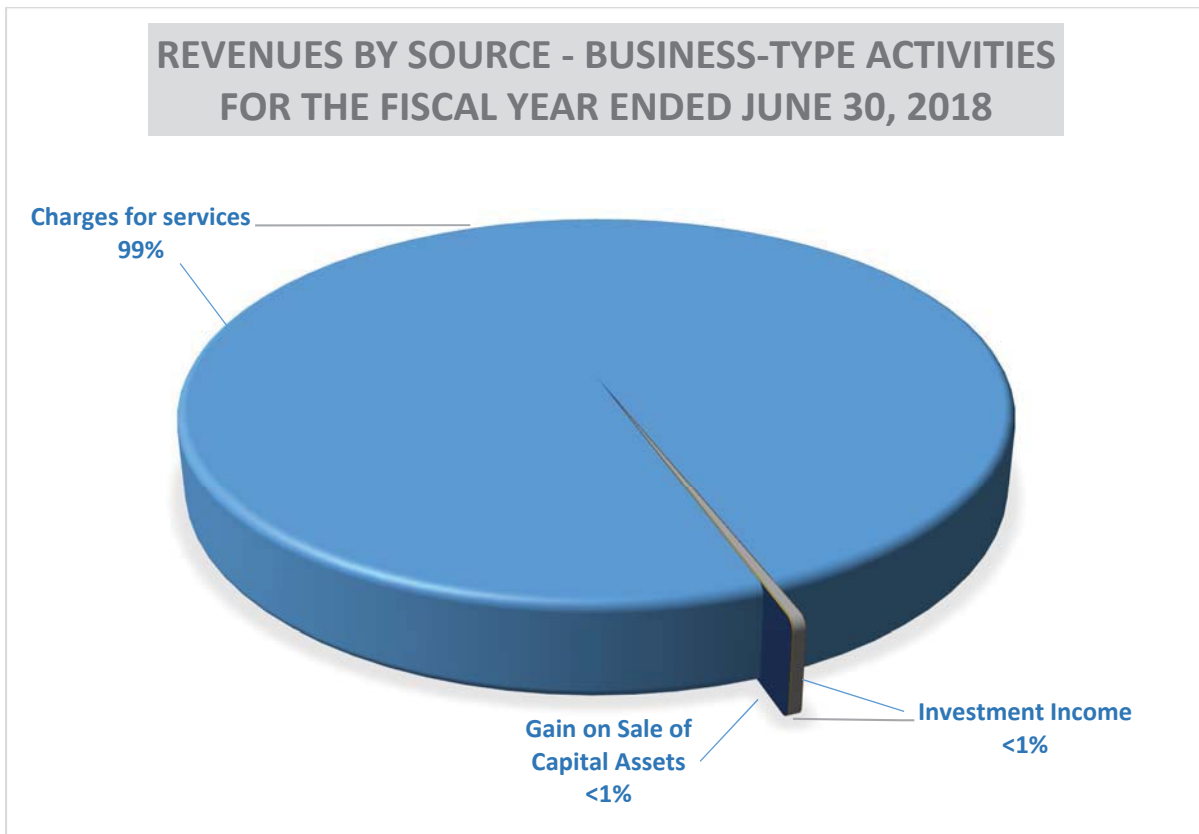
- Business-type activities experienced a decrease in net position of \$11.6 million for FY18. This amount is reported after total net transfers out of \$65.2 million. The most significant components of the change include:
 - \$1.8 million decrease in net position related to liquor control;
 - \$13.2 million increase in net position related to Solid Waste Activity;
 - \$2.0 million decrease in net position related to parking lot districts; and
 - \$20.2 million decrease in net position related to permitting services mainly due to the \$26.2 transfer out to capital project and general fund.
- Charges for services to users comprise 99.6 percent of revenues, with \$296.9 million (58.8 percent of charges for services revenue) attributable to liquor control operations and \$115.7 million (22.9 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 \$2.1 million reflects an increase of \$1.0 million or 94.0 percent from FY17, 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 FY18, the County's governmental funds reported combined ending fund balances of \$1,166.3 million, an increase of \$217.8 million from the end of FY17. Of the total ending fund balances, \$97.3 million constitutes the unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of \$1,069.0 million is unavailable for new spending because it has been set aside for prior period commitments and legal restrictions.

General Fund

The General Fund is the primary operating fund of the County. At the end of FY18, the General Fund had \$102.7 million of unassigned fund balance and total fund balance was \$521.0 million. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 17.3 percent of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$14.1 million during FY18, primarily due to decreases in expenditures for general government and other financing uses that were partially offset by increased expenditures for public safety and education. There were also decreases in tax, intergovernmental, charges from services, and miscellaneous revenues.

A more detailed discussion of General Fund revenues can be found in the General Fund Budgetary Highlights section of MD&A.

Housing Initiative Fund

The Housing Initiative Fund is used to account for the fiscal activity of financing, supplementing, and constructing affordable residential facilities for eligible participants. At the end of FY18, HI had a fund balance of \$238.7 million, which is entirely restricted for legal reasons. The fund balance represents a decrease of \$11.1 million over FY17. Mortgage receivables for this fund, which is a measure of its financing activities, decreased \$9.0 million or 5.1 percent over FY17.

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 \$111,734 which represents restricted assets held by the County pursuant to a grant agreement. Grants Fund received \$110.3 million in revenues for FY18. This is a \$3.0 million increase from FY17.

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 \$187.8 million represents an accounting debt service reserve account. Fund balance increased from FY17 by \$145.5 million due to the refunding and issuance of General obligation debt.

Capital Projects Fund

The Capital Projects Fund (CIP) has a total fund balance of \$126.7 million, an increase of \$68.4 million from the end of FY17. The fund balance of this fund can increase or decrease significantly depending on the timing of source of funds for larger capital projects. In FY17, the fund received \$13.7 million in intergovernmental revenues and \$81.6 million in intergovernmental revenues in FY18, an increase of \$67.9 million. The expenditures in FY18 remained at similar levels, increasing slightly from \$627.8 million in FY17 to \$629.7 million in FY18.

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 FY18 amounted to \$18.8 million, and operating income was \$30.0 million. After a subsidy transfer to the General Fund of \$24.8 million, the fund ended FY18 with a decrease in net position of \$1.8 million.

The Solid Waste Activities Fund total net position amounted to \$86.5 million. Of this amount, \$42.6 million (49.3 percent) represents the net investment of capital assets and \$43.9 million is restricted for environment.

The Parking Lot Districts Fund decrease in net position amounted to \$2.0 million in FY18, resulting in a total ending net position of \$169.3 million. Of this amount, \$135.1 million (79.8 percent) represents the net investment in capital assets; \$6.6 million (3.9 percent) is restricted for debt service on revenue bonds; and \$27.6 million (16.3 percent) is restricted for public works and transportation.

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

General Fund Budgetary Highlights

Revisions to the General Fund expenditure original budget (excluding transfers) to arrive at the final budget amounted to \$29.1 million, which included County Council approved supplemental and special appropriations and the year-end County Council transfer and County Executive supplemental appropriations. Major components of the appropriation increases include the following:

- \$12.7 million for snow storm removal and storm clean up. During the winter of 2017-2018, the County experienced 15 snow and/or ice events with total accumulation of approximately 16 inches.
- \$4.7 million to provide MCPS spending authority for payments to the School Bus Safety Camera Program contractor that provides the cameras and other systems necessary to issue citations.

- \$0.8 million increase to the Department of Police and the State’s Attorney’s Office to address an increase in gang-related activity in the County.
- \$0.3 million increase to reinstate the Impact Assistance Fund to assist certain small business adversely impacted by a County redevelopment project, a redevelopment project on County-owned property or a redevelopment project constructed by a private entity for use in whole or in part by the County as a public facility in a designated area that is not located in an Enterprise Zone or urban renewal area.

The remaining variance is due to encumbrance carry forwards from prior years, which are included in the final budget amounts.

Actual revenues were less than budget amounts by \$126.1 million, while actual expenditures and net transfers out were less than final budget by \$80.4 million and \$44.7 million, respectively. Highlights of the comparison of final budget to actual figures for expenditures and net transfers for the fiscal year-ended June 30, 2018, include the following:

- Actual expenditures of \$1,162.2 million were \$80.4 million less than the final budget, which represents 7.0 percent of the final budget, and is attributable to savings achieved across numerous departments via the FY18 savings plan.
- Actual transfers to the Capital Projects Fund and component units for capital purposes were less than budgeted by \$35.8 million and \$42.0 million, respectively. This is due both to the multi-year nature of capital projects, and to time delays that can be encountered for certain projects.

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

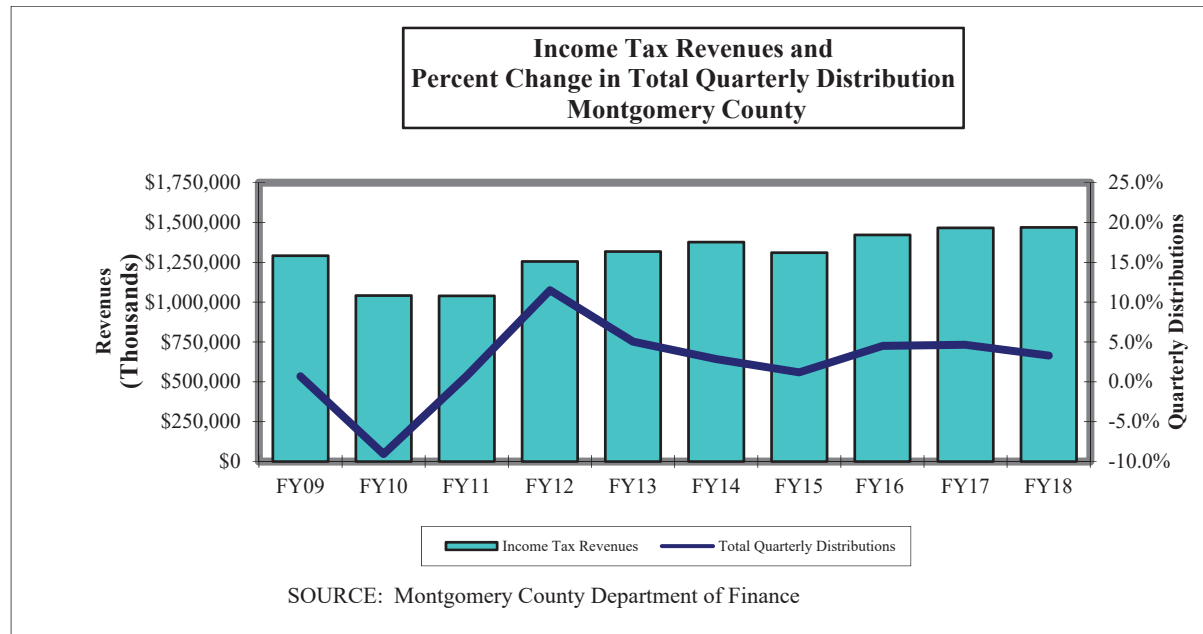
Overview

Actual revenues for the General Fund totaled \$3,293.5 million and were 2.8 percent below the budget estimate for the fiscal year and 0.9 percent below actual tax revenues for FY17. The two largest contributors to the decline between the budget estimate and actual revenues were the income tax (\$88.6 million) and the transfer and recordation tax (11.8 million). Revenues from the property tax amounted to \$1,267.1 million (\$12.4 million), or 1.0 percent, below the budget estimate but 0.02 percent above actual tax revenues for FY17. Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and other taxes, were \$274.2 million in FY18. That amount was \$8.3 million, or 2.9 percent below the budget estimate and that decrease was driven primarily by the fuel and energy tax (\$7.1 million or 3.5%) below the budget estimate. The remaining excise taxes were \$1.1 million, or 1.4 percent below the budget estimate. Investment income was \$0.8 million below the budget estimate. Licenses and Permits came in below the budget estimate (8.8%), while Charges for Services came in above the budget estimate (7.2%). Intergovernmental revenues were \$0.4 million (or 0.7%) below the budget estimate. This decrease was solely attributed to state reimbursements, which came in 1.7 percent below budget estimates.

Income Taxes

One of the largest revenue sources for the General Fund is the County income tax. Revenues from the income tax were \$1,469.3 million and represented 46.4 percent of actual tax revenues in FY18 and 44.6 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 (2008 – 2017) - ranging from a decrease of 38.5 percent in 2008 to an increase of 29.6 percent in 2013. In addition, resident employment experienced volatility during this period - an average annual rate of increase of 0.84 percent in the County’s resident employment during the 2008-2017 period. The average annual growth during the 2008-2013 period increased 1.1 percent while the average annual growth rate decelerated to 0.7 percent between 2013 and 2017. As the chart below illustrates, total quarterly distributions for withholding and estimated payments increased 3.3 percent in FY18, which followed the increase of 4.7 percent in FY17, an increase of 4.5 percent in FY16, an increase of 1.2 percent in FY15, an increase of 2.9 percent in FY14, an increase of 5.0 percent in FY13, an increase of 11.5 percent in FY12, an increase of 0.8 percent in FY11, and a decrease of 9.1 percent in FY10.



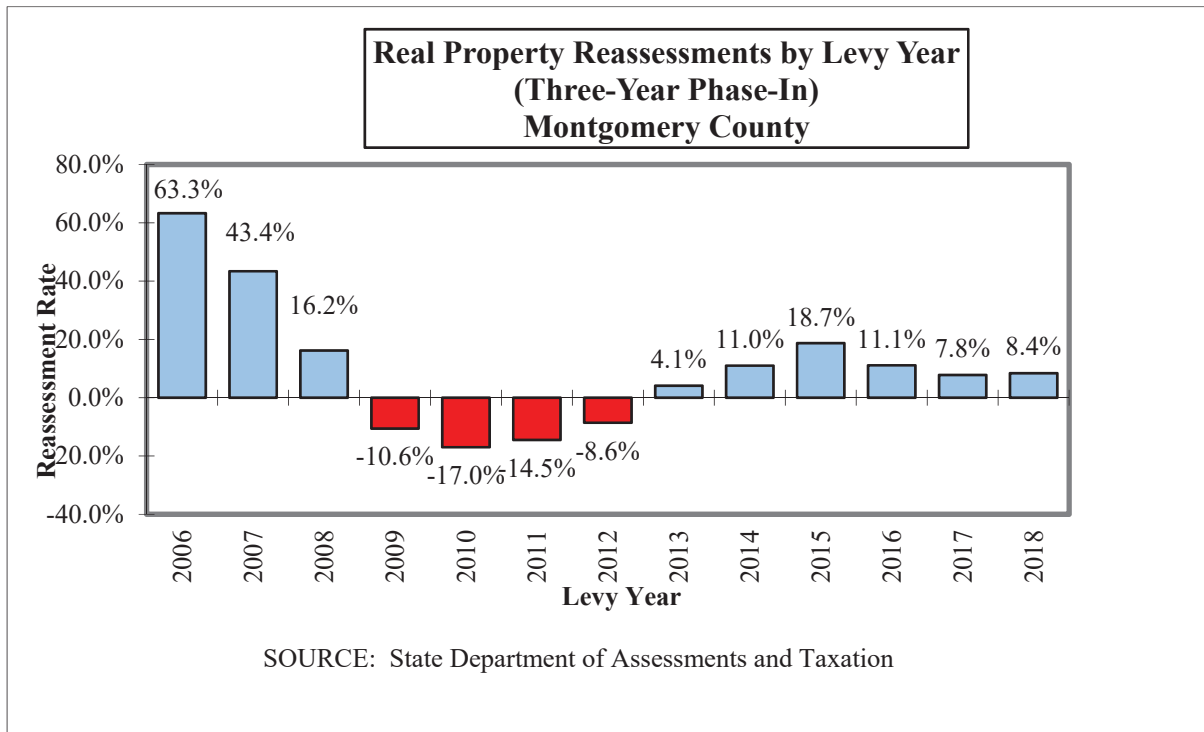
On May 18, 2015, the U.S. Supreme Court made a final ruling in the long-standing court case of *Comptroller of the Treasury of Maryland v. Wynne et ux*. The case involved a dispute over the credit a state taxpayer should get for taxes paid to other states for income earned in those states. The U.S. Supreme Court ruled in favor of the litigants. As a result, the State of Maryland owes refunds to all taxpayers who filed amended returns requesting the additional credit. Based on data provided by the Revenue Administration Division, Comptroller of Maryland (Comptroller), as of March 2018, the total amount of income tax refunds for tax years 2007 through 2014, including interest, attributable to the Wynne case is \$143.3 million. The total amount of income tax refunds as of June 30, 2018 was not available when this report was issued. 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 2018, the Maryland General Assembly amended the previous 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 FY21 with a total of twenty installments ending in FY26. Although the majority of refund claims have been processed and issued as of March 2018, 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

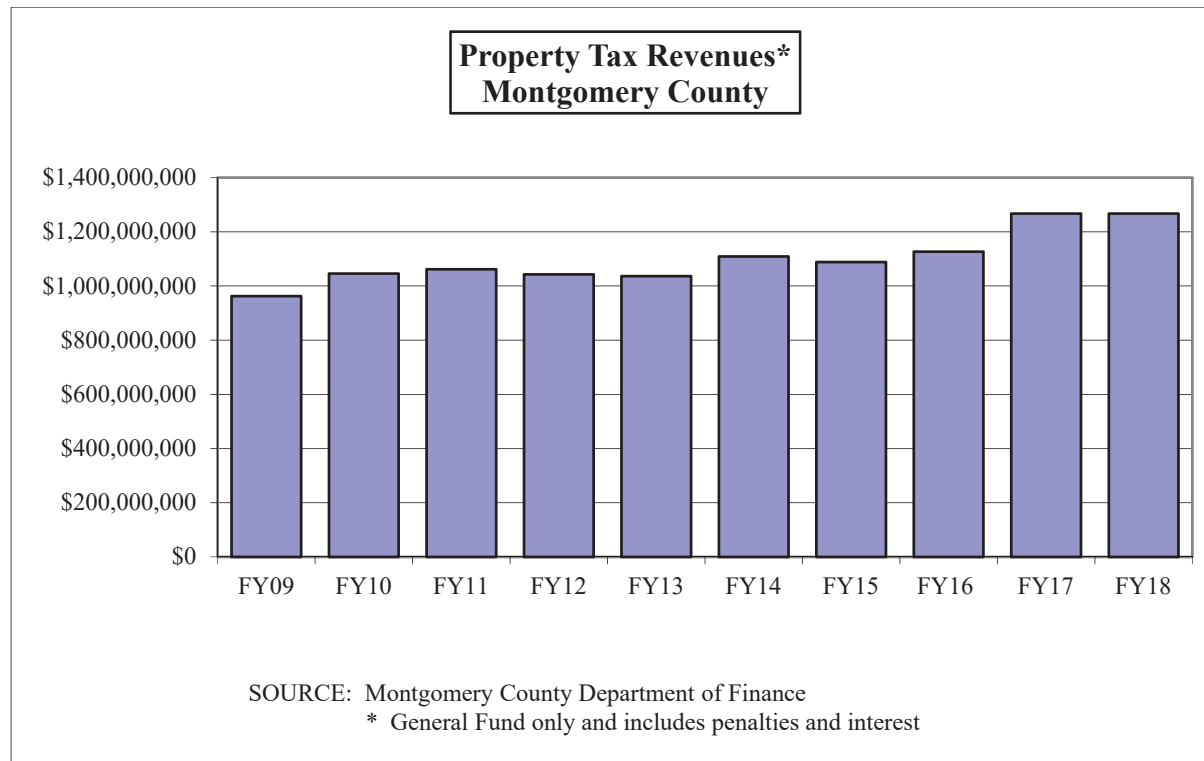
Property tax collections, which represent another major contributor of actual tax revenues to the General Fund and the second largest in FY18, amounted to \$1,267.1 million in FY18, which were \$12.4 million (1.0%) below the budget estimate and only 0.02 percent above actual revenues in FY17. Actual property taxes, excluding penalties and interest and other items, were \$1,265.6 million in FY18 – an increase of only 0.01 percent from the previous fiscal year. Collections from penalties and interest and other items were \$1.5 million – a 12.2 percent increase from FY17.

The taxable assessments for real property increased 3.7 percent from FY17 to FY18. This was the fifth consecutive increase starting in FY14. New construction, which added an estimated \$1.7 billion to the base in FY18, was 3.8 percent higher than in FY17. Following the real estate market boom and bust cycle in the previous decade, the triennial reassessment rates experienced the same trend albeit with a lag. The recent residential and commercial real estate market recovery resulted also in a recovery of property assessments. After an unprecedented four-year decline in triennial reassessment rates (levy year 2009-2012), reassessments increased 4.1 percent (levy year 2013 or FY2014), 11.0 percent in levy year 2014, 18.7 percent in levy year 2015, 11.1 percent in levy year 2016, 7.8 percent in levy year 2017, and 8.4 percent in levy year 2018.



The homestead tax credit limits annual increases in homeowners’ taxable assessments to 10 percent per year although other taxable assessments such as for commercial and investment residential properties are not limited by this credit. The homestead credit is the amount of annual assessment growth above the 10 percent limit. Following several years of declining reassessments, most properties that had built up a significant amount of homestead credit during the housing boom cycle, used up their homestead credit during the housing bust cycle.

However, in FY18 the amount increased from \$87.2 million in FY17 to \$88.1 million in FY18, therefore the increase of the aggregate homestead credit reduced the real property taxable assessment by \$0.9 million.

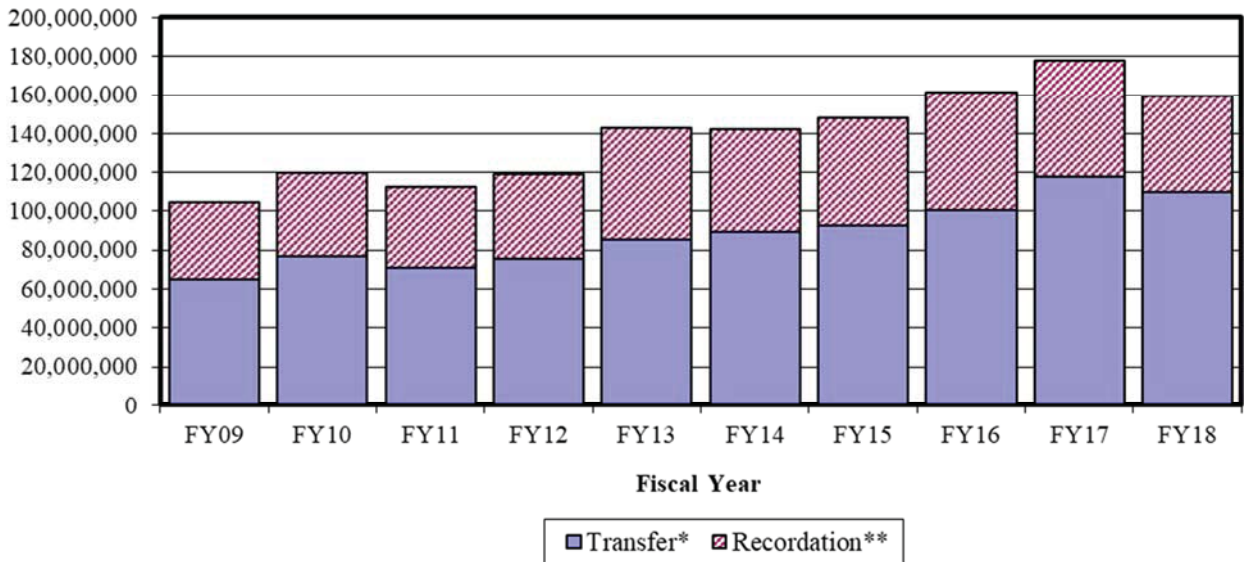


Because of declines in individual and corporate personal property and public utility tax assessments, total personal property assessments declined 1.3 percent in FY09 rebounding in FY10 (5.2%) attributed to increases in corporate and public utility assessments, declined 6.5 percent in FY11 to \$3.9 billion, declined again in FY12 to \$3.7 billion, and declined further in FY13 to \$3.6 billion attributed to declines in corporate and utility personal property, but increased 2.9 percent in FY14 to \$3.7 billion, decreased 1.5 percent in FY15 to \$3.7 billion, but increased 6.3 percent in FY16 to \$3.9 billion. For the previous five fiscal years (FY12 – FY16), taxable assessments for personal property averaged \$3.7 billion ranging from a low of \$3.6 billion in FY13 to a high of \$3.9 billion in FY16. Assessments of personal property increased 4.3 percent to \$4.051 billion in FY17 and to \$4.189 billion in FY18 (3.4%) due to increases in all three categories: individual, public utility, and corporate.

Transfer and Recordation Taxes

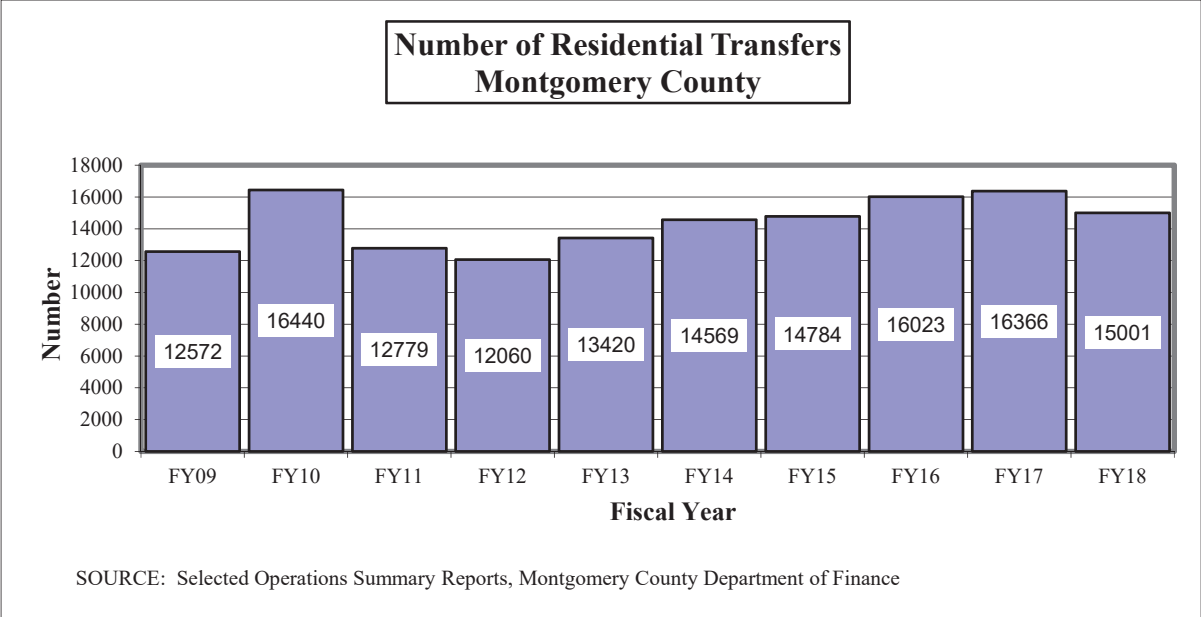
Another major tax revenue category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY18 were \$158.6 million (excluding recordation tax revenues earmarked for CIP funding of school construction, rental assistance, and CIP funding for the County; and transfer tax revenues from condominium conversions). Actual revenues decreased 11.1 percent in FY18 and were 7.0 percent below the budget estimate. As the accompanying chart illustrates, the total amount collected from these taxes reached a peak of \$241.7 million in FY06 before declining to \$107.2 million in FY09. In FY10, taxes from the combined transfer and recordation taxes rebounded to \$122.0 million, increased further to \$129.5 million in FY11, declined to \$127.3 million in FY12, and began a steady increase to \$142.0 million in FY13, \$144.5 million in FY14, \$147.6 million in FY15, \$161.7 million in FY16, \$178.4 million in FY17, but declined to \$158.6 million in FY18.

Collections from the Transfer* and Recordation Taxes
Montgomery County**

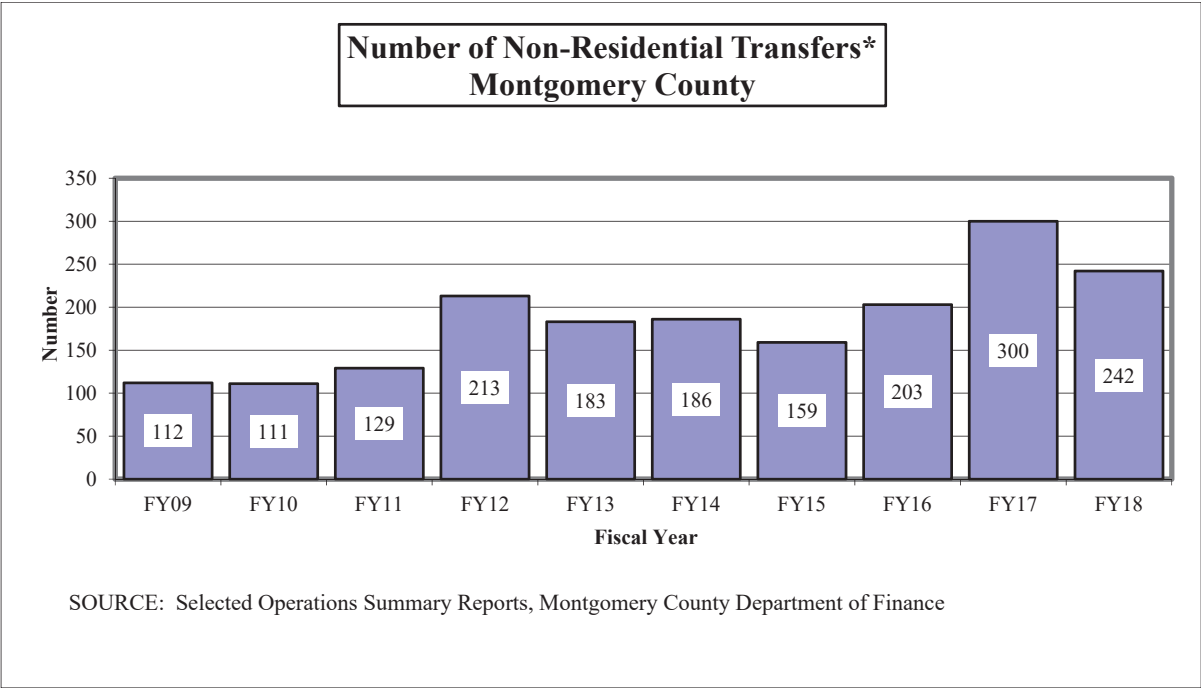


SOURCE: Montgomery County Department of Finance
 * Excludes condominium conversions
 ** Excludes School CIP, rental assistance, and County CIP

General Fund revenues from the transfer tax experienced a decrease of 7.2 percent in FY18 and 18.6 percent decrease in the recordation tax from FY17 attributed to a cut in the General Fund tax rate enacted by the County Council. Because of the decrease in existing home sales in FY18 (3.3%), revenues from the residential sector for the transfer tax were \$81.8 million, a decrease of 1.5 percent from FY17. The number of residential transfers decreased to 15,000 (8.3%). Because of the decline in the volume and the cut in the tax rate, collections from the residential recordation tax decreased 13.5 percent in FY18.



Based on the amount of collections from the non-residential transfer tax, the commercial market decreased 20.0 percent in FY18 from FY17 with revenues at \$27.1 million. The decrease in revenues from the commercial market was attributed to a decline in the number of transactions which decreased from 300 in FY17 to 242 in FY18 (19.3%) yielding an average tax per transaction of approximately \$111,860 (0.8%).



Other Revenues

The remaining tax sources – consisting of fuel/energy, telephone, hotel/motel, and other taxes – totaled \$274.2 million and were \$8.3 million, or 2.9 percent, below the budget estimate but nearly 2.0 percent above actual revenues in FY17. Revenues from the fuel/energy tax were \$197.2 million in FY18 and down from the budget estimate (\$7.1 million) but an increase of 2.5 percent from actual revenues in FY17. The increase in actual revenues from FY17 was attributed to an increase in residential natural gas collections (19.1%) and non-residential natural gas collections (11.2%).

Revenues from the telephone tax of \$51.6 million were 1.7 percent below the budget estimate but 1.6 percent above actual revenues in FY17. Revenues from the hotel/motel industry of \$21.0 million in FY18 were 4.1 percent below the budget estimate and 2.0 percent below actual revenues in FY17. Other tax revenues in FY18 were 18.4 percent above the budget estimate and 4.6 percent above actual revenues in FY17.

In the General Fund, actual investment income increased from a negative \$421,136 in FY17 to a positive \$463,356 in FY18 and was \$803,434 lower than the budget estimate. The expectation of many forecasters and specific members of the Federal Open Market Committee (FOMC) is that interest rates will steadily increase during FY19 with a concomitant increase in the County’s investment yield rates. Because of the three rate increases during FY18, noting that the last one occurred two weeks before the end of the fiscal year, the average portfolio yield for the County increased from 0.71 percent in FY17 to 1.34 percent in FY18. The average daily portfolio balance increased from \$844.7 million in FY17 to \$870.7 million in FY18.

Capital Asset and Debt Administration

Capital Assets

The County’s investment in capital assets at June 30, 2018, amounted to \$5,115.0 million (net of accumulated depreciation and amortization), as summarized below:

Capital Assets, Net of Depreciation June 30, 2018					
	Governmental Activities	Business-type Activities	Total FY18	Total FY17	
Land	\$ 973,916,851	\$ 58,444,081	\$ 1,032,360,932	\$ 994,763,315	
Buildings	533,093,927	134,674,613	667,768,540	591,733,651	
Improvements other than buildings	54,835,337	49,962,841	104,798,178	103,536,553	
Furniture, fixtures, equipment and machinery	32,646,299	16,278,017	48,924,316	55,377,515	
Leasehold improvements	6,968,993	-	6,968,993	7,915,043	
Automobiles and trucks	150,957,879	3,437,121	154,395,000	139,914,799	
Infrastructure	1,135,381,935	7,606	1,135,389,541	1,143,251,382	
Other assets	13,983,103	-	13,983,103	16,474,306	
Construction in progress	1,950,114,849	282,372	1,950,397,221	1,777,996,010	
Total	\$ 4,851,899,173	\$ 263,086,651	\$ 5,114,985,824	\$ 4,830,962,574	

Changes in the County’s capital assets for FY18 are summarized as follows:

Change in Capital Assets For the Fiscal Year Ended June 30, 2018				
	Governmental Activities	Business-type Activities	Total FY18	Total FY17
Beginning Balance	\$ 4,563,021,889	\$ 267,940,685	\$ 4,830,962,574	\$ 4,589,440,386
Additions*	387,008,710	12,273,243	399,281,953	355,782,354
Retirements, net*	414,101	1,079,967	1,494,068	3,296,383
Depreciation expense	97,717,325	16,047,310	113,764,635	110,963,783
Ending Balance	<u>\$ 4,851,899,173</u>	<u>\$ 263,086,651</u>	<u>\$ 5,114,985,824</u>	<u>\$ 4,830,962,574</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 \$10.9 million were transferred to the county by various developers.
- The Wheaton Redevelopment Program project accumulated \$29.4 million in costs this fiscal year. This project provides for the planning, studies, design, and construction of an office building, public parking garage, and a town square on the site of Parking Lot 13 and the Mid-County Region Services Center (RSC) in Wheaton.
- The Wheaton Library and Community Recreation Center project accumulated \$21.6 million in costs this fiscal year. This project provides for a combined facility to include the new Wheaton Library, a used book store run by a non-profit, with proceeds benefiting Montgomery County Public Libraries and the Wheaton Community Recreation Center.
- The Capital Crescent Trail project accumulated \$7.8 million in costs this fiscal year, and the Bethesda Metro Station South Entrance project accumulated \$21.6 million in cost this fiscal year. These two projects are part of a joint effort between the County and the Maryland Transit Administration (MTA) on the Purple Line project. The Purple Line is a new line within the Washington Metropolitan Area Transit Authority (WMATA) transit system that is planned to extend from Bethesda in Montgomery County to New Carrollton in Prince George’s County, providing direct connections to various lines within WMATA and connect to other train and bus services.
- The MD-355 Crossing (BRAC) project accumulated \$37.5 million in costs this fiscal year. This project provides for right-of-way negotiations, utility relocations, and the design and construction of a multi-modal grade separated connection between the Walter Reed National Military Medical Center and the Medical Center Metro Rail station.

- Montgomery County funded Montgomery County Public Schools \$224.2 million, and Montgomery College for \$47.7 million for construction, renovations of school facilities, and other capital expenditures.

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

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Long-Term Debt

The following is a summary of the County’s gross outstanding long-term debt as of June 30, 2018:

Long-Term Debt June 30, 2018				
	Governmental Activities	Business-type Activities	Total FY18	Total FY17*
General obligation bonds	\$ 2,925,230,000	\$ -	\$ 2,925,230,000	\$ 2,789,265,000
Variable rate demand obligation	170,000,000	-	170,000,000	90,000,000
Bond anticipation notes	500,000,000	-	500,000,000	500,000,000
Revenue bonds	130,710,607	69,769,393	200,480,000	212,311,000
Lease revenue bonds	20,390,000	-	20,390,000	22,785,000
Other lease and notes payable	29,420,784	-	29,420,784	25,398,332
Equipment notes	79,862,241	6,433,707	86,295,948	62,141,492
Certificates of participation	24,505,000	-	24,505,000	28,505,000
Capital leases	6,106,510	-	6,106,510	8,454,830
Taxable Ltd. Obligation Certificates	74,665,000	-	74,665,000	78,660,000
Compensated absences	84,242,659	6,967,485	91,210,144	88,672,945
Net OPEB Liability	1,486,051,494	-	1,486,051,494	1,735,005,077
Claims payable self-insurance	178,170,181	-	178,170,181	159,081,601
Claims and judgments	-	-	-	1,073,600
Net Pension Liability - County	304,223,320	19,906,428	324,129,748	521,396,382
Net Pension Liability - County(LOSAP)	37,946,046	-	37,946,046	40,657,679
Net Pension Liability - State	27,549,791	-	27,549,791	30,107,615
Landfill closure costs	-	15,671,304	15,671,304	15,733,722
Gude landfill remediation	-	28,530,853	28,530,853	28,500,000
Total	\$ 6,079,073,633	\$ 147,279,170	\$ 6,226,352,803	\$ 6,437,749,275

* FY17 Net OPEB liability has been restated according to GASB No. 75.

At June 30, 2018, the County had outstanding general obligation (GO) bonds of \$3,095.2 million, including outstanding variable rate demand obligations (VRDOs) of \$170 million, and bond anticipation notes (BANs) of \$500 million. Over the last ten years, the County issued its GO bonds once a year, except for FY08, when no GO “new money” bonds were issued. The County currently finances capital construction projects with BANs. BANs are subsequently paid off by the issuance of the County’s GO bonds. Montgomery County also issues bonds to finance the capital construction of MCPS, MC, and M-NCPPC not otherwise financed by the State of Maryland.

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

In October 2017, the County received its annual credit ratings. Fitch cited “key rating drivers” of the County’s expected strong revenue growth in property and income taxes, proven ability to reduce spending during economic downturn, and low combined debt and unfunded pension liability burden. Fitch also reported on the County’s

financial resilience which has resulted in a sound increased reserve cushion and a strong commitment to bolstering reserves in preparation for the next downturn.

Moody's cited the County's credit strengths of a very large and diverse tax base, strong socioeconomic profile with above average personal wealth and income levels, and manageable debt and pension burdens. Moody's also stated that their ratings outlook incorporates the county's adequate financial position that continues to be supported by a structurally balanced budget, and increased reserves.

Standard and Poor's stated their rating reflects the County's very strong economy and management, adequate budgetary performance with strong budgetary flexibility, and very strong liquidity. Standard and Poor's also cited the adequacy of the County's debt and contingent liability profile, and very strong institutional framework.

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 FY18 were:

- **General Obligation Bonds** – On November 15, 2017, the County issued new money, Tax-Exempt, General Obligation Series A, in the amount of \$170,000,000, and issued three series of General Obligation Refunding Bonds comprising Tax-Exempt Series, B, C and D in the amounts of \$78,270,000, \$294,625,000 and \$143,830,000, respectively. Subsequently 2017 Series E, Tax- Exempt, Variable Rate Demand Obligation Bonds (VRDO) in the principal amount of \$170,000,000 were issued on December 19, 2017. The proceeds of the Series A and Series E bonds paid off an equivalent amount of the County's BANs which funded capital expenditures for education, transportation and other County facilities. The proceeds of Series B Refunding bonds were used to refinance all the outstanding Series 2006A & B VRDOs.
- **Master Equipment/Lease Purchase Agreement** – As part of a \$100 million energy efficiency improvement program, in December 2017, the County issued a fourth draw in the amount of \$4.3 million under the Banc of America Public Capital Corp, Master Lease Agreement. The proceeds will fund energy performance savings projects at various County buildings for which the repayment of debt is guaranteed through energy savings.
- **Master Lease Purchase Agreements** – In April 2018, the County funded seven leases in the amount of \$37.5 million under the PNC Master Lease agreement. The proceeds primarily funded Transit Buses, Fire Apparatus and Equipment, Fleet Trucks and Computer Aided Dispatch systems.
- **Bond Anticipation Notes (BANs)** – Over the course of FY18, the County retired \$340.0 million in BANs with general obligation bond proceeds and issued \$340.0 million in new BANs.
- **Additional information** pertaining to the County's long-term debt can be found in Notes to Financial Statements, Notes I-D8, III-E3, and III-F.

Economic Factors and Next Year's Budgets and Rates

The following economic factors are reflected in the County's fiscal year 2019 (FY19) budget with updates based on revised economic data subsequent to the approval of the County's budget:

- County experienced modest economic performance during FY18 compared to FY17 particularly in resident employment, the total value of new construction for both residential and non-residential

properties, and median sales prices for existing homes. However, the County's economy experienced a decline in the sales of existing homes, a decline in the construction of residential housing largely attributed to a decrease in multi-family units, and no change in the unemployment rate.

- The County's economic projections in the FY19 budget assume a modest, yet improving, economic performance in calendar year 2018 (CY18). On the same calendar year basis, the County projects a modest increase in total resident employment (0.7%) and a stronger growth in payroll employment (1.4 percent).
- During the past ten years (CY08 – CY17), 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 CY08 to CY11 at an average annual rate of 0.5 percent, but an increase at an average annual rate of 0.6 percent from CY11 to CY17. The Department of Finance estimates that total payroll employment is expected to increase 1.4 percent in CY18.
- 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 0.6 percent between CY08 and CY11 and increased at an average annual rate of 1.0 percent from CY11 to CY17. Resident employment is expected to increase 0.7 percent in CY18.
- Based in part on employment projection for CY18, personal income will increase 4.1 percent in CY18 with per capita income increasing 3.5 percent. Income data for CY18 are based on estimates derived by the Department of Finance.
- The estimated increases in employment and personal income in CY18 reflect a modest performance in the County's economy in FY18 which is expected to continue into FY19.
- FOMC of the Board of Governors of the Federal Reserve System increased the targeted federal funds rate twice from the recent range of 1.25-1.50 percent in December 2017 to 1.75-2.00 percent in June of CY18 and was expected to increase the rate again in December of CY18. Because of that expectation by the FOMC, the County's budget projections include an increase in the yield on its investments from 1.20 percent in FY18 to 1.70 percent in FY19.
- Inflation, as measured by the Consumer Price Index, is expected to increase 2.00 percent in FY19.

Other Significant Matters

The recently-launched multi-departmental Vision Zero initiative, which is funded at \$118 million in the FY19 budget, has a two-year goal of reducing severe and fatal traffic collisions by 35 percent with the long-term goal of eliminating such collisions by 2030. This builds on the County Executive's Pedestrian Safety Initiative, established in FY10, through which 250 severe and 33 fatal collisions have been prevented.

Under the provisions of the Maryland Public Service Commission's Order numbers 86990 and 88128 in the Matter of the Merger of Exelon Corporation and Pepco Holdings the County has received \$41.1 million of a total of \$41.6 million awarded for energy efficiency improvement and workforce development programs. To date the County has plans to spend funds to support efforts by the Montgomery County Green Bank (MCGB) to leverage financing for energy efficiency improvements in the public and private sector. Additional programs are underway to support Workforce Development, improvements in the energy efficiency of public infrastructure, energy education programs to assist residents in reducing energy costs and energy efficiency improvements to multi-family buildings. In FY 19 under the provisions of Maryland Public Service Commission Order No. 88631 in the Matter of the Merger of Altagas LTD and WGL Inc. the County will also receive \$12.1 million. The County is

required to spend these funds on efforts to reduce natural gas consumption by WGL customers, energy education or workforce development initiatives.

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, \$143.3 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/mcg/financialreports>.

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BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018
Exhibit A-1

	Primary Government			Component Units Total
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Equity in pooled cash and investments	\$ 985,998,129	\$ 184,638,239	\$ 1,170,636,368	\$ 138,363,843
Cash with fiscal agents	229,510,515	2,459,460	231,969,975	86,484,639
Cash	396,455	113,074	509,529	18,107,823
Investments - cash equivalents	-	-	-	110,735,477
Investments	-	-	-	33,782,033
Receivables (net of allowance for uncollectibles):	645,205,734	9,513,381	654,719,115	422,766,859
Internal balances	2,646,528	(2,646,528)	-	-
Due from primary government	-	-	-	38,334,943
Due from component units	61,467,899	210,786	61,678,685	-
Due from other governments	83,949,152	24,209	83,973,361	33,152,725
Inventory of supplies	10,316,043	30,871,698	41,187,741	11,167,587
Prepaid expenses	869,437	243,065	1,112,502	2,017,193
Other assets	-	-	-	50,404,815
Restricted Assets:				
Equity in pooled cash and investments	-	9,153,878	9,153,878	2,737,368
Cash with fiscal agents	-	-	-	21,749,734
Cash	-	-	-	448,470
Investments - cash equivalents	-	-	-	189,951,472
Investments	-	3,041,472	3,041,472	100,674,739
Capital Assets:				
Nondepreciable assets	2,924,031,700	58,726,454	2,982,758,154	460,541,704
Depreciable assets, net	1,927,867,473	204,360,196	2,132,227,669	3,931,013,442
Total Assets	<u>6,872,259,065</u>	<u>500,709,384</u>	<u>7,372,968,449</u>	<u>5,652,434,866</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	21,730,337	67,096	21,797,433	695,543
Pension deferrals	133,245,784	8,120,353	141,366,137	172,506,886
OPEB deferrals	61,139,641	-	61,139,641	119,125,525
Accumulated decrease in fair value of hedging derivatives	-	-	-	4,205,807
Total Deferred Outflows of Resources	<u>216,115,762</u>	<u>8,187,449</u>	<u>224,303,211</u>	<u>296,533,761</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018
Exhibit A-1 (Concluded)

	Primary Government			Component Units Total
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 59,371,748	\$ 12,212,724	\$ 71,584,472	\$ 143,641,414
Interest payable	33,756,447	600,846	34,357,293	22,440,762
Retainage payable	11,875,981	276,775	12,152,756	10,792,770
Accrued liabilities	134,976,288	17,531,221	152,507,509	100,870,001
Deposits	231,193	9,184,097	9,415,290	20,672,539
Due to primary government	-	-	-	61,783,679
Due to component units	37,519,100	815,543	38,334,643	-
Due to other governments	154,405,912	1,142,721	155,548,633	958,919
Unearned revenue	100,733,376	3,489,091	104,222,467	40,264,337
Other liabilities	5,607,256	7,617	5,614,873	34,776,013
Noncurrent Liabilities:				
Due within one year	867,288,657	13,137,622	880,426,279	165,319,046
Due in more than one year	5,508,359,904	136,483,343	5,644,843,247	4,126,605,323
Total Liabilities	6,914,125,862	194,881,600	7,109,007,462	4,728,124,803
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	-	2,856,000
Pension deferrals	65,803,194	3,888,326	69,691,520	65,765,326
OPEB deferrals	252,224,827	-	252,224,827	261,995,407
Accumulated increase in fair value of hedging derivatives	-	-	-	2,078,529
Total Deferred Inflows of Resources	318,028,021	3,888,326	321,916,347	332,695,262
NET POSITION				
Net investment in capital assets	2,169,845,557	185,894,133	2,355,739,690	3,419,552,210
Restricted for:				
Capital projects	126,666,183	-	126,666,183	195,928
General government	37,448,246	-	37,448,246	-
Public safety	2,012,749	-	2,012,749	-
Public works and transportation	20,825,397	27,633,735	48,459,132	-
Recreation	13,033,919	-	13,033,919	-
Community development and housing	243,504,219	-	243,504,219	-
Environment	19,412,805	43,890,747	63,303,552	-
Debt service	187,817,336	9,021,173	196,838,509	103,184,414
Other purposes	-	-	-	42,608,713
Unrestricted (deficit)	(2,964,345,467)	43,687,119	(2,920,658,348)	(2,677,392,703)
Total Net Position	\$ (143,779,056)	\$ 310,126,907	\$ 166,347,851	\$ 888,148,562

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit A-2

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General government	\$ 424,387,485	\$ 99,081,775	\$ 1,367,478	\$ 34,405,150
Public safety	673,208,779	55,776,247	34,036,104	2,738,267
Public works and transportation	270,104,981	32,977,409	41,117,169	78,162,405
Health and human services	340,401,563	4,765,964	108,745,542	-
Culture and recreation	124,775,369	38,827,721	7,150,941	1,866,137
Community development and housing	73,658,830	8,665,072	8,273,826	-
Environment	32,168,215	97,921	-	6,677,036
Education	2,094,083,289	-	-	-
Interest on long term debt	118,778,942	-	-	-
Total Governmental Activities	4,151,567,453	240,192,109	200,691,060	123,848,995
Business-type Activities				
Liquor control	268,344,647	296,898,858	-	-
Solid waste disposal and collection	100,674,500	115,663,792	-	-
Parking lot districts	33,941,506	36,166,913	-	-
Permitting services	39,017,094	44,429,923	-	-
Community use of public facilities	11,857,115	11,917,129	-	-
Total Business-type Activities	453,834,862	505,076,615	-	-
Total Primary Government	\$ 4,605,402,315	\$ 745,268,724	\$ 200,691,060	\$ 123,848,995
Component Units:				
General government (BUP)	\$ 5,630,858	\$ 5,426,221	\$ 183,000	\$ -
Culture and recreation (MCRA)	18,398,754	15,715,436	-	4,660,464
Community development and housing (HOC)	262,571,947	120,246,809	128,528,131	2,176,932
Education:				
Elementary and secondary education (MCPS)	2,851,135,552	35,377,525	129,864,548	71,750,307
Higher education (MC)	352,064,605	71,055,228	19,891,068	47,967,381
Total Component Units	\$ 3,489,801,716	\$ 247,821,219	\$ 278,466,747	\$ 126,555,084

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	
\$ (289,533,082)	\$ -	\$ (289,533,082)	\$ -	-
(580,658,161)	-	(580,658,161)	-	-
(117,847,998)	-	(117,847,998)	-	-
(226,890,057)	-	(226,890,057)	-	-
(76,930,570)	-	(76,930,570)	-	-
(56,719,932)	-	(56,719,932)	-	-
(25,393,258)	-	(25,393,258)	-	-
(2,094,083,289)	-	(2,094,083,289)	-	-
(118,778,942)	-	(118,778,942)	-	-
<u>(3,586,835,289)</u>	<u>-</u>	<u>(3,586,835,289)</u>	<u>-</u>	<u>-</u>
-	28,554,211	28,554,211	-	-
-	14,989,292	14,989,292	-	-
-	2,225,407	2,225,407	-	-
-	5,412,829	5,412,829	-	-
-	60,014	60,014	-	-
<u>-</u>	<u>51,241,753</u>	<u>51,241,753</u>	<u>-</u>	<u>-</u>
<u>\$ (3,586,835,289)</u>	<u>\$ 51,241,753</u>	<u>\$ (3,535,593,536)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (21,637)	-
-	-	-	1,977,146	-
-	-	-	(11,620,075)	-
-	-	-	(2,614,143,172)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(213,150,928)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,836,958,666)</u>	<u>-</u>
1,789,105,013	-	1,789,105,013	-	-
1,448,372,065	-	1,448,372,065	-	-
109,452,764	-	109,452,764	-	-
49,135,141	-	49,135,141	-	-
197,200,021	-	197,200,021	-	-
21,033,479	-	21,033,479	-	-
51,600,631	-	51,600,631	-	-
4,483,548	-	4,483,548	-	-
-	-	-	3,042,507,612	-
18,175,824	2,073,306	20,249,130	13,818,732	-
2,106,453	197,700	2,304,153	13,594,938	-
<u>65,155,838</u>	<u>(65,155,838)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,755,820,777</u>	<u>(62,884,832)</u>	<u>3,692,935,945</u>	<u>3,069,921,282</u>	<u>-</u>
168,985,488	(11,643,079)	157,342,409	232,962,616	-
<u>(312,764,544)</u>	<u>321,769,986</u>	<u>9,005,442</u>	<u>655,185,946</u>	<u>-</u>
<u>\$ (143,779,056)</u>	<u>\$ 310,126,907</u>	<u>\$ 166,347,851</u>	<u>\$ 888,148,562</u>	<u>-</u>

MONTGOMERY COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
Exhibit A-3

	General	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 346,615,901	\$ 33,127,918	\$ 4,068,683	\$ 18,558,350	\$ 277,517,112	\$ 102,926,111	\$ 782,814,075
Cash with fiscal agents	6,566,957	-	-	169,878,531	53,065,027	-	229,510,515
Cash	147,955	212,450	-	-	-	35,750	396,155
Receivables (net of allowances for uncollectibles)	364,317,871	166,422,694	44,759,654	44,895,000	300,000	17,586,938	638,282,157
Due from other funds	121,670,433	-	-	-	-	-	121,670,433
Due from component units	97,261	46,365,779	10,867,763	-	3,885,117	-	61,215,920
Due from other governments	30,983,225	-	28,464,859	-	23,137,139	1,075,713	83,660,936
Inventory of supplies	6,171,336	-	-	-	-	-	6,171,336
Prepays	584,470	-	-	147,853	-	-	732,323
Total Assets	<u>\$ 877,155,409</u>	<u>\$ 246,128,841</u>	<u>\$ 88,160,959</u>	<u>\$ 233,479,734</u>	<u>\$ 357,904,395</u>	<u>\$ 121,624,512</u>	<u>\$ 1,924,453,850</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	20,564,383	867,557	6,428,978	681,797	19,317,069	2,909,969	50,769,753
Retainage payable	562,154	-	63,918	-	11,249,909	-	11,875,981
Accrued liabilities	58,350,429	1,567,438	960,875	33	39,234,129	14,559,405	114,672,309
Deposits	63,850	-	-	-	-	167,343	231,193
Due to other funds	11,350,497	36,398	19,635,092	-	97,736,971	4,887,535	133,646,493
Due to component units	280,051	494,739	-	85,568	36,503,105	155,637	37,519,100
Due to other governments	549,151	255,000	5,668,764	-	2,769,790	1,362,036	10,604,741
Unearned revenue	-	-	55,291,598	44,895,000	3,182,016	2,211	103,370,825
Total Liabilities	<u>91,720,515</u>	<u>3,221,132</u>	<u>88,049,225</u>	<u>45,662,398</u>	<u>209,992,989</u>	<u>24,044,136</u>	<u>462,690,395</u>
Deferred Inflows of Resources:							
Unavailable income taxes	238,259,299	-	-	-	-	-	238,259,299
Unavailable property taxes	10,585,461	-	-	-	-	3,617,871	14,203,332
Unavailable revenues	15,565,628	4,186,754	-	-	21,245,223	1,988,645	42,986,250
Total Deferred Inflows of Resources	<u>264,410,388</u>	<u>4,186,754</u>	<u>-</u>	<u>-</u>	<u>21,245,223</u>	<u>5,606,516</u>	<u>295,448,881</u>
Fund Balances:							
Nonspendable	6,755,806	-	-	147,853	-	-	6,903,659
Restricted	322,335,413	238,720,955	111,734	187,669,483	126,666,183	97,404,646	972,908,414
Committed	62,163,634	-	-	-	-	-	62,163,634
Assigned	27,071,892	-	-	-	-	-	27,071,892
Unassigned	102,697,761	-	-	-	-	(5,430,786)	97,266,975
Total Fund Balances	<u>521,024,506</u>	<u>238,720,955</u>	<u>111,734</u>	<u>187,817,336</u>	<u>126,666,183</u>	<u>91,973,860</u>	<u>1,166,314,574</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 877,155,409</u>	<u>\$ 246,128,841</u>	<u>\$ 88,160,959</u>	<u>\$ 233,479,734</u>	<u>\$ 357,904,395</u>	<u>\$ 121,624,512</u>	<u>\$ 1,924,453,850</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, 2018
Exhibit A-4

Total fund balance - governmental funds (see Exhibit A-3)		\$ 1,166,314,574
Amounts reported for governmental activities in the statement of net position are difference because:		
Capital assets used in governmental fund activities are not financial resources and therefore not reported in the funds:		
Nondepreciable capital assets:		
Land	\$ 973,894,345	
Construction in progress	1,950,114,849	
Depreciable capital assets:		
Buildings	982,652,188	
Improvements other than buildings	96,720,536	
Furniture, fixtures, equipment and machinery	217,466,410	
Automobiles and trucks	245,349,649	
Infrastructure	1,938,001,213	
Other capital assets	41,927,309	
Total capital assets	<u>6,446,126,499</u>	
Less accumulated depreciation	<u>(1,636,320,724)</u>	4,809,805,775
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	(2,925,230,000)	
Variable rate demand obligations	(170,000,000)	
Bond anticipation notes payable	(500,000,000)	
Lease revenue bonds payable	(20,390,000)	
Accrued interest payable	(33,756,447)	
Capital leases payable	(6,106,510)	
Taxable limited obligation	(74,665,000)	
Certificates of participation	(24,505,000)	
Notes payable	(109,283,025)	
Revenue bonds	(130,710,607)	
Net pension liability	(365,309,048)	
Net OPEB liability	(1,486,051,494)	
Compensated absences	<u>(81,680,397)</u>	(5,927,687,528)
Due to other governments - long term debt due to state government not expected to be repaid with current financial reserves	<u>(143,300,000)</u>	(143,300,000)
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	(296,574,928)	
Unrecognized loss on refunding	21,730,337	
Pension related deferrals, net	<u>(124,716,934)</u>	(399,561,525)
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	218,217,537	
Capital assets	102,099,423	
Less accumulated depreciation	(60,006,025)	
Deferred outflows of resources	1,935,766	
Liabilities	(206,768,165)	
Deferred inflows of resources	(861,428)	
Cumulative gain/loss for certain activities of internal service funds that are reported with business-type activities	<u>(2,053,787)</u>	52,563,321
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes	238,259,301	
Property taxes	14,203,332	
Intergovernmental revenue	26,416,978	
Other revenue	<u>19,206,716</u>	298,086,327
Net position of governmental activities (See Exhibit A-1)		<u>\$ (143,779,056)</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit A-5

	General	Housing Initiative	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 3,170,859,453	\$ 12,936,302	\$ -	\$ -	\$ 103,868,534	\$ 402,634,963	\$ 3,690,299,252
Licenses and permits	11,256,621	-	-	-	-	493,912	11,750,533
Intergovernmental	64,287,818	-	108,287,826	5,656,650	81,584,321	42,410,701	302,227,316
Charges for services	12,494,474	34,842	480	-	416,640	86,555,819	99,502,255
Fines and forfeitures	29,660,682	-	-	-	-	1,484,813	31,145,495
Investment income (loss)	3,595,298	2,841,976	395,471	1,272,378	2,605,507	686,110	11,396,740
Miscellaneous	9,241,500	2,027,100	1,588,621	4,565,406	1,068,404	38,287,255	56,778,286
Total Revenues	3,301,395,846	17,840,220	110,272,398	11,494,434	189,543,406	572,553,573	4,203,099,877
EXPENDITURES							
Current:							
General government	386,666,899	-	496,308	-	-	1,772,353	388,935,560
Public safety	392,519,611	-	13,768,945	-	-	233,301,285	639,589,841
Public works and transportation	70,864,322	-	4,813,040	-	-	126,819,711	202,497,073
Health and human services	249,913,897	-	82,573,817	-	-	421,162	332,908,876
Culture and recreation	47,205,792	-	200,390	-	-	50,465,798	97,871,980
Community development and housing	13,321,644	43,487,635	8,864,197	-	-	7,288	65,680,764
Environment	2,534,498	-	-	-	-	28,074,259	30,608,757
Education	1,850,884,306	-	-	-	-	-	1,850,884,306
Debt Service:							
Principal retirement	-	-	-	233,284,376	-	-	233,284,376
Leases and other obligations	-	-	-	24,716,905	-	-	24,716,905
Interest	-	-	-	147,666,274	-	-	147,666,274
Issuing costs	-	-	-	5,046,571	-	-	5,046,571
Capital projects	-	-	-	-	629,707,191	-	629,707,191
Total Expenditures	3,013,910,969	43,487,635	110,716,697	410,714,126	629,707,191	440,861,856	4,649,398,474
Excess (Deficiency) of Revenues over (under) Expenditures	287,484,877	(25,647,415)	(444,299)	(399,219,692)	(440,163,785)	131,691,717	(446,298,597)
OTHER FINANCING SOURCES (USES)							
Transfers in	110,420,093	27,517,991	340,000	378,560,232	135,465,919	3,683,616	655,987,851
Transfers (out)	(383,852,626)	(14,573,521)	-	(24,176,588)	(7,063,879)	(134,415,238)	(564,081,852)
Sale of property	367	1,648,724	-	-	681,000	-	2,330,091
Financing under notes and leases payable	-	-	-	-	39,446,477	-	39,446,477
Payment to refunded bond escrow agent	-	-	-	(441,368,126)	-	-	(441,368,126)
Debt Issued (Retired):							
General obligation bonds	-	-	-	340,000,000	-	-	340,000,000
Premium on original issue debt	-	-	-	28,688,520	-	-	28,688,520
Bond anticipation notes	-	-	-	(340,000,000)	340,000,000	-	-
General obligation refunding bonds	-	-	-	516,725,000	-	-	516,725,000
Premium on general obligation refunding bonds	-	-	-	86,325,587	-	-	86,325,587
Total Other Financing Sources (Uses)	(273,432,166)	14,593,194	340,000	544,754,625	508,529,517	(130,731,622)	664,053,548
Net Change in Fund Balances	14,052,711	(11,054,221)	(104,299)	145,534,933	68,365,732	960,095	217,754,951
Fund Balances - Beginning of Year	506,971,795	249,775,176	216,033	42,282,403	58,300,451	91,013,765	948,559,623
Fund Balances - End of Year	\$ 521,024,506	\$ 238,720,955	\$ 111,734	\$ 187,817,336	\$ 126,666,183	\$ 91,973,860	\$ 1,166,314,574

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, 2018

Exhibit A-6

Net change in fund balance - total governmental funds (see Exhibit A-5) \$ 217,754,951

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

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

Capital outlay	\$ 367,473,057	
Depreciation expense	<u>(88,729,400)</u>	278,743,657

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. (223,638) (223,638)

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. 10,906,219 10,906,219

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	(20,878,994)	
Property taxes	962,404	
Intergovernmental revenues	12,655,451	
Other revenues	<u>8,945,061</u>	1,683,922

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	(971,739,107)	
Bond anticipation notes	(340,000,000)	
Notes payable	(39,446,477)	
Principal repayments:		
General obligation bonds	550,760,000	
Variable rate demand obligations	90,000,000	
Bond anticipation notes	340,000,000	
Taxable limited obligation certificates	3,995,000	
Leases payable	2,395,000	
Capital leases	2,348,320	
Certificates of participation	4,000,000	
Notes payable	12,369,873	
Revenue bonds	<u>6,333,088</u>	(338,984,303)

Cost incurred for past refunds owed as a result of the supreme court decision related to duplicate taxation (2,068,675) (2,068,675)

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	(3,934,490)	
Compensated absences	(2,316,937)	
Pension expense	32,618,338	
Other postemployment benefits	(61,955,017)	
Claims and judgements	1,073,600	
Amortization	<u>65,036,520</u>	30,522,014

The current year gain for certain activities of internal service funds is reported with governmental activities. (29,348,658)

Change in net position of governmental activities (see Exhibit A-2) \$ 168,985,488

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
Exhibit A-7

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds		
ASSETS						
Current Assets:						
Equity in pooled cash and investments	\$ 6,306,249	\$ 94,753,728	\$ 33,938,245	\$ 49,640,017	\$ 184,638,239	\$ 203,184,054
Cash with fiscal agents	2,459,460	-	-	-	2,459,460	-
Cash	50,500	3,600	58,974	-	113,074	300
Receivables (net of allowance for uncollectibles):	3,450,996	3,851,079	1,952,108	259,198	9,513,381	1,304,162
Due from other funds	-	4,000,000	-	-	4,000,000	8,907,005
Due from component units	-	494	210,292	-	210,786	251,979
Due from other governments	-	24,209	-	-	24,209	288,216
Inventory of supplies	30,871,698	-	-	-	30,871,698	4,144,707
Prepays	243,065	-	-	-	243,065	137,114
Total Current Assets	43,381,968	102,633,110	36,159,619	49,899,215	232,073,912	218,217,537
Noncurrent Assets:						
Restricted Assets:						
Equity in pooled cash and equivalents	-	5,633,636	3,520,242	-	9,153,878	-
Investments	-	-	3,041,472	-	3,041,472	-
Restricted Assets	-	5,633,636	6,561,714	-	12,195,350	-
Capital Assets:						
Land, improved and unimproved	7,033,656	17,834,755	33,575,670	-	58,444,081	22,506
Improvements other than buildings	15,054,010	81,554,468	89,914,543	-	186,523,021	268,565
Infrastructure	-	14,351	-	-	14,351	-
Buildings	26,404,147	34,344,862	236,042,928	-	296,791,937	-
Furniture, fixtures, equipment, and machinery	15,756,549	18,380,472	1,140,042	1,881,858	37,158,921	4,133,772
Automobiles and trucks	6,495,794	503,240	172,588	365,755	7,537,377	97,674,580
Construction in progress	-	-	282,372	-	282,372	-
Subtotal	70,744,156	152,632,148	361,128,143	2,247,613	586,752,060	102,099,423
Less: Accumulated depreciation	18,921,930	109,993,948	192,854,335	1,895,196	323,665,409	60,006,025
Total Capital Assets (net of accumulated depreciation)	51,822,226	42,638,200	168,273,808	352,417	263,086,651	42,093,398
Total Noncurrent Assets	51,822,226	48,271,836	174,835,522	352,417	275,282,001	42,093,398
Total Assets	95,204,194	150,904,946	210,995,141	50,251,632	507,355,913	260,310,935
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding of debt	-	-	67,096	-	67,096	-
Pension deferrals	2,221,547	1,348,994	588,433	3,961,379	8,120,353	1,935,766
Total Deferred Outflows of Resources	2,221,547	1,348,994	655,529	3,961,379	8,187,449	1,935,766

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
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	\$ 4,338,795	\$ 4,669,473	\$ 2,895,468	\$ 309,028	\$ 12,212,764	\$ 8,601,994
Interest payable	437,512	-	163,334	-	600,846	-
Retainage payable	32,910	-	243,865	-	276,775	-
Deposits	-	242,281	-	8,941,816	9,184,097	-
Claims payable	-	-	-	-	-	42,533,852
Accrued liabilities	8,063,465	7,697,855	1,995,482	3,553,744	21,310,546	4,670,146
Due to other funds	2,436,824	4,668,484	322,251	2,022,295	9,449,854	9,509,961
Due to component units	-	-	-	815,543	815,543	-
Due to other governments	1,137,186	5,535	-	-	1,142,721	501,171
Equipment notes payable	1,089,267	-	156,022	-	1,245,289	-
Unearned revenue	29,863	-	525,986	2,933,242	3,489,091	-
Revenue bonds payable	2,302,664	-	3,441,000	-	5,743,664	-
Landfill closure costs	-	1,323,038	-	-	1,323,038	-
Other liabilities	7,617	-	-	-	7,617	-
Total Current Liabilities	<u>19,876,103</u>	<u>18,606,666</u>	<u>9,743,408</u>	<u>18,575,668</u>	<u>66,801,845</u>	<u>65,817,124</u>
Noncurrent Liabilities:						
Claims payable	-	-	-	-	-	135,636,329
Equipment note payable	5,188,384	-	-	-	5,188,384	-
Revenue bonds payable	35,419,297	-	30,948,224	-	66,367,521	-
Landfill closure costs	-	14,348,266	-	-	14,348,266	-
Gude landfill remediation costs	-	28,530,853	-	-	28,530,853	-
Compensated absences	987,465	352,389	114,710	984,055	2,438,619	904,603
Net pension liability	5,713,111	3,251,669	1,311,753	9,629,895	19,906,428	4,410,109
Total Noncurrent Liabilities	<u>47,308,257</u>	<u>46,483,177</u>	<u>32,374,687</u>	<u>10,613,950</u>	<u>136,780,071</u>	<u>140,951,041</u>
Total Liabilities	<u>67,184,360</u>	<u>65,089,843</u>	<u>42,118,095</u>	<u>29,189,618</u>	<u>203,581,916</u>	<u>206,768,165</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	1,115,943	635,150	256,224	1,881,009	3,888,326	861,428
Total Deferred Inflows of Resources	<u>1,115,943</u>	<u>635,150</u>	<u>256,224</u>	<u>1,881,009</u>	<u>3,888,326</u>	<u>861,428</u>
NET POSITION						
Net investment in capital assets	7,822,613	42,638,200	135,080,903	352,417	185,894,133	41,983,452
Restricted for:						
Public works and transportation	-	-	27,633,735	-	27,633,735	-
Environment	-	43,890,747	-	-	43,890,747	-
Debt service	2,459,460	-	6,561,713	-	9,021,173	-
Unrestricted	18,843,365	-	-	22,789,967	41,633,332	12,633,656
Total Net Position	<u>\$ 29,125,438</u>	<u>\$ 86,528,947</u>	<u>\$ 169,276,351</u>	<u>\$ 23,142,384</u>	<u>308,073,120</u>	<u>\$ 54,617,108</u>
ADJUSTMENTS						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>2,053,787</u>	
Net position of business-type activities					<u>\$ 310,126,907</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, 2018
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	\$ 294,632,270	\$ -	\$ -	\$ -	\$ 294,632,270	\$ -
Charges for services	22,091	115,203,913	28,288,257	12,826,354	156,340,615	312,072,928
Licenses and permits	1,778,715	8,570	-	43,320,411	45,107,696	-
Fines and penalties	225,926	61,601	6,569,887	110,305	6,967,719	2,383,253
Total Operating Revenues	296,659,002	115,274,084	34,858,144	56,257,070	503,048,300	314,456,181
OPERATING EXPENSES						
Cost of goods sold	205,931,522	-	-	-	205,931,522	-
Personnel costs	37,113,495	14,933,391	4,884,202	34,297,493	91,228,581	30,554,850
Other post employment contributions	2,339,170	415,510	266,750	1,369,640	4,391,070	1,226,010
Postage	13,345	14,525	11,366	24,527	63,763	1,159,355
Self-insurance incurred and estimated claims	-	-	-	-	-	187,531,935
Insurance	724,274	1,301,074	25,894	523,278	2,574,520	34,102,727
Supplies and materials	743,407	1,163,672	554,091	408,731	2,869,901	25,126,334
Contractual services	4,948,717	76,200,315	7,882,554	7,328,834	96,360,420	15,079,229
Communications	348,981	100,203	140,909	207,255	797,348	338,864
Transportation	1,181,619	2,125,770	317,930	846,175	4,471,494	264,646
Public utility services	715,910	122,130	2,486,173	1,908,000	5,232,213	1,042,999
Rentals	7,261,915	98,683	1,194,467	3,192,050	11,747,115	2,762,636
Maintenance	1,231,147	341,624	4,129,824	436,108	6,138,703	16,151,457
Depreciation	2,779,000	2,202,544	10,904,342	161,424	16,047,310	8,987,924
Other	1,297,322	1,535,672	9,483	139,953	2,982,430	77,972
Total Operating Expenses	266,629,824	100,555,113	32,807,985	50,843,468	450,836,390	324,406,938
Operating Income (Loss)	30,029,178	14,718,971	2,050,159	5,413,602	52,211,910	(9,950,757)
NONOPERATING REVENUES (EXPENSES)						
Property taxes	-	-	(17,567)	-	(17,567)	-
Gain (loss) on disposal of capital assets	-	197,700	-	-	197,700	480,255
Investment income	50,539	866,485	434,447	721,836	2,073,307	2,609,160
Interest expense	(1,679,387)	-	(1,056,137)	(166)	(2,735,690)	-
Other revenue	239,624	216,863	1,304,349	89,982	1,850,818	-
Insurance recoveries	232	172,845	4,420	-	177,497	4,017,631
Total Nonoperating Revenues (Expenses)	(1,388,992)	1,453,893	669,512	811,652	1,546,065	7,107,046
Income (Loss) Before Capital Contributions and Transfers	28,640,186	16,172,864	2,719,671	6,225,254	53,757,975	(2,843,711)
Transfers In (Out):						
Transfers in	212,235	-	-	25,000	237,235	609,198
Transfers (out)	(30,680,946)	(2,993,810)	(4,700,265)	(27,018,053)	(65,393,074)	(27,359,360)
Total Transfers In (Out)	(30,468,711)	(2,993,810)	(4,700,265)	(26,993,053)	(65,155,839)	(26,750,162)
Change in Net Position	(1,828,525)	13,179,054	(1,980,594)	(20,767,799)	(11,397,864)	(29,593,873)
Total Net Position - Beginning of Year	30,953,963	73,349,893	171,256,945	43,910,183		84,210,981
Total Net Position - End of Year	\$ 29,125,438	\$ 86,528,947	\$ 169,276,351	\$ 23,142,384		\$ 54,617,108
ADJUSTMENTS						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(245,215)	
Change in net position of business-type activities					\$ (11,643,079)	

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, 2018
Exhibit A-9

	Business Type Activities - Enterprise Funds					Governmental
	Liquor	Solid Waste Activities	Parking Lot Districts	Nonmajor Enterprise Funds	Totals	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 297,529,504	\$ 111,507,033	\$ 34,937,324	\$ 56,370,439	\$ 500,344,300	\$ 313,415,155
Payments to suppliers	(219,002,925)	(84,557,066)	(15,280,320)	(15,234,084)	(334,074,395)	(60,209,249)
Payments to employees	(37,967,364)	(7,479,748)	(3,417,171)	(31,731,357)	(80,595,640)	(32,708,067)
Other operating receipts	239,624	-	1,308,769	4,564,508	6,112,901	-
Other operating payments	-	-	(9,258)	(4,509,937)	(4,519,195)	-
Other operating expenses	(1,297,321)	-	-	-	(1,297,321)	-
Claims paid	232	172,845	-	-	173,077	(213,642,204)
Other revenue	-	216,863	-	89,982	306,845	665,890
Internal activity - receipts from other funds	-	-	-	-	-	609,198
Net Cash Provided (Used) by Operating Activities	39,501,750	19,859,927	17,539,344	9,549,551	86,450,572	8,130,723
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Property tax collections	-	-	(17,567)	-	(17,567)	-
Insurance reimbursement claims	-	-	-	-	-	4,017,631
Operating subsidies and transfers from other funds	212,235	-	-	25,000	237,235	-
Operating subsidies and transfers to other funds	(30,680,946)	(2,993,810)	(4,700,265)	(27,018,053)	(65,393,074)	(27,359,360)
Net Cash Provided (Used) by Noncapital Financing Activities	(30,468,711)	(2,993,810)	(4,717,832)	(26,993,053)	(65,173,406)	(23,341,729)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	-	-	109,957	-	109,957	-
Proceeds from sale of capital assets	-	197,700	-	-	197,700	-
Acquisition and construction of capital assets	(2,327,971)	(2,567,875)	(6,218,574)	(78,856)	(11,193,276)	731,259
Proceeds from equipment note payable	2,307,845	-	-	-	2,307,845	-
Principal paid on equipment note payable	(1,069,499)	-	(153,332)	-	(1,222,831)	-
Interest paid on equipment note payable	-	-	(4,736)	-	(4,736)	-
Principal paid on capital debt	(2,384,646)	-	(3,291,000)	(18,987)	(5,694,633)	(8,689,972)
Interest paid on capital debt	(1,679,387)	-	(1,358,910)	(166)	(3,038,463)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,153,658)	(2,370,175)	(10,916,595)	(98,009)	(18,538,437)	(7,958,713)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income from pooled investments	50,539	866,485	397,828	721,836	2,036,688	2,609,160
Net Cash Provided (Used) by Investing Activities	50,539	866,485	397,828	721,836	2,036,688	2,609,160
Net Increase (Decrease) in Cash and Cash Equivalents	3,929,920	15,362,427	2,302,745	(16,819,675)	4,775,418	(20,560,559)
Balances - Beginning of Year	4,886,289	85,028,537	35,214,716	66,459,692	191,589,234	223,744,913
Balances - End of Year	\$ 8,816,209	\$ 100,390,964	\$ 37,517,461	\$ 49,640,017	\$ 196,364,652	\$ 203,184,354
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 30,029,178	\$ 14,718,971	\$ 2,050,159	\$ 5,413,602	\$ 52,211,910	\$ (9,950,757)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	2,779,000	2,202,544	10,904,342	161,424	16,047,310	8,987,924
Other revenue	239,624	216,863	1,304,349	89,982	1,850,818	-
Unearned revenue	2,853	-	(25,436)	-	(22,583)	-
Insurance recoveries	232	172,845	4,420	-	177,497	-
Pension expense	1,085,017	337,664	32,362	2,090,949	3,545,992	542,190
Effect of changes in operating assets and liabilities:						
Receivables, net	867,650	(4,009,333)	104,618	(12,032)	(3,049,097)	234,065
Inventories, prepaids and other assets	-	-	-	-	-	418,879
Compensated absences	74,104	-	-	-	74,104	-
Accounts payable and other liabilities	4,097,910	2,463,972	1,576,731	1,572,574	9,711,187	(7,526,886)
Claims payable	-	-	-	-	-	17,273,218
Accrued expenses	326,181	3,756,401	1,587,799	233,052	5,903,433	(1,847,910)
Net Cash Provided (Used) by Operating Activities	\$ 39,501,749	\$ 19,859,927	\$ 17,539,344	\$ 9,549,551	\$ 86,450,571	\$ 8,130,723
Noncash investing, capital and financing activities:						
Change in fair value of investments that are not cash and cash equivalents	\$ -	\$ -	\$ 36,619	\$ -	\$ 36,619	\$ -
Capital asset disposals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018
Exhibit A-10

	Pension and Other Employee Benefit Trusts	Investment Trust	Agency Funds
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ 4,385,879	\$ 11,692,941	\$ 108,859,063
Cash	-	-	191,931
Investments:			
Government and agency obligations	676,076,999	-	-
Municipal/Provincial bonds	9,899,859	-	-
Asset-backed securities	825,121	-	-
Corporate bonds	810,031,679	-	-
Collateralized mortgage obligations	397,621	-	-
Commercial mortgage-backed securities	2,307,096	-	-
Common and preferred stock	2,185,543,139	-	-
Mutual and commingled funds	1,434,861,170	-	-
Short-term investments	135,951,805	-	-
Cash collateral received under securities lending agreements	158,972,606	-	-
Private real assets	229,293,906	-	-
Private equity/debt	487,709,210	-	-
Total Investments	<u>6,131,870,211</u>	<u>-</u>	<u>-</u>
Receivables (net of allowances for uncollectibles):			
Receivables and accrued interest	20,777,265	-	-
Property taxes	-	-	5,197,510
Accounts	44,364	-	9,794,083
Due from other funds	18,052,701	-	-
Due from component units	104,994	-	-
Due from other governments	3,267	-	141,326
Total Current Assets	<u>6,175,238,681</u>	<u>11,692,941</u>	<u>124,183,913</u>
Noncurrent Assets:			
Capital assets:			
Miscellaneous	900,043	-	-
Less: Accumulated depreciation	<u>900,043</u>	<u>-</u>	<u>-</u>
Total Capital Assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>6,175,238,681</u>	<u>11,692,941</u>	<u>\$ 124,183,913</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	159,141,837	-	90,236
Accrued liabilities	6,152,197	-	-
Deposits	-	-	3,716,745
Claims payable	4,000,599	-	-
Due to other funds	23,832	-	-
Due to other governments	-	-	2,652,386
Uncollected property taxes due to governments	-	-	4,872,731
Undistributed taxes and refunds	-	-	2,091,158
Unearned revenue	-	-	75,344,480
Tax sale surplus and redemptions payable	-	-	2,514,230
Other liabilities	-	-	32,901,947
Total Current Liabilities	<u>169,318,465</u>	<u>-</u>	<u>124,183,913</u>
Noncurrent Liabilities:			
Compensated absences	93,667	-	-
Total Liabilities	<u>169,412,132</u>	<u>-</u>	<u>\$ 124,183,913</u>
NET POSITION			
Restricted for pension and other postemployment benefits, external investment pool participants, and other purposes	<u>\$ 6,005,826,549</u>	<u>\$ 11,692,941</u>	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit A-11

	Pension and Other Employee Benefit Trusts	Investment Trust
ADDITIONS		
Contributions:		
Employers	\$ 232,954,632	\$ -
Members	60,340,138	-
Federal government - Medicare Part D	10,453,719	-
Share purchases	-	1,526,055
Total Contributions	<u>303,748,489</u>	<u>1,526,055</u>
Investment income (loss)	525,613,979	156,195
Less: Investment expenses	<u>27,785,806</u>	-
Net Investment Income (Loss)	<u>497,828,173</u>	<u>156,195</u>
Other income - forfeitures	<u>336,228</u>	-
Total Additions, net	<u>801,912,890</u>	<u>1,682,250</u>
DEDUCTIONS		
Benefits:		
Annuities:		
Retirees	178,267,822	-
Survivors	9,783,701	-
Disability	50,864,259	-
Claims	<u>87,973,387</u>	-
Total Benefits	326,889,169	-
Share redemptions	-	750,000
Member refunds	42,729,697	-
Administrative expenses	<u>3,731,926</u>	-
Total Deductions	<u>373,350,792</u>	<u>750,000</u>
Net Increase (Decrease)	428,562,098	932,250
Net Position - Beginning of Year	<u>5,577,264,451</u>	<u>10,760,691</u>
Net Position - End of Year	<u>\$ 6,005,826,549</u>	<u>\$ 11,692,941</u>

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2018
Exhibit A-12

	MCPS	HOC	Nonmajor Component Units	Total
ASSETS				
Equity in pooled cash and investments	\$ 108,863,371	\$ -	\$ 29,500,472	\$ 138,363,843
Cash with fiscal agents	-	75,531,331	10,953,308	86,484,639
Cash	12,062,201	15,432	6,030,190	18,107,823
Investments - cash equivalents	77,594,797	25,625,077	7,515,603	110,735,477
Investments	-	-	33,782,033	33,782,033
Receivables (net of allowance for uncollectibles):				
Capital leases	-	-	6,477,240	6,477,240
Accounts	31,537,426	1,085,000	7,339,564	39,961,990
Notes	-	-	59,804,049	59,804,049
Mortgage	-	288,394,869	-	288,394,869
Interest	-	6,357,706	-	6,357,706
Other	106,443	19,043,832	2,620,730	21,771,005
Due from primary government	21,902,467	1,300,432	15,132,044	38,334,943
Due from other governments	23,002,511	6,271,109	3,879,105	33,152,725
Inventory of supplies	10,498,058	312,366	357,163	11,167,587
Prepays	359,573	-	1,657,620	2,017,193
Other assets	-	45,593,203	2,901,173	48,494,376
Swap asset	-	1,910,439	-	1,910,439
Restricted Assets:				
Equity in pooled cash and investments	-	202,035	2,535,333	2,737,368
Cash with fiscal agents	-	21,749,734	-	21,749,734
Cash	-	-	448,470	448,470
Investments - cash equivalents	-	167,864,906	22,086,566	189,951,472
Investments	-	99,194,951	1,479,788	100,674,739
Capital Assets:				
Nondepreciable assets	190,793,237	129,391,679	140,356,788	460,541,704
Depreciable assets, net	2,738,259,789	678,958,779	513,794,874	3,931,013,442
Total Assets	<u>3,214,979,873</u>	<u>1,568,802,880</u>	<u>868,652,114</u>	<u>5,652,434,866</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	-	695,543	695,543
Pension deferrals	158,625,591	6,293,851	7,587,444	172,506,886
OPEB deferrals	111,778,110	1,910,942	5,436,473	119,125,525
Accumulated decrease in fair value of hedging derivatives	-	4,205,807	-	4,205,807
Total Deferred Outflow of Resources	<u>270,403,701</u>	<u>12,410,600</u>	<u>13,719,460</u>	<u>296,533,761</u>
LIABILITIES				
Accounts payable	125,513,323	17,618,243	509,848	143,641,414
Interest payable	-	21,503,171	937,591	22,440,762
Retainage payable	8,955,887	-	1,836,883	10,792,770
Accrued liabilities	54,399,574	22,181,456	24,288,971	100,870,001
Deposits	-	20,318,501	354,038	20,672,539
Due to primary government	36,037	61,482,573	265,069	61,783,679
Due to other governments	-	-	958,919	958,919
Unearned revenue	8,386,615	24,304,655	7,573,067	40,264,337
Other liabilities	-	32,785,066	1,990,949	34,776,013
Noncurrent Liabilities:				
Due within one year	32,587,422	122,066,301	10,665,323	165,319,046
Due in more than one year	2,863,187,368	1,001,503,536	261,914,419	4,126,605,323
Total Liabilities	<u>3,093,066,226</u>	<u>1,323,763,501</u>	<u>311,295,077</u>	<u>4,728,124,803</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	2,856,000	2,856,000
Pension deferrals	58,301,970	4,968,978	2,494,378	65,765,326
OPEB deferrals	249,002,567	4,774,388	8,218,452	261,995,407
Accumulated increase in fair value of hedging derivatives	-	1,910,439	168,090	2,078,529
Total Deferred Inflow of Resources	<u>307,304,537</u>	<u>11,653,805</u>	<u>13,736,920</u>	<u>332,695,262</u>
NET POSITION				
Net investment in capital assets	2,891,353,677	(24,803,352)	553,001,885	3,419,552,210
Restricted for:				
Capital projects	-	-	195,928	195,928
Debt service	-	101,704,626	1,479,788	103,184,414
Other purposes	2,088,987	6,103,325	34,416,401	42,608,713
Unrestricted (deficit)	(2,808,429,853)	162,791,576	(31,754,425)	(2,677,392,702)
Total Net Position	<u>\$ 85,012,811</u>	<u>\$ 245,796,174</u>	<u>\$ 557,339,577</u>	<u>\$ 888,148,562</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, 2018
Exhibit A-13

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	MCPS	HOC	Nonmajor Component Units	Total
Component Units:								
General government	\$ 5,630,858	\$ 5,426,221	\$ 183,000	\$ -	\$ -	\$ -	\$ (21,637)	\$ (21,637)
Culture and recreation	18,398,754	15,715,436	-	4,660,465	-	-	1,977,147	1,977,147
Community development and housing	262,571,947	120,246,809	128,528,131	2,176,932	-	(11,620,075)	-	(11,620,075)
Education:								
Secondary education	2,851,135,552	35,377,525	129,864,548	71,750,307	(2,614,143,172)	-	-	(2,614,143,172)
Higher education	352,064,605	71,055,228	19,891,068	47,967,381	-	-	(213,150,928)	(213,150,928)
Total component units	<u>\$ 3,489,801,716</u>	<u>\$ 247,821,219</u>	<u>\$ 278,466,747</u>	<u>\$ 126,555,085</u>	<u>(2,614,143,172)</u>	<u>(11,620,075)</u>	<u>(211,195,418)</u>	<u>(2,836,958,665)</u>
General revenues:								
Grants and contributions not restricted to specific programs					2,801,514,619	12,910,724	228,082,269	3,042,507,612
Investment income					9,358	8,285,354	5,524,020	13,818,732
Gain (loss) on sale of capital assets					82,013	13,512,924	-	13,594,937
Total general revenues					<u>2,801,605,990</u>	<u>34,709,002</u>	<u>233,606,289</u>	<u>3,069,921,281</u>
Change in net position					187,462,818	23,088,927	22,410,871	232,962,616
Net position - beginning, as restated					<u>(102,450,007)</u>	<u>222,707,247</u>	<u>534,928,706</u>	<u>655,185,946</u>
Net position - ending					<u>\$ 85,012,811</u>	<u>\$ 245,796,174</u>	<u>\$ 557,339,577</u>	<u>\$ 888,148,562</u>

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



MONTGOMERY COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) Reporting Entity

Background

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

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

Discretely Presented Component Units

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

Major Component Units

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

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

NonMajor Component Units

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

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

Montgomery County Public Schools 850 Hungerford Drive Rockville, MD 20850	Montgomery College 9221 Corporate Boulevard 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 S Charles St #2-402 Baltimore, MD 21201	Metropolitan Washington Council of Governments 777 N. Capitol Street, NE, #300 Washington, DC 20002

B) Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

Fund Financial Statements

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

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

Budget-to-Actual Comparison Schedules

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

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

Measurement Focus and Basis of Accounting

Full Accrual Basis Financial Statements

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

Modified Accrual Basis Financial Statements

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

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

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

withholding, not received within the County's availability period. Amounts relating to late filers are expected to be received from the State within the next fiscal year; however, collections related to delinquent returns and audits and unallocated withholding may not occur and be remitted to the County for several years.

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

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

Financial Statement Presentation

Major Governmental Funds

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

Major Enterprise Funds

- Liquor Enterprise Fund
This fund accounts for the operations of twenty-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 three central business districts zoned for commercial or industrial use identified as Silver Spring, Bethesda, and Wheaton.

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.

- 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 with the exception of MLGIP which is reported at amortized cost. 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, 2018. 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 is 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. Deferred outflows of resources relating to other post-employment benefits (OPEB) are described in Note IV-G. 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). Deferred inflows of resources relating to OPEB are described in Note IV-G.

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, 2018, 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 \$1,823,365,298. Absent the effect of this relationship, the County would have reported a deficit in unrestricted net position of governmental activities in the amount of \$1,097,293,050.

Classification of Fund Balance

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

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

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

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

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

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

11) Property Taxes

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was levied below the constant yield rate for FY18. 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 2017 (i.e., FY18), 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.

13) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, information about fiduciary net position of the OPEB Plan and addition to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Plan. For these purposes, benefit payments (including refunds of employer 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. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement that address reporting by employers participating in the Other Postemployment Benefit (OPEB) plans are effective for financial statements for fiscal years beginning after June 15, 2017. This Statement must be implemented for FY18 reporting purposes. The required changes are reflected in the County’s financial statements and notes to those statements. GASB Statement No. 75 required restatement of beginning net position as follows:

	Primary Government
	Governmental Activities
Net Position, June 30, 2017	\$ 865,748,112
Net OPEB Liability	(1,735,005,077)
Deferred Outflow of Resources	119,823,414
Net OPEB Obligation	436,669,007
Net Position, as restated	<u>\$ (312,764,544)</u>

The County has adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. It was effective for FY18. This statement did not have a significant impact on the County’s financial statements. the County has not entered into any agreements that qualify as irrevocable split-interest agreements which provide the County the right to a portion of the benefits from donated resources pursuant to an irrevocable split-interest agreement.

The County has adopted GASB Statement No. 85, *Omnibus 2017*. This GASB Statement is to provide clarification for the accounting and financial reporting of certain issues that were identified during implementation of several previously issued GASB Statements. This Statement was implemented for FY18 reporting purposes. The required changes are reflected in the County’s financial statements and notes to those statements.

The County has adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This GASB Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement was effective for FY18. The required changes currently have no impact on the County’s financial statements and notes to the statements.

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, 2018.

Revenue Stabilization Fund (RSF)	
Balance – Beginning of Year	\$ 280,660,259
Investment Income	3,086,376
FY18 Statutory Contribution	24,949,110
Balance – End of Year	<u>\$ 308,695,745</u>

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, 2018.

White Flint Special Taxing District (WFSTD)	
Balance – Beginning of Year	\$ 6,877,405
Property Taxes	1,763,297
Investment Income	97,287
Balance – End of Year	<u>\$ 8,737,989</u>

Deficit Fund Equity

The deficit of \$8,330,786 in the Fire Tax District Special Revenue Fund was caused by unplanned overtime in FY18. To address this shortfall, management will recommend a property tax adjustment and other expenditure and revenues adjustments in FY20.

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NOTE III. DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

1) Overview

The following is a schedule of total cash and investments:

	Primary Government	Component Units *	Total Reporting Entity
<u>Statement of Net Position Amounts:</u>			
Equity in pooled cash and investments	\$ 1,170,636,368	\$ 138,363,843	\$ 1,412,956,216
Cash with fiscal agents	231,969,975	86,484,639	318,646,545
Cash	509,529	18,107,823	18,617,352
Investments - cash equivalents	-	110,735,477	110,735,477
Investments	6,131,870,211	33,782,033	6,165,652,244
Restricted equity in pooled cash and investments	134,091,761	2,737,368	32,873,124
Restricted cash with fiscal agents	-	21,749,733	21,749,733
Restricted cash	191,931	448,470	448,470
Restricted investments - cash equivalents	-	189,951,472	189,951,472
Restricted investments	3,041,472	100,674,740	103,716,212
Total	\$ 7,672,311,247	\$ 703,035,598	\$ 8,375,346,845
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 397,323,220	\$ 248,001,815	\$ 645,325,035
Investments	7,042,316,592	255,162,910	7,297,479,502
Cash on hand, fiscal agents, safe deposit escrow	232,671,435	199,870,873	432,542,308
Total	\$ 7,672,311,247	\$ 703,035,598	\$ 8,375,346,845

* Includes \$289,888 in County Investment Pool

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

Government-wide	\$ 1,415,311,222
Fiduciary funds	6,257,000,025
Total	\$ 7,672,311,247

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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:

	Primary Government	Component Units	Total Reporting Entity
<u>Statement of Net Position Amounts:</u>			
Equity in pooled cash and investments	\$ 1,170,444,437	\$ 289,888	\$ 1,170,734,325
Restricted equity in pooled cash and investments	134,283,692	-	134,283,692
Total	<u>\$ 1,304,728,129</u>	<u>\$ 289,888</u>	<u>\$ 1,305,018,017</u>
<u>Deposit and Investment Summary:</u>			
Deposits	\$ 397,323,220	-	\$ 397,323,220
Investments, including accrued interest	907,404,909	289,888	907,694,797
Total	<u>\$ 1,304,728,129</u>	<u>\$ 289,888</u>	<u>\$ 1,305,018,017</u>

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statute requires that securities underlying certificates of deposit have a market value that equals or exceeds the cost of the deposit while County investment policy requires a market value of at least 102 percent of the cost of the deposit. Appropriate sections of these cited statutes also require that funds on deposit in financial institutions be fully secured. The form of such security shall be in compliance with State statute and the County Code. Collateral pledged for protection of these banking deposits is held in the County's name at a third-party depository, in the trust department of pledging banks, or insured by a surety bond by a State approved insurance company.

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

Investments

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

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

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

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

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

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

The following is a summary of the fair value hierarchy of the fair value of investments of the County as of June 30, 2018:

	6/30/2018	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
		Level 1	Level 2
<u>Investments by fair value level</u>			
U. S. Treasury Securities	\$ 71,812,870	\$ 71,812,870	\$ -
U.S. Agency Securities	340,927,660	340,927,660	-
Repurchase Agreements	150,000,000	-	150,000,000
Commercial paper	83,673,435	-	83,673,435
Total investments by fair value level	<u>\$ 646,413,965</u>	<u>\$ 412,740,530</u>	<u>\$ 233,673,435</u>
<u>Investments measured at amortized cost:</u>			
Maryland Local Government Investment Pool	<u>259,209,845</u>		
Total investments measured at amortized cost	<u>259,209,845</u>		
Total investments	<u><u>\$ 905,623,810</u></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, 2018, 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 fixed income 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>
Repurchase Agreements ¹	N/R	N/R	N/R
U.S. Agency Securities ²			
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 ³	A-1	F1	P-1
Certificates of Deposit	N/R	N/R	N/R
Local Government Investment Pool (MLGIP)	AAAm	N/R	N/R

N/R - Not Rated

- 1 - Collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities.
- 2 - Implicitly guaranteed by the U.S. Government.
- 3 - 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, 2018, 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:

Diversification by Investment Type:

	<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
Maryland Local Government Investment Pool (MLGIP)	50
Collateralized Certificates of Deposit and Time Deposits** (Including Brokered Certificates of Deposit)	25
Commercial paper	10

Diversification by Institution:

	<u>Maximum percent of Portfolio*</u>
Approved Broker/Dealers and Commercial Banks (Repurchase Agreements)	30%
Money market mutual funds by fund	25
Banker's Acceptances by Institution and Country	15
Commercial Banks (Certificates of Deposit - does not include Brokered 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 (10.0% Federal Home Loan Banks (FHLB), 6.0% Farmer Mac (FAMCA), 13% Federal Farm Credit Bank (FFCB), 5.0% Federal Home Loan Mortgage Corp (FHLMC), 3.0% Federal National Mortgage Association (FNMA)) and 29% MLGIP. However, US Obligations (US Treasury and Agency Debt), mutual funds, and external investment pools (MLGIP) are exempt from the 5% of any one issuer maximum.

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External Investment Pool Condensed Financial Statements:

The condensed financial statements of the County’s external investment pool at June 30, 2018, are as follows:

Statement of Net Position
June 30, 2018

Assets:	
Investment in securities, at fair value	\$ 905,623,810
Cash	397,323,220
Accrued interest receivable	<u>2,070,987</u>
Total assets and net position	<u>\$ 1,305,018,017</u>
Net position consists of:	
Internal participants' units outstanding (\$1.00 par), unrestricted	\$ 1,293,325,076
External participants' units outstanding (\$1.00 par)	<u>11,692,941</u>
Net position	<u>\$ 1,305,018,017</u>
Participants net position value, offering price and redemption price per share	<u>\$ 1.00</u>

Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Investment Income *	\$ 11,498,132
Distributions to participants:	
Distributions paid and payable	(11,498,132)
Share transactions at net position value of \$1.00 per share:	
Purchase of units	\$ 6,055,933,067 *
Redemption of units	<u>(5,991,678,757)</u>
Net increase (decrease) in net position and shares resulting from share transactions	<u>64,254,310*</u>
Total increase (decrease) in net position	64,254,310*
Net position, July 1, 2017	<u>1,240,763,707</u>
Net position, June 30, 2018	<u>\$ 1,305,018,017</u>

* The pool has no expenses.

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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 \$6,558,817 relates to amounts held by Marriott Hotels, pursuant to a management agreement, for the operation of the Conference Center. The remaining balance of \$28,549 relates to equipment purchased under the master lease program.

Debt Service Fund

Cash with fiscal agents of \$169,878,531 represents lease revenue bond and revenue bond debt service reserve funds and the Montgomery College Certificates of Participation trustee account which are held in money market mutual funds and U.S. Government securities.

Capital Projects Fund

Cash with fiscal agents of \$53,065,027 is held in money market mutual funds for the purpose of reimbursing construction expenditures incurred for various capital projects in the County.

Liquor Fund

Cash with fiscal agents of \$2,459,460 is held in money market funds for the purpose of reimbursing design, planning and renovation costs for a warehouse and for debt service.

4) Fiduciary Funds

Employees' Retirement System:

Investment Overview

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

Fair Value Measurement

The System categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of

the assets and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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

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

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

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

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		Fair Value Measurements Using		
Investments by fair value level	June 30, 2018	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	\$ 201,371,859	\$ -	\$ 199,341,671	\$ 2,030,188
Municipal/Provincial obligations	8,431,521	-	8,431,521	-
Asset-backed securities	700,355	-	700,355	-
Corporate bonds	603,029,552	-	602,514,949	514,603
Collateralized mortgage obligations	379,768	-	379,768	-
Commercial mortgage-backed securities	2,283,013	-	2,283,013	-
Total debt securities	<u>816,196,068</u>	<u>-</u>	<u>813,651,277</u>	<u>2,544,791</u>
Equity Securities				
Consumer goods	212,616,395	210,696,728	1,919,667	-
Energy	84,402,660	83,951,845	419,002	31,813
Financial services	143,531,893	143,200,400	-	331,493
Health care	143,722,601	143,722,601	-	-
Industrials	180,162,471	179,957,624	22,065	182,782
Information technology	175,127,773	175,108,740	-	19,033
Materials	52,469,861	52,466,306	-	3,555
Telecommunication services	6,631,892	6,631,892	-	-
Utilities	29,764,162	29,764,162	-	-
Real Estate	201,677,506	197,627,782	4,049,724	-
Total equity securities	<u>1,230,107,214</u>	<u>1,223,128,080</u>	<u>6,410,458</u>	<u>568,676</u>
Total investments by fair value level	<u>2,046,303,282</u>	<u>\$ 1,223,128,080</u>	<u>\$ 820,061,735</u>	<u>\$ 3,113,467</u>
Investments measured at the net asset value (NAV)				
Commingled equity funds	493,454,751			
Commingled bond funds	389,121,952			
Commingled real asset funds	182,142,247			
Commingled funds (other)	4,771,098			
Hedge fund	294,539,072			
Private real assets	198,112,470			
Private equity/debt	412,741,287			
Total investments measured at the NAV	<u>1,974,882,877</u>			
Investments measured at amortized cost				
Securities lending collateral fund	152,967,307			
Short-term investments	<u>106,196,816</u>			
Total investment measured at amortized cost	259,164,123			
Synthetic guaranteed investments contracts measured at contract value	<u>841,195</u>			
Total investments	<u>\$ 4,281,191,477</u>			

	<u>Fair Value Measurements Using</u>		
	June 30, 2018	Quoted Prices in	
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investment derivative instruments:			
Future contracts	\$ (9,115,656)	\$ (9,115,656)	\$ -
Foreign exchange contracts	(489,765)	-	(489,765)
Total investment derivative instruments	<u>\$ (9,605,421)</u>	<u>\$ (9,115,656)</u>	<u>\$ (489,765)</u>

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

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	\$ 493,454,751	\$ -	Daily, Monthly	0-15 days
Commingled bond funds	389,121,952	-	Daily	1-2 days
Commingled real asset funds	182,142,247	-	Daily, Bi-Weekly, Monthly	0-5 days
Commingled funds (other)	4,771,098	-	Daily	None
Hedge funds	294,539,072	-	Monthly, Quarterly	5-125 days
Private real assets	198,112,470	116,290,041	Not eligible	N/A
Private equity/debt	412,741,287	160,557,078	Not eligible	N/A
Total investments measured at the NAV	<u>\$ 1,974,882,877</u>	<u>\$ 276,847,119</u>		

Commingled Bond Funds, Equity Funds and Real Asset Funds

Five bonds funds, six equity funds and four real asset funds are considered to be 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 Funds

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

Securities Lending Collateral

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

Private Real Assets

The portfolio consists of twenty-eight 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, 2018. 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 sixty-one private equity/debt limited partnerships. Private equity funds include buyout, turnaround, fund-of-funds, and growth of equity investments. Private debt funds include distressed and structured equity investments. The fair value of these funds have been determined using the net asset values as of June 30, 2018. 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.

The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2018, are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio	
U.S. Government Obligations*	AAA	\$ 192,675,927	14.71%	
Foreign Government Obligations	A	3,774,673	0.28	
	BBB	1,006,228	0.08	
	Unrated	3,915,031	0.30	
	BB-	1,216,741	0.09	
Commercial Mortgage Backed Securities	B-	1,066,272	0.08	
	Unrated	379,768	0.03	
Collateralized Mortgage-Backed Securities	Unrated	379,768	0.03	
Municipal/Provincial Bonds	AAA	1,652,767	0.13	
	AA	4,922,839	0.38	
	BBB	302,835	0.02	
	B	1,398,238	0.10	
	Unrated	154,842	0.01	
	AAA	6,254,871	0.48	
	AA	15,088,726	1.15	
	A	86,241,020	6.59	
Corporate Bonds	BBB	134,096,934	10.24	
	BB	152,228,419	11.62	
	B	129,786,200	9.91	
	CCC	48,259,782	3.69	
	CC	458,844	0.04	
	D	287,275	0.02	
	Unrated	30,327,481	2.32	
	Asset-Backed Securities	Unrated	700,355	0.05
	Fixed Income Pooled Funds	Unrated	387,994,731	29.63
	Short-term Investments and Other	Unrated	105,360,952	8.05
Total Fixed Income Securities		\$ 1,309,551,751	100.00%	

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

Interest Rate Risk

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

As of June 30, 2018, the System's fixed income portfolio had the following sensitivity to changes in interest rates:

Type of Investment	Effective Duration in Years	Fair Value	Percentage of Portfolio
U.S. Government Obligations	16.64	\$ 192,675,927	14.71%
Foreign Government Obligations	5.90	8,695,932	0.66
Collateralized Mortgage Obligations	(0.92)	379,768	0.03
Commercial Mortgage-Backed Securities	2.88	2,283,013	0.17
Municipal/Provincial Obligations	11.71	8,431,521	0.64
Corporate Bonds	7.11	603,029,552	46.06
Asset-Backed Securities	N/A	700,355	0.05
Fixed Income Pooled Funds	N/A	387,994,731	29.63
Short-term Investments and Other *	N/A	105,360,952	8.05
Total Fixed Income Securities		<u>\$ 1,309,551,751</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	\$ 175,826,933	\$ -	\$ 6,119,870	\$ 181,946,803
Japanese Yen	120,073,179	-	(4,225,468)	115,847,711
British Pound Sterling	84,083,930	722,682	38,510,383	123,316,995
Hong Kong Dollar	42,482,643	-	-	42,482,643
Swiss Franc	15,427,661	-	-	15,427,661
Danish Krone	15,785,520	-	-	15,785,520
Singapore Dollar	14,790,028	-	(40,237,534)	(25,447,506)
Mexican Peso	2,500,086	5,930,352	42,039	8,472,477
South Korean Won	4,431,886	-	133,595	4,565,481
Swedish Krona	16,201,886	-	(63,990,509)	(47,788,623)
Other Currencies	40,361,142	1,393,135	87,592,163	129,346,440
Total International Securities	<u>\$ 531,964,894</u>	<u>\$ 8,046,169</u>	<u>\$ 23,944,539</u>	<u>\$ 563,955,602</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 FY18, 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, 2018, the System held 231 long US Treasury futures contracts with a fair value of \$30,046,547 and 233 short US Treasury futures contracts with a fair value of (\$39,162,203).

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, 2018, the System held \$486,662,841 buy foreign exchange contracts and (\$468,375,184) sell foreign exchange contracts. The unrealized loss on the System's contracts was \$(489,765).

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, 2018, the fair value of securities on loan was \$456,723,618. Cash received as collateral and the related liability of \$152,967,307 as of June 30, 2018, is shown on the Statement of Fiduciary Net Position. Securities received as collateral are not reported as assets since the System does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to \$3,867,343 and \$2,362,343, 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, 2018:

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral:			
Government Obligations	\$ 11,009,518	\$ -	\$ 11,263,121
Corporate Bonds	76,922,872	-	78,810,072
Equities	61,252,430	-	62,894,114
Lent for Non-Cash Collateral:			
Government Obligations	105,960,964	112,857,429	-
Corporate Bonds	4,386,291	4,670,395	-
Equities	197,191,543	209,369,725	-
Total	<u>\$ 456,723,618</u>	<u>\$ 326,897,549</u>	<u>\$ 152,967,307</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, 2018, 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, 2018, the fair value of the mutual and commingled investment funds was \$443,877,730. The fair value of the investments in international mutual funds was \$107,694,963.

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.

	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities - self directed	\$ 6,557,005	\$ 6,557,005	\$ -	\$ -
Total investments by fair value level	<u>6,557,005</u>	<u>\$ 6,557,005</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Commingled equity funds	75,055,160			
Commingled bond funds	10,991,603			
Commingled funds (other)	<u>342,574,751</u>			
Total investments measured at the NAV	<u>428,621,514</u>			
Commingled fund - Synthetic guaranteed investments contracts measured at contract value	<u>8,699,211</u>			
Total investments	<u>\$ 443,877,730</u>			

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	\$ 75,055,160	\$ -	Daily	None
Commingled bond funds	10,991,603	-	Daily	None
Commingled funds (other)	<u>342,574,751</u>	<u>-</u>	Daily	None
Total investments measured at the NAV	<u>\$ 428,621,514</u>	<u>\$ -</u>		

Commingled Bond Funds, Equity Funds and Other Funds

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

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, 2018, the fair value of the mutual and commingled investment funds was \$430,321,129. The fair value of the investments in international mutual funds included in the County Plan was \$64,877,214.

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.

Fair Value Measurements Using

	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities - self directed	\$ 12,109,724	\$ 12,109,724	\$ -	\$ -
Total investments by fair value level	<u>12,109,724</u>	<u>\$ 12,109,724</u>	<u>\$ -</u>	<u>\$ -</u>

Investments measured at the net asset value (NAV)

Commingled equity funds	248,900,084
Commingled bond funds	38,175,289
Commingled funds (other)	<u>84,828,202</u>
Total investments measured at the NAV	<u>371,903,575</u>
Commingled fund - Synthetic guaranteed investments contracts measured at contract value	<u>46,307,830</u>
Total investments	<u>\$ 430,321,129</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	\$ 248,900,084	\$ -	Daily	None
Commingled bond funds	38,175,289	-	Daily	None
Commingled funds (other)	<u>84,828,202</u>	<u>-</u>	Daily	None
Total investments measured at the NAV	<u>\$ 371,903,575</u>	<u>\$ -</u>		

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Commingled Bond Funds, Equity Funds and Other Funds

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

Consolidated Retiree Health Benefits Trust:

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

The following was the Board's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equities	16.80 %
International Equities	13.50
Emerging Market Equities	3.40
Global Equities	3.80
Private Equity	8.00
Private Debt	2.00
High Yield Bonds	8.50
Directional Hedge Funds	2.50
Total Growth	58.50
Long Duration Fixed Income	13.50
Cash	1.00
Diversifying Hedge Funds	2.50
Total Risk Mitigation	17.00
Global ILs	12.00
Private Real Assets	5.00
Public Real Assets	7.50
Total Real Assets/Inflation Protection	24.50
Total	100.00 %

Rate of Return

The annual money-weighted rate of return on the Trust Fund's investments, net of investment expenses for FY18 was 8.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurement

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

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

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

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

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

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Investments by fair value level	Fair Value Measurements Using			
	June 30, 2018	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	\$ 64,710,594	\$ -	\$ 64,237,904	\$ 472,690
Asset backed Securities	124,766	-	124,766	-
Municipal/Provincial obligations	1,468,338	-	1,468,338	-
Corporate bonds	152,688,713	-	152,595,773	92,940
Collateralized Mortgage Obligations	24,083	-	24,083	-
Commercial Mortgage-Backed	17,853	-	17,853	-
Total debt securities	<u>219,034,347</u>	<u>-</u>	<u>218,468,717</u>	<u>565,630</u>
Equity Securities				
Consumer goods	38,330,051	37,897,868	432,183	-
Energy	15,816,806	15,732,248	79,654	4,904
Financials	23,461,585	23,461,585	-	-
Health care	31,469,885	31,469,885	-	-
Industrials	25,946,718	25,946,718	-	-
Information technology	37,573,107	37,573,107	-	-
Materials	9,278,829	9,278,829	-	-
Real estate	30,071,395	29,444,730	626,665	-
Telecommunication services	38,157	38,157	-	-
Utilities	5,980,555	5,980,555	-	-
Total equity securities	<u>217,967,088</u>	<u>216,823,682</u>	<u>1,138,502</u>	<u>4,904</u>
Securities lending collateral fund	6,005,299	-	6,005,299	-
Total investments by fair value level	<u>443,006,734</u>	<u>216,823,682</u>	<u>225,612,518</u>	<u>570,534</u>
Investments measured at the net asset value (NAV)				
Commingled equity funds	248,669,182			
Commingled bond funds	76,313,229			
Commingled real asset funds	39,736,073			
Hedge fund	32,850,309			
Private real assets	31,181,436			
Private equity/debt	74,967,923			
Total investments measured at the NAV	<u>503,718,152</u>			
Investments measured at amortized cost				
Short-term investments	<u>29,754,989</u>			
Total investments measured at amortized cost	<u>29,754,989</u>			
Total investments	<u>\$ 976,479,875</u>			
Investment derivative instruments:				
Futures contracts	\$ (2,196,180)	\$ (2,196,180)	\$ -	\$ -
Foreign exchange contracts	<u>10,455</u>	<u>-</u>	<u>10,455</u>	<u>-</u>
Total investment derivative instruments	<u>\$ (2,185,725)</u>	<u>\$ (2,196,180)</u>	<u>\$ 10,455</u>	<u>\$ -</u>

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

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	\$ 248,669,182	\$ -	Daily, Monthly	0-15 days
Commingled bond funds	76,313,229	-	Daily	0 days
Commingled real asset funds	39,736,073	-	Daily, Bi-Weekly	0-5 days
Hedge fund	32,850,309	-	Monthly	5 days
Private real assets	31,181,436	18,977,761	Not eligible	N/A
Private equity/debt	74,967,923	45,459,554	Not eligible	N/A
Total investments measured at the NAV	<u>\$ 503,718,152</u>	<u>\$ 64,437,315</u>		

Commingled Bond Funds, Equity Funds and Real Asset Funds

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

Hedge Fund

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

Private Real Assets

The portfolio consists of nineteen 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, 2018. 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-nine 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, 2018. 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, 2018, the Trust's fixed income portfolio had the following sensitivity to changes in interest rates.

<u>Type of Investment</u>	<u>Effective Duration in Years</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
U.S. Government Obligations	16.04	\$ 62,783,384	19.31%
Foreign Government Obligations	5.98	1,927,209	0.59
Municipal/Provincial Obligations	9.11	1,468,338	0.45
Corporate Bonds	7.66	152,677,427	46.96
Commercial Mortgage-Backed Securities	0.12	24,083	0.01
Collateralized Mortgage Obligations	0.43	17,853	0.01
Asset-Backed Securities	0.00	124,766	0.04
Fixed Income Pooled Funds	N/A	76,324,515	23.48
Short-term Investments and Other *	N/A	29,754,989	9.15
Total Fixed Income Securities		<u>\$ 325,102,564</u>	<u>100.00%</u>

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

Credit Risk/Concentration of Credit Risk

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

(other than those issued or explicitly guaranteed by the U.S. Government or pooled investments) in any one company that represents 5 percent or more of net assets.

The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2018 are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio	
U.S. Government Obligations*	AAA	\$ 62,783,384	19.31%	
Foreign Government Obligations	A	609,639	0.19	
	BBB	499,245	0.15	
	Unrated	818,325	0.25	
	Municipal/Provincial Bonds	AAA	118,407	0.04
Corporate Bonds	AA	795,355	0.24	
	BBB	104,100	0.03	
	B	416,756	0.13	
	Unrated	33,720	0.01	
	AAA	1,587,876	0.49	
	AA	4,520,645	1.39	
	A	24,441,712	7.52	
	BBB	37,306,823	11.47	
Commercial Mortgage-Backed Securities	BB	38,402,988	11.81	
	B	30,350,859	9.34	
	CCC	9,545,796	2.94	
	CC	44,281	0.01	
	C	12,840	0.00	
	D	3,000	0.00	
	Unrated	6,460,607	1.99	
	Collateralized Mortgage Obligations	BB	24,083	0.01
	Asset-Backed Securities	Unrated	17,853	0.01
	Fixed Income Pooled Funds	CCC	124,766	0.04
Short-term Investments and Others	Unrated	76,324,515	23.48	
	Unrated	29,754,989	9.15	
Total Fixed Income Securities		<u>\$ 325,102,564</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	\$ 33,824,412	\$ -	\$ 7,098	\$ 33,831,510
Japanese yen	18,697,773	-	513	18,698,286
Hong Kong dollar	8,901,720	-	-	8,901,720
British pound sterling	6,333,548	267,660	(230,037)	6,371,171
Swiss franc	1,444,645	-	-	1,444,645
Singapore dollar	3,089,367	-	-	3,089,367
Australian dollar	3,403,301	-	(2)	3,403,299
Danish krone	1,737,418	-	-	1,737,418
Swedish krona	2,602,691	-	-	2,602,691
Mexican peso	562,500	1,434,215	9,491	2,006,206
Other Currencies	2,474,420	453,784	9,128	2,937,332
Total International Securities	\$ 83,071,795	\$ 2,155,659	\$ (203,809)	\$ 85,023,645

Derivatives

In accordance with the Board's Statement of Investment Policy and Objectives, the Trust Fund regularly invests in derivative financial instruments in the normal course of its investing activities to manage exposure to certain risks within the fund. During FY18, the Trust Fund invested directly in various derivatives including, exchange-traded future contracts, forward currency contracts, and swaps. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The Trust Fund could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Statement of Investment Policy and Objectives seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. In addition, the Trust Fund has indirect exposure to market and credit risk through its ownership interests in certain mutual and commingled funds which may hold derivative financial instruments. The Trust Fund is not a dealer, but an end-user of these instruments.

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

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

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specified financial instrument at a predetermined date and price. Gains and losses on future contracts are settled daily. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay. As of June 30, 2018, the Trust Fund held 51 long US Treasury futures contracts with a fair value of \$6,188,461 and 47 short US Treasury futures contracts with a fair value of (\$8,384,641).

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, 2018, the Trust held \$578,863 buy foreign exchange contracts and (\$568,408) sell foreign exchange contracts. The unrealized gain on the Trust's foreign exchange contracts was \$10,455.

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, 2018, the fair value of securities on loan was \$58,403,113. Cash received as collateral and the related liability of \$6,005,299 as of June 30, 2018, is shown on the Statement of Fiduciary 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 \$261,403 and \$28,492, 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, 2018:

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Non-Cash Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for Cash Collateral:			
Corporate Bonds	\$ 4,468,760	\$ -	\$ 4,580,723
Equities	1,374,215	-	1,424,576
Lent for Non-Cash Collateral:			
Government Obligations	11,321,490	12,004,768	-
Corporate Bonds	2,708,785	2,879,938	-
Equities	38,529,863	40,924,369	-
Total	<u>\$ 58,403,113</u>	<u>\$ 55,809,075</u>	<u>\$ 6,005,299</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, 2018, 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, 2018, were entirely insured or collateralized with securities held by HOC's agent in HOC's name. HOC's investments are subject to interest rate, credit, and custodial risk as described below:

Interest Rate Risk

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

Credit Risk

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

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

Custodial Risk

Amounts held in trust accounts and other demand accounts are covered by federal depository insurance, or collateralized at a level of at least 100% of fair value of principal and accrued interest. Repurchase agreement collateral for the MLGIP is segregated and held in the name of PNC Bank Safe Deposit and Trust's account at the Federal Reserve Bank. The cash and cash equivalents held by PNC Bank for the General Fund, Housing Opportunity Fund and Public Fund are in bank money market accounts and interest bearing accounts. These amounts are unrated by an independent rating agency. The Moody's rating for PNC Bank short-term deposits as of June 30, 2018 was P-1.

At June 30, 2018, 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	\$ 14,197,985	N/A
Opportunity Housing Sub-Fund:		
Investment in MLGIP	1,666,150	AAAm
Money Market Accounts	26,908,412	N/A
Public Sub-Fund:		
Investment in MLGIP	2,943,571	AAAm
Multi-Family Sub-Fund:		
Money Market Accounts	56,552,490	N/A
Single Family Fund:		
Money Market Accounts	77,113,505	N/A
Real Estate Limited Partnership:		
Investment in MLGIP	202,035	AAAm
Money Market Accounts	<u>14,107,873</u>	N/A
Total cash, cash equivalents and investments	<u>\$ 193,692,021</u>	
<u>Short-term Investments:</u>		
Single Family Sub-Fund:		
GNMA Pass through Certificates	\$ 1,046,752	Aaa
FNMA Pass through Certificates	<u>514,968</u>	Aaa
Total short-term investments	<u>\$ 1,561,720</u>	

Continued

	Fair Value	1-5 years	6-10 years	Greater than 10 years	Rating
<u>Long-term Investments:</u>					
Multi-Family Sub Fund:					
U.S. Treasuries	\$ 2,430,699	\$ 1,708,120	\$ 722,579	\$ -	Aaa
Fannie Mae	3,017,785	-	1,774,447	1,243,338	Aa1
Federal Farm Credit Banks	2,462,610	-	632,494	1,830,116	Aaa
Federal Home Loan Banks	906,463	-	-	906,463	Aaa
Federal Home Loan Mortgage	875,294	-	-	875,294	Aaa
Bank One Investment Agreement	591,525	-	591,525	-	AA/Aa2
Single Family Sub-Fund:					
Federal Farm Credit Banks	6,445,850	-	-	6,445,850	Aaa
Federal Home Loan Banks	9,271,315	-	-	9,271,315	Aaa
Federal Home Loan Mtg Corp	1,600,155	-	-	1,600,155	Aaa
Fannie Mae	1,023,413	-	1,023,413	-	Aa1
GNMA Pass-through Certificates	39,937,477	-	-	39,937,477	Aaa
FNMA Pass-through Certificates	19,647,935	-	-	19,647,935	Aaa
U.S. Treasuries	5,232,251	3,987,684	-	1,244,567	Aaa
Tennessee Valley Authority	4,190,459	-	-	4,190,459	AA+
Total long-term investments	<u>\$ 97,633,231</u>	<u>\$ 5,695,804</u>	<u>\$ 4,744,458</u>	<u>\$ 87,192,969</u>	
Cash balances	<u>97,296,495</u>				
Total cash, cash equivalents and investments	<u>\$ 390,183,467</u>				

Fair Value Measurement

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

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

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

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

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

		<u>Fair Value Measurements Using</u>		
		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	June 30, 2018			
Debt Securities				
Fannie Mae	\$ 4,041,199	\$ -	\$ 4,041,199	\$ -
Federal Farm Credit Banks	8,908,459	-	8,908,459	-
Federal Home Loan Banks	10,430,362	-	10,430,362	-
U.S. Treasuries	7,662,950	7,662,950	-	-
FNMA Mortgage-Backed Securities	20,162,903	-	20,162,903	-
GNMA Mortgage-Backed Securities	40,984,229	-	40,984,229	-
Federal Home Loan Mortgage Corp	2,222,865	-	2,222,865	-
Federal National Mortgage Association	-	-	-	-
Investment Agreements	591,525	-	591,525	-
Tennessee Valley Authority	4,190,459	-	4,190,459	-
Total investments by fair value level	<u>\$ 99,194,951</u>	<u>\$ 7,662,950</u>	<u>\$ 91,532,001</u>	<u>\$ -</u>

		<u>Fair Value Measurements Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		June 30, 2018		
Investment Derivative Instruments				
Swaps	\$ 1,910,439	\$ -	\$ 1,910,439	\$ -
Interest Rate Swaps	4,205,807	-	4,205,807	-
Total investment derivative instruments	<u>\$ 6,116,246</u>	<u>\$ -</u>	<u>\$ 6,116,246</u>	<u>\$ -</u>

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B) Receivables

1) Accounts Receivable

Receivables at June 30, 2018 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	\$ 341,500,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 341,500,457
Property taxes	11,192,439	-	-	-	1,094	2,938,708	14,132,241
Capital leases	-	-	-	20,390,000	-	-	20,390,000
Accounts	11,894,484	-	335,820	-	-	12,045,230	24,275,534
Notes	359,479	-	2,014,906	24,505,000	-	-	26,879,385
Parking violations	977,904	-	-	-	-	311,866	1,289,770
Mortgages	547,875	190,809,457	44,807,413	-	300,000	2,291,134	238,755,879
Total receivables	366,472,638	190,809,457	47,158,139	44,895,000	301,094	17,586,938	667,223,266
Allowance for uncollectible accounts	(2,154,767)	(24,386,763)	(2,398,485)	-	(1,094)	-	(28,941,109)
Total receivable (net)	<u>\$ 364,317,871</u>	<u>\$166,422,694</u>	<u>\$ 44,759,654</u>	<u>\$ 44,895,000</u>	<u>\$ 300,000</u>	<u>\$ 17,586,938</u>	<u>\$ 638,282,157</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 547,875</u>	<u>\$190,809,457</u>	<u>\$ 46,822,319</u>	<u>\$ 20,390,000</u>	<u>\$ 300,000</u>	<u>\$ 2,291,134</u>	<u>\$ 261,160,785</u>

	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Receivables						
Property taxes	\$ -	\$ -	\$ 331,971	\$ -	\$ 331,971	\$ -
Accounts	5,066,222	3,871,811	35,055	276,239	9,249,327	1,312,999
Parking violations	-	-	3,399,862	-	3,399,862	-
Total receivables	5,066,222	3,871,811	3,766,888	276,239	12,981,160	1,312,999
Allowance for uncollectible accounts	(1,615,226)	(20,732)	(1,814,780)	(17,041)	(3,467,779)	(8,837)
Total receivable (net)	<u>\$ 3,450,996</u>	<u>\$ 3,851,079</u>	<u>\$ 1,952,108</u>	<u>\$ 259,198</u>	<u>\$ 9,513,381</u>	<u>\$ 1,304,162</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2) Due from/to Component Units

The balances at June 30, 2018, were:

Due from Component Units / Due to Primary Government:

Due from Component Units:	MCPS	MC	MCRA	HOC	BUP	Total
Due to Primary Government:						
General	\$ 7,368	\$ 3,159	\$ 45,630	\$ 41,104	\$ -	\$ 97,261
Housing Initiative	-	-	-	46,365,779	-	46,365,779
Grants	-	-	-	10,867,763	-	10,867,763
Capital Projects	-	-	-	3,885,117	-	3,885,117
Solid Waste Activities Enterprise	-	442	-	52	-	494
Major Enterprise	-	-	-	210,292	-	210,292
Internal Service	28,669	4,468	180,457	19,287	19,098	251,979
Fiduciary	-	-	11,815	93,179	-	104,994
Total Due to Primary Government	<u>\$ 36,037</u>	<u>\$ 8,069</u>	<u>\$ 237,902</u>	<u>\$ 61,482,573</u>	<u>\$ 19,098</u>	<u>\$ 61,783,679</u>

Due to Component Units / Due from Primary Government:

Due to Component Units:	MCPS	MC	MCRA	HOC	BUP	Total
Due from Primary Government:						
General	\$ -	\$ -	\$ -	\$ 34,642	\$ 245,409	\$ 280,051
Housing Initiative	-	-	-	494,739	-	494,739
Debt Service	-	85,568	-	-	-	85,568
Capital Projects	21,061,659	14,670,395	-	771,051	-	36,503,105
Nonmajor Governmental	25,180	-	-	-	130,372	155,637
Nonmajor Enterprise	815,543	-	-	-	-	815,543
Total Due from Primary Government	<u>\$ 21,902,382</u>	<u>\$ 14,755,963</u>	<u>\$ -</u>	<u>\$ 1,300,432</u>	<u>\$ 375,781</u>	<u>\$ 38,334,643</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 \$3.9 million due from HOC to the Capital Projects Fund represent loan receivables in the Opportunity Housing Development Fund and Moderately Priced Dwelling Unit (MPDU)/Property Acquisition Fund, respectively, which are revolving loan funds that are set up between the County and HOC. The County issues loans to HOC to purchase MPDUs or other similar properties which HOC repays to the County based on future cash flows.
- \$46.4 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.
- \$21.1 million due to MCPS and \$14.7 million due to MC from the Capital Projects Fund represent the amount of capital cash requests that have not yet been paid by the County.

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

3) Due from Other Governments

The total amount due from other governments at June 30, 2018, was comprised of the following:

	<u>General</u>	<u>Grants</u>	<u>Capital Projects</u>	<u>Solid Waste Activities</u>	<u>Nonmajor Governmental</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
Federal government	\$ 332,832	\$ 20,329,506	\$ 13,157,549	\$ 41	\$ 30,750	\$ -	\$ -	\$ 33,850,678
State of Maryland	30,588,914	8,123,180	8,142,458	21,772	1,045,161	150,708	3,016	48,075,011
Other	61,479	12,173	1,837,132	2,396	-	137,508	141,577	2,192,265
Total	<u>\$30,983,225</u>	<u>\$ 28,464,859</u>	<u>\$ 23,137,139</u>	<u>\$ 24,209</u>	<u>\$ 1,075,713</u>	<u>\$ 288,216</u>	<u>\$ 144,593</u>	<u>\$ 84,117,954</u>

4) Due to Other Governments

The total amount due to other governments at June 30, 2018 is \$155,548,633. This amount is comprised mainly of \$143.3 million 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, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 936,319,233	\$ 37,658,158	\$ 60,540	\$ 973,916,851
Construction in progress	1,777,713,638	300,338,094	127,936,883	1,950,114,849
Total Nondepreciable Capital Assets	<u>2,714,032,871</u>	<u>337,996,252</u>	<u>127,997,423</u>	<u>2,924,031,700</u>
Depreciable Capital Assets:				
Buildings	877,745,860	104,906,328	-	982,652,188
Improvements other than buildings	78,330,299	968,876	-	79,299,175
Furniture, fixtures, equipment and machinery	221,256,593	679,634	430,205	221,506,022
Leasehold improvements	17,689,928	94,159	-	17,784,087
Automobiles and trucks	312,777,043	38,914,554	8,667,368	343,024,229
Infrastructure	1,908,094,853	29,906,360	-	1,938,001,213
Other assets	40,387,339	1,539,970	-	41,927,309
Total Capital Assets being Depreciated	<u>3,456,281,915</u>	<u>177,009,881</u>	<u>9,097,573</u>	<u>3,624,194,223</u>
Less Accumulated Depreciation for:				
Buildings	428,893,020	20,665,241	-	449,558,261
Improvements other than buildings	22,673,803	1,790,035	-	24,463,838
Furniture, fixtures, equipment and machinery	183,050,054	6,239,874	430,205	188,859,723
Leasehold improvements	9,774,885	1,040,209	-	10,815,094
Automobiles and trucks	174,136,451	26,183,166	8,253,267	192,066,350
Infrastructure	764,851,651	37,767,627	-	802,619,278
Other assets	23,913,033	4,031,173	-	27,944,206
Total Accumulated Depreciation	<u>1,607,292,897</u>	<u>97,717,325</u>	<u>8,683,472</u>	<u>1,696,326,750</u>
Total Depreciable Assets, net	<u>1,848,989,018</u>	<u>79,292,556</u>	<u>414,101</u>	<u>1,927,867,473</u>
Governmental Activities Capital Assets, net	<u>\$4,563,021,889</u>	<u>\$ 417,288,808</u>	<u>\$ 128,411,524</u>	<u>\$4,851,899,173</u>
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	\$ 58,444,081	\$ -	\$ -	\$ 58,444,081
Construction in progress	282,372	-	-	282,372
Total Nondepreciable Capital Assets	<u>58,726,453</u>	<u>-</u>	<u>-</u>	<u>58,726,453</u>
Depreciable Capital Assets:				
Buildings	296,414,089	377,848	-	296,791,937
Improvements other than buildings	180,364,690	6,327,820	169,489	186,523,021
Furniture, fixtures, equipment and machinery	36,059,202	3,054,908	1,955,189	37,158,921
Infrastructure	14,351	-	-	14,351
Automobiles and trucks	5,056,894	2,512,667	32,184	7,537,377
Total Capital Assets being Depreciated	<u>517,909,226</u>	<u>12,273,243</u>	<u>2,156,862</u>	<u>528,025,607</u>
Less Accumulated Depreciation for:				
Buildings	153,533,278	8,584,046	-	162,117,324
Improvements other than buildings	132,484,633	4,075,547	-	136,560,180
Furniture, fixtures, equipment and machinery	18,888,226	3,037,390	1,044,712	20,880,904
Infrastructure	6,171	574	-	6,745
Automobiles and trucks	3,782,687	349,753	32,184	4,100,256
Total Accumulated Depreciation	<u>308,694,995</u>	<u>16,047,310</u>	<u>1,076,896</u>	<u>323,665,409</u>
Total Depreciable Assets, net	<u>209,214,231</u>	<u>(3,774,067)</u>	<u>1,079,966</u>	<u>204,360,198</u>
Business-Type Activities Capital Assets, net	<u>\$ 267,940,684</u>	<u>\$ (3,774,067)</u>	<u>\$ 1,079,966</u>	<u>\$ 263,086,651</u>

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

Governmental activities:	
General government	\$ 8,437,540
Public safety	10,744,779
Public works and transportation	67,131,718
Health and human services	2,005,515
Culture and recreation	8,058,110
Community development and housing	1,013,076
Environment	<u>326,587</u>
Total depreciation expense-governmental activities	<u>\$ 97,717,325</u>
Business-type activities:	
Liquor	\$ 2,779,000 *
Solid waste activities	2,202,544
Parking lot districts	10,904,342
Permitting services	<u>161,424</u>
Total depreciation expense-business-type activities	<u>\$ 16,047,310</u>

*Difference from Exhibit A-8 is due to rounding.

Construction commitments as of June 30, 2018 are as follows:

	<u>Construction Commitments</u>
General Government	\$ 131,707,844
Public Safety	15,802,865
Public Works and Transportation	230,278,536
Culture & Recreation	24,686
Environment	<u>34,275,472</u>
Total	<u>\$ 412,089,403</u>

Component Units

Capital assets of MCPS, amounting to \$2,929,053,026 at June 30, 2018, are significant in relation to the total component unit capital assets.

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities				
Nondepreciable capital assets:				
Land	\$ 87,693,060	\$ 13,384,700	\$ -	\$ 101,077,760
Construction in progress	88,847,692	199,368,715	198,500,930	89,715,477
Total nondepreciable capital assets	<u>176,540,752</u>	<u>212,753,415</u>	<u>198,500,930</u>	<u>190,793,237</u>
Depreciable capital assets:				
Buildings and improvements	3,411,548,259	159,557,617	11,687,426	3,559,418,450
Site improvements	372,172,793	54,461,839	-	426,634,632
Vehicles and equipment	191,119,778	16,365,696	14,746,467	192,739,007
Total depreciable capital assets	<u>3,974,840,830</u>	<u>230,385,152</u>	<u>26,433,893</u>	<u>4,178,792,089</u>
Less accumulated depreciation for:				
Buildings and improvements	1,170,676,243	87,057,374	10,437,873	1,247,295,744
Site improvements	79,701,797	7,161,025	-	86,862,822
Vehicles and equipment	114,311,896	12,822,194	14,134,734	112,999,356
Total accumulated depreciation	<u>1,364,689,936</u>	<u>107,040,593</u>	<u>24,572,607</u>	<u>1,447,157,922</u>
Total depreciable capital assets, net	<u>2,610,150,894</u>	<u>123,344,559</u>	<u>1,861,286</u>	<u>2,731,634,167</u>
Government activities capital assets, net	<u>\$ 2,786,691,646</u>	<u>\$ 336,097,974</u>	<u>\$ 200,362,216</u>	<u>\$ 2,922,427,404</u>
Business-Type Activities				
Depreciable capital assets:				
Vehicles and equipment	\$ 22,043,516	\$ 2,229,732	\$ 801,609	\$ 23,471,639
Total depreciable capital assets	<u>22,043,516</u>	<u>2,229,732</u>	<u>801,609</u>	<u>23,471,639</u>
Less accumulated depreciation for:				
Vehicles and equipment	16,566,869	1,070,619	791,471	16,846,017
Total accumulated depreciation	<u>16,566,869</u>	<u>1,070,619</u>	<u>791,471</u>	<u>16,846,017</u>
Business-type activities capital assets, net	<u>\$ 5,476,647</u>	<u>\$ 1,159,113</u>	<u>\$ 10,138</u>	<u>\$ 6,625,622</u>
Educational Foundation capital assets net of accumulated depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total MCPS government-wide capital assets				<u>\$ 2,929,053,026</u>

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

Governmental activities:	
Regular instruction	\$ 85,577,964
Special education	147,085
School administration	15,043
Student transportation	10,876,861
Operation of plant	212,984
Maintenance of plant	9,837,758
Administration	<u>372,898</u>
Total depreciation expense-governmental activities	<u>\$ 107,040,593</u>
Business-type activities:	
Food services	\$ 1,032,945
Entrepreneurial	<u>37,674</u>
Total depreciation expense-business type activities	<u>\$ 1,070,619</u>

Commitments for ongoing construction in progress at June 30, 2018 were \$231,820,745.

D) Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of June 30, 2018, is as follows:

Due To Fund	Due From Fund		Internal Service	Fiduciary	Total
	General	Solid Waste Activities			
General	\$ -	\$ -	\$ 5,402,943	\$ 5,947,554	\$ 11,350,497
Housing Initiative	-	-	13,019	23,379	36,398
Grants	19,253,152	-	196,298	185,642	19,635,092
Capital Projects	97,310,850	-	183,839	242,282	97,736,971
Liquor	1,838,263	-	384,574	213,987	2,436,824
Solid Waste Activities	477,229	4,000,000	83,165	108,090	4,668,484
Parking Lot Districts	229,800	-	38,500	53,951	322,251
Nonmajor Governmental	-	-	2,132,565	2,754,970	4,887,535
Nonmajor Enterprise	1,419,926	-	228,858	373,511	2,022,295
Internal Service	1,141,213	-	231,085	8,137,662	9,509,960
Fiduciary	-	-	<u>12,159</u>	<u>11,673</u>	<u>23,832</u>
Total	<u>\$ 121,670,433</u>	<u>\$ 4,000,000</u>	<u>\$ 8,907,005</u>	<u>\$ 18,052,701</u>	<u>\$ 152,630,139</u>

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

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

- \$97.3 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, 2018, consisted of the following:

Transfers Out Fund	Transfers In Fund					Subtotal Major Governmental
	General	Housing Initiative	Grants	Debt Service	Capital Projects	
General	\$ -	\$22,703,644	\$ -	\$ 312,020,121	\$ 46,703,653	\$ 381,427,418
Housing Initiative	329,848	-	-	7,325,134	6,918,539	14,573,521
Capital Projects	-	4,814,347	-	144,691	-	4,959,038
Debt Service	-	-	-	-	24,176,588	24,176,588
Liquor	24,828,303	-	-	5,850,772	1,871	30,680,946
Solid Waste Activities	2,993,810	-	-	-	-	2,993,810
Parking Lot Districts	4,700,265	-	-	-	-	4,700,265
Nonmajor Governmental	44,181,454	-	340,000	53,219,514	36,674,270	134,415,238
Nonmajor Enterprise	6,027,053	-	-	-	20,991,000	27,018,053
Internal Service Funds	27,359,360	-	-	-	-	27,359,360
Total	\$ 110,420,093	\$27,517,991	\$ 340,000	\$ 378,560,232	\$ 135,465,921	\$ 652,304,237

Transfers Out Fund	Transfers In Fund					Total
	Liquor	Subtotal Major Enterprise	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ -	\$ 1,791,010	\$ 25,000	\$ 609,198	\$ 383,852,626
Housing Initiative	-	-	-	-	-	14,573,521
Capital Projects	212,235	212,235	1,892,606	-	-	7,063,879
Debt service	-	-	-	-	-	24,176,588
Liquor	-	-	-	-	-	30,680,946
Solid Waste Activities	-	-	-	-	-	2,993,810
Parking Lot Districts	-	-	-	-	-	4,700,265
Nonmajor Governmental	-	-	-	-	-	134,415,238
Nonmajor Enterprise	-	-	-	-	-	27,018,053
Internal Service Funds	-	-	-	-	-	27,359,360
Total	\$ 212,235	\$ 212,235	\$ 3,683,616	\$ 25,000	\$ 609,198	\$ 656,834,286

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 \$23,876,642 for FY18. Future minimum lease payments under significant non-cancelable operating leases are as follows.

Fiscal Year Ending June 30	
2019	\$ 23,426,349
2020	22,703,080
2021	21,994,019
2022	18,953,556
2023	10,765,396
2024 - 2028	37,527,583
2029 - 2033	<u>8,666,402</u>
Total	<u>\$ 144,036,385</u>

2) Capital Lease Receivable

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

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

The composition of the capital lease receivable is as follows:

	Minimum Lease Receivable	Unearned Income	Net Investment
Shady Grove	\$ 9,908,865	\$ (1,752,865)	\$ 8,156,000
Grosvenor	9,661,143	(1,709,043)	7,952,100
Glenmont	<u>5,202,154</u>	<u>(920,254)</u>	<u>4,281,900</u>
Total	<u>\$ 24,772,162</u>	<u>\$ (4,382,162)</u>	<u>\$ 20,390,000</u>

At June 30, 2018, the minimum future lease payments due under the direct financing capital lease agreements are as follows:

Fiscal Year Ending June 30	
2019	\$ 3,496,862
2020	3,510,862
2021	3,507,862
2022	3,513,363
2023	3,516,613
2024-2028	5,525,263
2029-2031	<u>1,701,337</u>
Total minimum lease payments	<u>\$ 24,772,162</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	\$ 2,018,344
Land improvements	5,000,513
Buildings	72,443,570
Furniture, fixtures, equipment and machinery	<u>159,291</u>
Subtotal	79,621,718
Less accumulated depreciation	<u>(38,942,719)</u>
Total asset value under capital leases	<u>\$ 40,678,999</u>

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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, 2018, are as follows:

Fiscal Year Ending June 30		
2019	\$	2,515,077
2020		991,834
2021		987,709
2022		990,978
2023		<u>991,536</u>
Total minimum lease payments		6,477,134
Less: amount representing interest		<u>(370,624)</u>
Present value of minimum lease payments	\$	<u><u>6,106,510</u></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, 2018, was as follows:

Governmental Activities	Balance			Balance	Due within
	July 1, 2017	Additions	Reductions		
Bonds payable:					
General obligation bonds	\$ 2,789,265,000	\$ 686,725,000	\$ (550,760,000)	\$ 2,925,230,000	\$ 235,805,000
Variable rate demand obligations	90,000,000	170,000,000	(90,000,000)	170,000,000	-
Bond anticipation notes	500,000,000	340,000,000	(340,000,000)	500,000,000	500,000,000
Revenue bonds					
Liquor control	60,853,695	-	(3,088,088)	57,765,607	3,217,336
Water quality protection	76,190,000	-	(3,245,000)	72,945,000	3,360,000
Lease revenue bonds payable	22,785,000	-	(2,395,000)	20,390,000	2,520,000
Add remaining original issue premium	250,655,489	115,014,107	(70,474,314)	295,195,282	-
Total bonds payable	<u>3,789,749,184</u>	<u>1,311,739,107</u>	<u>(1,059,962,402)</u>	<u>4,041,525,889</u>	<u>744,902,336</u>
Leases and notes payable:					
Capital leases	8,454,830	-	(2,348,320)	6,106,510	2,386,510
Certificates of participation	28,505,000	-	(4,000,000)	24,505,000	360,000
Taxable limited obligation certificates	78,660,000	-	(3,995,000)	74,665,000	4,110,000
Other leases and notes payable	25,398,332	4,295,008	(272,556)	29,420,784	1,606,898
Equipment notes	56,773,847	35,185,711	(12,097,317)	79,862,241	16,631,334
Add remaining original issue premium	1,530,844	-	(151,198)	1,379,646	-
Total leases and notes payable	<u>199,322,853</u>	<u>39,480,719</u>	<u>(22,864,391)</u>	<u>215,939,181</u>	<u>25,094,742</u>
Other non-debt related liabilities:					
Compensated absences	81,897,437	61,275,761	(58,930,539)	84,242,659	54,757,728
Net OPEB liability	1,735,005,077	-	(248,953,583)	1,486,051,494	-
Claims payable - self-insurance	159,081,601	187,531,934	(168,443,354)	178,170,181	42,533,851
Net pension liability - county	497,356,879	211,538	(193,345,097)	304,223,320	-
Net pension liability - county (LOSAP)	40,657,679	-	(2,711,633)	37,946,046	-
Net pension liability - state	30,107,615	-	(2,557,824)	27,549,791	-
Claims and judgments	1,073,600	-	(1,073,600)	-	-
Total other non-debt related	<u>2,545,179,888</u>	<u>249,019,233</u>	<u>(676,015,630)</u>	<u>2,118,183,491</u>	<u>97,291,579</u>
Total Governmental Activities Liabilities	\$ 6,534,251,925	\$ 1,600,239,059	\$(1,758,842,423)	\$ 6,375,648,561	\$ 867,288,657
Business-Type Activities					
Revenue bonds:					
Liquor control	\$ 38,716,305	\$ -	\$ (2,206,912)	\$ 36,509,393	\$ 2,302,664
Parking revenue bonds	36,551,000	-	(3,291,000)	33,260,000	3,441,000
Add remaining original issue premium	2,838,115	-	(496,323)	2,341,792	-
Total revenue bonds	<u>78,105,420</u>	<u>-</u>	<u>(5,994,235)</u>	<u>72,111,185</u>	<u>5,743,664</u>
Leases and notes payable:					
Equipment notes	5,367,645	2,307,846	(1,241,818)	6,433,673	1,542,055
Other non-debt related liabilities:					
Compensated absences	6,775,508	284,408	(92,431)	6,967,485	4,528,864
Net pension liability - county	24,039,503	1,695,010	(5,828,085)	19,906,428	-
Landfill closure costs	15,733,722	1,172,289	(1,234,707)	15,671,304	1,323,038
Gude landfill remediation	28,700,000	-	(169,147)	28,530,853	-
Total other non-debt related	<u>75,248,733</u>	<u>3,151,707</u>	<u>(7,324,370)</u>	<u>71,076,070</u>	<u>5,851,902</u>
Total Business-Type Activities Liabilities	\$ 158,721,798	\$ 5,459,553	\$(14,560,423)	\$ 149,620,928	\$ 13,137,622

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, \$2,562,260 (\$1,665,469 due within one year and \$896,791 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. The primary liability for compensated absences is from the General Fund and the Fire Tax District Fund.

Net other post-employment benefit (OPEB) 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.

Net pension liabilities are liquidated with General Fund resources.

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

2) General Obligation Bonds Payable

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

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

The County issued Series A \$170,000,000 in new money general obligation bonds dated November 15, 2017; the County received a premium on the issue of \$28,688,520. These bonds were issued with a true interest cost of 1.73%. The County also issued Series B \$78,270,000 refunding bonds, Series C \$294,625,000 advance refunding bonds, and Series D \$143,830,000 cross-over refunding bonds dated November 15, 2017. The County received premiums on the refunding bonds of \$86,325,587 in total. These bonds were issued with a true interest cost of 1.63%, 2.07% and 2.10% respectively. The total net proceeds including premium of Series B were used to refund \$90,000,000 of variable rate demand obligation bonds, and total net proceeds of Series C were used to advance refund \$324,200,000 of general obligation (GO) bonds that were previously issued, and total net proceeds of Series D will be used to refund \$154,675,000 of 2009 Series B (BABs).

A detail listing of these refunded bonds is as follows:

Series B	<u>Dated Date</u>	<u>Original Maturity</u>	<u>True Interest Cost</u>	<u>Originally Issued</u>	<u>Years Refunded</u>	<u>Amount Refunded</u>
VRDO	06/07/06	2017-26	variable	\$ 50,000,000	2018-26	\$ 45,000,000
VRDO	06/07/06	2017-26	variable	50,000,000	2018-26	45,000,000
				<u>\$ 100,000,000</u>		<u>\$ 90,000,000</u>

Series C	<u>Dated Date</u>	<u>Original Maturity</u>	<u>True Interest Cost</u>	<u>Originally Issued</u>	<u>Years Refunded</u>	<u>Amount Refunded</u>
GO Bonds	07/15/08	2009-29	4.1809	\$ 250,000,000	2018-19	\$ 12,950,000
GO Bonds	07/26/10	2011-22	2.2595	195,000,000	2021-22	32,500,000
GO Bonds	08/11/11	2012-31	3.2268	320,000,000	2020,2027-31	96,000,000
GO Bonds	10/24/12	2013-32	2.2977	295,000,000	2021-27	103,250,000
GO Bonds	11/26/13	2014-34	3.1269	295,000,000	2024.2026	29,500,000
GO Bonds	11/19/14	2015-35	2.7444	500,000,000	2025-26	50,000,000
				<u>\$ 1,855,000,000</u>		<u>\$ 324,200,000</u>

Series D	<u>Dated Date</u>	<u>Original Maturity</u>	<u>True Interest Cost</u>	<u>Originally Issued</u>	<u>Years to be Refunded</u>	<u>Amount to be Refunded</u>
GO Bonds	11/03/09	2015-29	3.1774	\$ 232,000,000	2020-29	\$ 154,675,000
				<u>\$ 232,000,000</u>		<u>\$ 154,675,000</u>

Net proceeds from the Series 2017B Bonds were provided to U.S. Bank in their capacity as Registrar and Paying Agent to redeem all of the Series 2006A and Series 2006B VRDOs, as well as to pay a portion of the accrued interest. Net proceeds of the Series 2017C Bonds will be applied to the purchase of State and Local Government Securities (SLGs), the principal and interest on which are guaranteed by the United States Government (Escrowed Securities). The Escrowed Securities will be deposited in a trust fund for the Refunded Bonds with U.S. Bank National Association (the Escrow Agent). The Escrowed Securities will pay the interest due on the Refunded Bonds and the redemption price on the redemption date. On or prior to the Crossover date (November 1, 2019), payment of the interest on the Series 2017D Bonds will be from funds held in the Crossover Escrow Account containing Escrowed Securities held by U.S. Bank (the BABs Escrow Agent). Monies remaining in the Crossover Escrow Account on the Crossover Date shall be used to redeem all of the Refunded BABs in advance of their scheduled maturities. Prior to the Crossover Date the Refunded BABS remain outstanding general obligations of the County.

The reacquisition price of the Series C refunding is less than the net carrying amount of the old debt by \$360,683. The amount is reported as deferred outflows of resources and amortized over the remaining life of the new debt.

The debt service savings from Series B is \$1,122,684 as shown below. The present value of the debt service savings (or economic gain) on the refunding is \$1,009,999.

Series B

Fiscal Year	Refunded Debt Service Requirements	Refunding Debt Service Requirements	Debt Service Savings
2018	\$ 10,843,350	\$ 10,760,683	\$ 82,667
2019	11,334,638	11,207,000	127,638
2020	11,242,135	11,110,750	131,385
2021	11,138,263	11,010,000	128,263
2022	11,004,575	10,874,250	130,325
2023-2026	42,200,656	41,678,250	522,406
Total	<u>\$ 97,763,617</u>	<u>\$ 96,640,933</u>	<u>\$ 1,122,684</u>

Debt service on refunded bonds assumes variable rates based on the Securities Industry Financial Market Association (SIFMA) forward rates at the time of pricing and includes estimated remarketing fees, liquidity fees, and annual rating surveillance fees.

The debt service savings from Series C is \$23,153,916 as shown below. The present value of the debt service savings (or economic gain) on the refunding is \$20,584,005.

Series C

Fiscal Year	Refunded Debt Service Requirements	Refunding Debt Service Requirements	Debt Service Savings
2018	\$ 6,594,125	\$ 5,401,259	\$ 1,192,866
2019	14,309,500	14,297,450	12,050
2020	24,694,750	23,004,200	1,690,550
2021	28,258,750	26,569,825	1,688,925
2022	42,165,000	40,474,325	1,690,675
2023-2027	209,013,125	200,575,125	8,438,000
2028-2032	103,171,250	94,730,400	8,440,850
Total	<u>\$ 428,206,500</u>	<u>\$ 405,052,584</u>	<u>\$ 23,153,916</u>

The debt service savings from Series D is \$9,559,333 as shown below. The present value of the debt service savings (or economic gain) on the refunding is \$8,327,382.

Series D

Fiscal Year	Refunded Debt Service Requirements	Refunding Debt Service Requirements	Refunding Receipts	Debt Service Savings
2019	\$ -	\$ 4,977,691	\$ 4,977,691	\$ -
2020	-	5,179,100	5,179,100	-
2021	20,567,386	19,589,100	-	978,286
2022	20,102,470	19,126,800	-	975,670
2023	19,637,553	18,655,400	-	982,153
2024-2028	90,738,466	86,011,000	-	4,727,466
2029-2030	32,599,158	30,703,400	-	1,895,758
Total	<u>\$ 183,645,033</u>	<u>\$ 184,242,491</u>	<u>\$ 10,156,791</u>	<u>\$ 9,559,333</u>

General obligation bond issues outstanding as of June 30, 2018, are as follows:

<u>Dated Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Originally Issued</u>	<u>Balance June 30, 2018</u>	<u>Unamortized Premium</u>	<u>Carrying Value June 30, 2018</u>
06/01/05*	2005-21	5.00	\$ 120,355,000	\$ -	\$ -	\$ -
07/15/08	2009-29	3.00 - 5.00	250,000,000	10,650,000	191,020	10,841,020
11/03/09*	2011-20	2.00 - 5.00	161,755,000	59,360,000	1,676,225	61,036,225
11/03/09	2015-29	3.75 - 5.50	232,000,000	185,605,000	657,553	186,262,553
07/26/10	2011-22	2.00 - 5.00	195,000,000	48,750,000	3,414,059	52,164,059
07/26/10	2023-30	4.75 - 5.40	106,320,000	106,320,000	109,658	106,429,658
07/26/10	2023-30	4.75 - 5.40	23,680,000	23,680,000	24,425	23,704,425
08/11/11	2012-31	2.00 - 5.00	320,000,000	32,000,000	1,602,690	33,602,690
08/11/11*	2012-22	2.00 - 5.00	237,655,000	134,245,000	7,716,726	141,961,726
10/24/12	2013-32	2.50 - 5.00	295,000,000	118,000,000	8,739,396	126,739,396
11/26/13	2014-34	3.00 - 5.00	295,000,000	206,500,000	16,766,011	223,266,011
11/26/13*	2023-24	5.00	24,915,000	24,915,000	2,837,708	27,752,708
11/19/14	2015-35	4.00 - 5.00	500,000,000	375,000,000	50,667,161	425,667,161
11/19/14*	2016-28	5.00	297,990,000	270,590,000	39,739,447	310,329,447
03/26/15*	2018-21	5.00	58,520,000	58,520,000	2,474,142	60,994,142
12/01/15	2016-35	3.00 - 5.00	300,000,000	270,000,000	20,411,962	290,411,962
12/13/16	2017-36	3.00 - 5.00	340,000,000	323,000,000	25,561,846	348,561,846
11/15/17	2018-27	5.00	170,000,000	170,000,000	25,646,102	195,646,102
11/15/17*	2018-26	5.00	78,270,000	69,640,000	10,620,660	80,260,660
11/15/17*	2019-31	3.00-5.00	294,625,000	294,625,000	53,217,188	347,842,188
11/15/17*	2020-29	3.00-4.00	143,830,000	143,830,000	14,918,465	158,748,465
Total			<u>\$ 4,444,915,000</u>	<u>\$ 2,925,230,000</u>	<u>\$ 286,992,444</u>	<u>\$ 3,212,222,444</u>

* Issue represents refunding bonds.

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

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bond Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 235,805,000	\$ 129,416,184	\$ 365,221,184
2020	383,115,000	113,960,950	497,075,950
2021	220,945,000	99,107,475	320,052,475
2022	214,075,000	88,642,675	302,717,675
2023	207,005,000	78,409,500	285,414,500
2024 - 2028	905,775,000	253,488,888	1,159,263,888
2029 - 2033	580,760,000	85,225,300	665,985,300
2034 - 2038	177,750,000	10,097,500	187,847,500
Total	<u>\$ 2,925,230,000</u>	<u>\$ 858,348,472</u>	<u>\$ 3,783,578,472</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, 2018 is \$7,758,169,142.

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, 2018, \$414,200,000 of bonds outstanding are considered defeased.

General obligation bonds authorized and unissued as of June 30, 2018 are \$1,365,160,000 and \$1,069,496,000, 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. On November 15, 2017, the County issued \$78,270,000 of general obligation refunding bonds to defease VRDOs 2006 Series A and B outstanding in the amount of \$90,000,000.

On December 19, 2017, the County issued new VRDOs in the amount of \$170 million. The bonds are subject to optional redemption at par in whole on any date or in part on any interest payment date upon 15 days' notice. Additionally, the bonds are subject to mandatory sinking fund redemption on November 1 in each of the years 2028 through 2037.

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 2006 VRDOs, on June 1, 2017, the County entered into a First Extension and Amendment of Standby Note Purchase Agreement with Wells Fargo Bank, National Association. The Agreement extended the existing Wells Fargo Standby Note Purchase Agreement from July 14, 2017 to July 13, 2018. On December 1, 2017, the County entered into a new agreement with U.S. Bank and terminated the Wells Fargo agreement on December 19, 2017. The U.S. Bank Purchase Agreement requires U.S. Bank 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, 2018, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2017	Bonds Issued	Bonds Retired	Balance June 30, 2018
06/07/06	2017-26	Variable	\$ 50,000,000	\$ 45,000,000	\$ -	\$ (45,000,000)	\$ -
06/07/06	2017-26	Variable	50,000,000	45,000,000	-	(45,000,000)	-
12/19/17	2028-37	Variable	-	-	170,000,000	-	170,000,000
Total			<u>\$ 100,000,000</u>	<u>\$ 90,000,000</u>	<u>\$ 170,000,000</u>	<u>\$ (90,000,000)</u>	<u>\$ 170,000,000</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
2019	\$ -	\$ 2,465,000	\$ 2,465,000
2020	-	2,465,000	2,465,000
2021	-	2,465,000	2,465,000
2022	-	2,465,000	2,465,000
2013	-	2,465,000	2,465,000
2024-2028	-	12,325,000	12,325,000
2029-2033	85,000,000	13,244,819	98,244,819
2034-2037	85,000,000	7,342,690	92,342,690
	<u>\$ 170,000,000</u>	<u>\$ 45,237,509</u>	<u>\$ 215,237,509</u>

* Interest is calculated based on the interest rate as of the financial statement date. The interest rate for the VRDOs as of June 30, 2018 was 1.45% for Series E.

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, 2018 are \$432,998,000 and \$47,639,000, respectively.

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

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

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

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

In March 2017, the County converted the Bethesda Parking Lot District Series 2015 Bond from a tax-exempt to a taxable obligation in the amount of \$8.5 million, which will allow the County more flexibility in the future operation of Garage 11 which was funded with the proceeds of the Bond. The amortization schedule for the Series 2015 Bond which matures in 2026, remains the same, except for conversion of the existing tax-exempt interest rate of 2.55% to a taxable rate of 3.57%. The increased debt service is approximately \$390,000 on a net present value basis over the remaining life of the loan.

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

	<u>Terms of Commitment (Years)</u>	<u>Approximate Amount of Pledge</u>
Bethesda Parking Lot District	14	\$ 40,142,436
Water Quality Protection	18	98,611,488
Liquor Control	15	127,496,352
Total		<u>\$ 266,250,276</u>

The pledged net revenues recognized during FY18 for the payment of the outstanding principal and interest of the revenue bonds are as follows:

	<u>Net Available Revenue for Debt Service</u>	<u>Debt Service</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bethesda Parking Lot District	\$ 10,908,972	\$ 3,291,000	\$ 1,358,910	\$ 4,649,910
Liquor Control Fund	33,098,574	5,295,000	4,539,639	9,834,639
Water Quality Protection	15,945,171	3,245,000	2,900,838	6,145,838

Revenue bond issues outstanding as of June 30, 2018, are as follows:

	Dated		Interest Rate	Originally Issued	Balance June 30, 2018	Premium/ (Discount)	Carrying Value June 30, 2018
	Date	Maturity					
Parking Revenue Bonds:							
Bethesda Parking Lot District 2012	05/16/12	2015-32	3.000 - 3.250	\$ 24,190,000	\$ 20,155,000	\$ 805,485	\$ 20,960,485
Bethesda Parking Lot District 2012 Ref.	05/16/12	2013-21	1.250 - 1.930	13,750,000	5,210,000	323,739	5,533,739
Bethesda Parking Lot District 2015 Ref.	10/19/15	2017-25	2.55	9,174,000	7,895,000	-	7,895,000
Water Quality Protection 2012A	07/18/12	2013-32	0.250 - 5.000	37,835,000	29,950,000	3,003,855	32,953,855
Water Quality Protection 2016A	04/06/16	2017-36	2.25 - 5.00	46,500,000	42,995,000	1,572,141	44,567,141
Liquor Control Revenue Bonds:*							
Liquor Control & Transportation 2009	05/12/09	2010-29	3.000 - 5.000	46,765,000	30,605,000	1,007,901	31,612,901
Liquor Control & Transportation 2011	04/28/11	2012-31	2.000 - 5.000	34,360,000	25,570,000	780,901	26,350,901
Liquor Control & Transportation 2013	07/30/13	2014-33	3.125 - 5.000	46,645,000	38,100,000	1,317,286	39,417,286
Total				<u>\$ 259,219,000</u>	<u>\$ 200,480,000</u>	<u>\$ 8,811,308</u>	<u>\$ 209,291,308</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
2019	\$ 3,441,000	\$ 1,212,195	\$ 5,520,000	\$ 4,317,839
2020	3,591,000	1,049,401	5,750,000	4,082,439
2021	3,755,000	879,250	6,020,000	3,817,839
2022	2,410,000	694,191	6,315,000	3,516,839
2023	2,476,000	615,011	6,630,000	3,201,089
2024-2028	10,907,000	1,900,082	37,865,000	11,308,069
2029-2033	6,680,000	532,306	26,175,000	2,977,240
Total	<u>\$ 33,260,000</u>	<u>\$ 6,882,436</u>	<u>\$ 94,275,000</u>	<u>\$ 33,221,354</u>

Fiscal Year Ending June 30	Water Quality Protection		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2019	\$ 3,360,000	\$ 2,788,588	\$ 12,321,000	\$ 8,318,622	\$ 20,639,622
2020	3,495,000	2,654,188	12,836,000	7,786,028	20,622,028
2021	3,635,000	2,517,038	13,410,000	7,214,127	20,624,127
2022	3,775,000	2,374,088	12,500,000	6,585,118	19,085,118
2023	3,910,000	2,240,838	13,016,000	6,056,937	19,072,937
2024-2028	22,095,000	8,652,600	70,867,000	21,860,751	92,727,751
2029-2033	23,820,000	3,902,600	56,675,000	7,412,146	64,087,146
2034-2036	8,855,000	536,550	8,855,000	536,550	9,391,550
Total	<u>\$ 72,945,000</u>	<u>\$ 25,666,490</u>	<u>\$ 200,480,000</u>	<u>\$ 65,770,279</u>	<u>\$ 266,250,279</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	\$ 1,710,472	\$ -
Debt Service Account - Used to pay debt service on bonds	309,769	-
Debt Service Reserve Account - (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available	3,041,473	-
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	1,500,000	4,309,353
Rate Stabilization Account - In case of short-term extraordinary expenses	-	1,324,283
Total	\$ 6,561,714	\$ 5,633,636

*Solid Waste Disposal also has a management reserve of \$20,981,878 set aside to meet both current and future contingencies. This reserve is equal to at least 75 days (2.5 months) of the subsequent year's operating budget net of scheduled debt payments, but not less than \$20 million.

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 FY18 are as follows:

	Balance July 1, 2017	BANs Issued	BANs Retired	Balance June 30, 2018
BAN Series 2009-A	\$ 100,000,000	\$ 30,000,000	\$ 30,000,000	\$ 100,000,000
BAN Series 2009-B	100,000,000	30,000,000	30,000,000	100,000,000
BAN Series 2010-A	150,000,000	140,000,000	140,000,000	150,000,000
BAN Series 2010-B	150,000,000	140,000,000	140,000,000	150,000,000
Total	\$ 500,000,000	\$ 340,000,000	\$ 340,000,000	\$ 500,000,000

BANs totaling \$340 million were issued during FY18, \$280 million Series 2010 and \$60 million Series 2009 respectively. BANs are issued at varying maturities to a maximum of 270 days, under a program whose authority was adopted on September 15, 2009, as amended, to consolidate additional authority to borrow money and incur indebtedness. The County reissued the notes upon maturity and continues to do so, until they are replaced with long-term bonds.

In connection with the BANs, the County entered into two-year credit agreements with State Street Bank and PNC Bank to provide liquidity with respect to the 2010 Series BANs for \$150,000,000 each. The agreements expired on July 31, 2018 and were renewed to July 31, 2020. With respect to the 2009 Series BANs, the County has a credit agreement with JP Morgan Chase which expired on August 24, 2018 and was renewed to August 24, 2020. 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, 2018, including amounts authorized and unissued from prior years, is \$485,113,000.

6) Certificates of Participation

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

In FY18, Certificates of Participation for fire and rescue dated October 30, 2007, in the amount of \$33.6 million, was fully paid off.

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

In FY18, the pledged lease payments from the Montgomery College Foundation equals the scheduled debt service on the Certificates of Participation schedule. The Certificates for Participation were issued at interest rates ranging from 2.4 to 5.0 percent and have maturity schedules as follows:

Fiscal Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2019	\$ 360,000	\$ 708,739	1,068,739
2020	715,000	695,904	1,410,904
2021	745,000	672,631	1,417,631
2022	760,000	647,499	1,407,499
2023	1,255,000	603,229	1,858,229
2024 - 2028	7,170,000	2,128,344	9,298,344
2029 - 2033	8,130,000	1,160,491	9,290,491
2034 - 2036	5,370,000	209,359	5,579,359
Total	<u>\$ 24,505,000</u>	<u>\$ 6,826,196</u>	<u>\$ 31,331,196</u>

Certificates of Participation (College) outstanding as of June 30, 2018, is as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2018	Unamortized Premium (Discount)	Carrying Value June 30, 2018
07/26/16	2017-36	2.00-5.00%	<u>\$ 24,860,000</u>	<u>\$ 24,505,000</u>	<u>\$ 1,115,410</u>	<u>\$ 25,620,410</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, 2018:

Fiscal Year Ending June 30	Equipment Notes Requirements		
	Principal	Interest	Total
2019	\$ 18,173,389	\$ 1,795,034	\$ 19,968,423
2020	17,348,048	1,418,231	18,766,279
2021	16,177,899	1,055,322	17,233,221
2022	12,730,305	721,770	13,452,075
2023	11,502,639	450,523	11,953,162
2024 - 2028	10,363,668	287,507	10,651,176
Total	<u>\$ 86,295,948</u>	<u>\$ 5,728,387</u>	<u>\$ 92,024,335</u>

8) Lease Revenue Bonds

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

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

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

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

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

In the event that the County's Reserve Subfund of \$2,543,204, 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 FY18, pledged revenue of \$3,491,613 equals the principal and interest on the lease revenue bonds.

Lease revenue bonds outstanding as of June 30, 2018, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2018	Unamortized Premium (Discount)	Carrying Value June 30, 2018
Lease Revenue Bonds	10/13/11	2011-31	2.6687%	\$ 35,465,000	\$ 20,390,000	\$ 1,733,326	\$ 22,123,326

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

Fiscal Year Ending June 30	Lease Revenue Bond Requirements		
	Principal	Interest	Total
2019	\$ 2,520,000	\$ 976,863	\$ 3,496,863
2020	2,660,000	850,863	3,510,863
2021	2,790,000	717,863	3,507,863
2022	2,935,000	578,362	3,513,362
2023	3,085,000	431,612	3,516,612
2024-2028	4,825,000	700,262	5,525,262
2029-2031	1,575,000	126,337	1,701,337
Total	\$ 20,390,000	\$ 4,382,162	\$ 24,772,162

9) Taxable Limited Obligation Certificates

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

In August 2011, the County issued Taxable Limited Obligation Certificates in the amount of \$28.8 million; the County issued the certificates to finance and promote a broad range of housing opportunities and a community

and recreational facility. The Certificates were issued at interest rates ranging from 3.0 to 4.8 percent and will mature on May 1, 2031.

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

Taxable Limited Obligation Certificates outstanding as of June 30, 2018, are as follows:

	Dated		Interest	Originally	Balance	Unamortized	Carrying
	Date	Maturity	Rate	Issued	June 30, 2018	Premium (Discount)	Value June 30, 2018
MHI Affordable Housing Series 2010	04/06/10	05/01/30	4.00-5.90 %	\$ 30,400,000	\$ 21,525,000	\$ 115,717	\$ 21,640,717
MHI Affordable Housing Series 2011	08/10/11	05/01/31	3.00-5.00	28,840,000	21,020,000	152,331	21,172,331
MHI Affordable Housing Series 2013	11/19/13	11/01/33	0.26-4.75	38,015,000	32,120,000	(3,811)	32,116,189
				<u>\$ 97,255,000</u>	<u>\$ 74,665,000</u>	<u>\$ 264,237</u>	<u>\$ 74,929,237</u>

The following is a schedule by fiscal year for the debt service requirement at June 30, 2018:

Fiscal Year Ending June 30	Taxable Limited Obligation Requirements		
	Principal	Interest	Total
2019	\$ 4,110,000	\$ 3,382,454	\$ 7,492,454
2020	4,255,000	3,241,114	7,496,114
2021	4,415,000	3,079,405	7,494,405
2022	4,585,000	2,903,397	7,488,397
2023	4,780,000	2,711,995	7,491,995
2024-2028	27,355,000	10,117,117	37,472,117
2029-2033	22,435,000	3,122,133	25,557,133
2034	2,730,000	64,838	2,794,838
Total	<u>\$ 74,665,000</u>	<u>\$ 28,622,452</u>	<u>\$ 103,287,452</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 had a term of 15 years; interest accrued 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 was \$400,000 and was due on July 15 each year.

During 2017, the County entered into an agreement to transfer the property to a developer that would have required the original Promissory Note to be paid in full pursuant to the original Purchase and Sale Contract. However, the County amended and restated the Promissory Note with WSSC, which revised the repayment terms commencing in FY19, and ending in FY28 at an interest rate of 4.43%.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2018:

Fiscal Year Ending June 30	Promissory Note Requirements		
	Principal	Interest	Total
2019	\$ 803,096	\$ 435,759	\$ 1,238,855
2020	838,674	400,181	1,238,855
2021	875,827	363,028	1,238,855
2022	914,626	324,229	1,238,855
2023	955,144	283,711	1,238,855
2024-2028	5,449,168	745,105	6,194,273
Total	<u>\$ 9,836,535</u>	<u>\$ 2,552,013</u>	<u>\$ 12,388,548</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, 2018, for this loan is \$268,000 and will mature on August 1, 2023.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2018:

Fiscal Year Ending June 30	HUD Loan Requirements		
	Principal	Interest	Total
2019	\$ 43,000	\$ 13,727	\$ 56,727
2020	43,000	11,396	54,396
2021	43,000	9,034	52,034
2022	43,000	6,643	49,643
2023	43,000	4,228	47,228
2024	53,000	1,508	54,508
Total	<u>\$ 268,000</u>	<u>\$ 46,536</u>	<u>\$ 314,536</u>

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From October 2013 through December 2017, the County has entered into a series of lease agreements to finance energy efficiency projects. These leases were part of a six year, \$100 million program that improves energy efficiency of County facilities. Leases range from \$1.9 to \$4.3 million and interest rates range from 2.103% to 5.17%. Lease maturities range from 13 to 20 years.

The following is a schedule by fiscal year for the debt service requirement at June 30, 2018:

Fiscal Year Ending June 30	Energy Performance Lease		
	Principal	Interest	Total
2019	\$ 760,802	\$ 630,237	\$ 1,391,039
2020	674,510	606,476	1,280,985
2021	715,687	584,775	1,300,462
2022	758,542	561,809	1,320,351
2023	818,390	537,470	1,355,860
2024-2028	5,150,124	2,241,880	7,392,004
2029-2033	6,616,614	1,300,204	7,916,818
2034-2036	3,821,580	191,368	4,012,949
Total	<u>\$ 19,316,249</u>	<u>\$ 6,654,219</u>	<u>\$ 25,970,468</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, 2018, there were 26 issues of Industrial Revenue Bonds and Economic Development Revenue Bonds outstanding. Of these, six were issued prior to July 1, 1996. Two issues prior to July 1, 1996 matured in FY18. The aggregate principal amount payable at June 30, 2018, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$129,495,000. The principal amount payable at June 30, 2018, for bonds issued after July 1, 1996, totaled \$716,036,943.

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12) Special Taxing and Development Districts

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

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

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

On August 13, 2014, the County issued \$12,025,000 of Special Obligation Refunding Bonds (Senior Series 2014) to refund West Germantown Development District Series 2002A, 2004A and 2004B bonds. The outstanding principal balance as of June 30, 2018 is \$10,020,000.

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. The outstanding principal balance as of June 30, 2018 is \$728,233.

Component Units

At June 30, 2018, HOC's noncurrent liabilities are comprised of the following:

	Due within one year	Long-Term	Total
Revenue bonds payable	\$ 43,988,191	\$ 482,659,565	\$ 526,647,756
Derivative instrument – hedging	-	4,205,807	4,205,807
Notes and other payable	78,078,110	477,195,179	555,273,289
Net pension liability	-	10,595,603	10,595,603
Net OPEB liability	-	26,847,382	26,847,382
Total	\$ 122,066,301	\$ 1,001,503,536	\$ 1,123,569,837

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

Purpose

Multi-Family Mortgage Purchase Program Fund	\$ 303,869,686
Single Family Mortgage Purchase Program Fund	<u>222,778,069</u>
Total	<u>\$ 526,647,755</u>

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 0.90 to 11.25 percent and 1.125 to 5.00 percent, respectively, as of June 30, 2018.

Pursuant to Section 16-202 of Title 16 of the Annotated Code of Maryland, the County may, by local law, provide its full faith and credit as guarantee of bonds issued by HOC in principal amount not exceeding \$50,000,000. Section 20-32 of the Montgomery County Code provides the method by which the County has implemented the guarantee.

The debt service requirements by fiscal year for the HOC debt guaranteed by the Primary Government are as follows:

Fiscal Year Ending June 30	Guaranteed Revenue Bond Requirements		
	Principal	Interest	Total
2019	\$ 490,000	\$ 339,215	\$ 829,215
2020	515,000	314,090	829,090
2021	540,000	287,715	827,715
2022	570,000	259,823	829,823
2023	595,000	230,406	825,406
2023-2027	3,465,000	656,879	4,121,879
2028-2032	<u>800,000</u>	<u>20,200</u>	<u>820,200</u>
Total	<u>\$ 6,975,000</u>	<u>\$ 2,108,328</u>	<u>\$ 9,083,328</u>

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

Fiscal Year Ending June 30	Total Revenue Bond Requirements		
	Principal	Interest	Total
2019	\$ 43,988,191	\$ 14,924,468	\$ 58,912,659
2020	18,275,000	14,356,019	32,631,019
2021	19,345,000	13,856,940	33,201,940
2022	20,270,000	13,306,063	33,576,063
2023	19,900,000	12,723,075	32,623,075
2023-2027	95,865,526	54,570,539	150,436,065
2028-2032	97,175,000	38,234,970	135,409,970
2033-2037	90,555,000	22,683,347	113,238,347
2038-2042	69,405,000	11,903,956	81,308,956
2043-2047	37,630,000	4,387,059	42,017,059
2048-2052	10,625,000	924,427	11,549,427
2053-2057	880,000	35,056	915,056
Unamortized Bond Discount	2,734,038	-	2,734,038
Total	\$ 526,647,755	\$ 201,905,919	\$ 728,553,674

Changes in the HOC revenue bonds during FY18 are as follows:

<u>Purpose</u>	Balance July 1, 2017	Bonds Issued*	Bonds Retired	Balance June 30, 2018
Multi-Family Mortgage Purchase Program Fund	\$ 301,726,194	\$ 12,025,266	\$ 9,881,774	\$ 303,869,686
Single Family Mortgage Purchase Program Fund	210,927,147	38,468,564	26,617,642	222,778,069
Total	\$ 512,653,341	\$ 50,493,830	\$ 36,499,416	\$ 526,647,755

* 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, 2017	\$ 186,669,569
Issuances during the year	26,270,000.00
Redemptions during the year	(2,402,606)
Bonds outstanding, June 30, 2018	\$ 210,536,963

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, 2018, is presented below:

Condensed Statement of Net Position

	<u>Bethesda PLD</u>
ASSETS	
Current assets	\$ 15,892,069
Restricted assets	6,561,714
Capital assets	<u>97,849,867</u>
Total Assets	<u>120,303,650</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>340,702</u>
Total Deferred Outflows	<u>340,702</u>
LIABILITIES	
Current liabilities	6,174,539
Due to other funds	160,282
Long-term liabilities	<u>31,594,302</u>
Total Liabilities	<u>37,929,123</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	<u>115,735</u>
Total Deferred Inflows	<u>115,735</u>
NET POSITION	
Net investment in capital assets	64,656,963
Restricted for debt service	6,561,713
Restricted for public works and transportation	<u>11,380,818</u>
Total Net Position	<u>\$ 82,599,494</u>

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

	Bethesda PLD
OPERATING REVENUES (EXPENSES):	
Operating Revenues:	
Charges for services	\$ 15,361,100
Fines and penalties	4,052,617
Total Operating Revenues (pledged against bonds)	<u>19,413,717</u>
Depreciation	6,127,352
Other operating expenses	<u>9,894,949</u>
Operating Income (Loss)	<u>3,391,416</u>
NONOPERATING REVENUES (EXPENSES):	
Property taxes	(9,483)
Investment income	203,887
Interest expense	(1,056,137)
Other revenue	1,195,800
Transfers out	<u>(2,078,355)</u>
Non Operating Income (Loss)	(1,744,288)
NET POSITION	
Change in Net Position	1,647,128
Beginning Net Position, as restated	<u>80,952,366</u>
Ending Net Position	<u>\$ 82,599,494</u>

Condensed Statement of Cash Flows

	Bethesda PLD
Net Cash Provided (Used) By:	
Operating activities	\$ 11,898,118
Noncapital financing activities	(2,087,838)
Capital and related financing activities	(7,359,560)
Investing activities	<u>167,268</u>
Net Increase (Decrease)	2,617,988
Beginning Cash and Cash Equivalents	<u>15,777,238</u>
Ending Cash and Cash Equivalents	<u>\$ 18,395,226</u>

H) Fund Equity

1) Governmental Fund Balances

The governmental fund balances at June 30, 2018 are composed of the following:

Fund Balances:	General	Housing Initiative	Grants	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
Inventory	\$ 6,171,336	\$ -	\$ -	\$ -	\$ -	\$ -
Prepays	584,470	-	-	147,853	-	-
Total nonspendable	6,755,806	-	-	-	-	-
General government	-	-	-	-	-	156,384
Police	-	-	-	-	-	3,185,025
Health and human services	-	-	-	-	-	1,116,282
Mass transit	-	-	-	-	-	20,825,397
Cable TV	-	-	-	-	-	11,726,677
Community development and housing:						
Rehabilitation loan	-	-	-	-	-	4,783,264
Urban districts	583,590	-	-	-	-	-
Economic development	4,465,560	-	-	-	-	-
Housing initiative	-	238,720,955	-	-	-	-
Restricted donations	-	-	-	-	-	1,367,460
Culture and recreation	-	-	-	-	-	1,787,248
Environment:						
Agricultural transfer tax	-	-	-	-	-	967,716
Water quality protection	-	-	-	-	-	19,412,805
Restricted donations	-	-	-	-	-	32,076,388
Other	8,590,518	-	111,734	-	-	-
Revenue stabilization	308,695,745	-	-	-	-	-
Debt service	-	-	-	187,669,483	-	-
Capital projects:						
White Flint Special Taxing District	-	-	-	-	8,737,989	-
Other capital projects	-	-	-	-	117,928,194	-
Total restricted	322,335,413	238,720,955	111,734	187,669,483	126,666,183	97,404,646
Culture and recreation	2,538,000	-	-	-	-	-
Community development and housing	2,550,000	-	-	-	-	-
Education:						
Montgomery County Public Schools	127,000	-	-	-	-	-
Montgomery College	2,374,714	-	-	-	-	-
Capital projects	54,573,920	-	-	-	-	-
Total committed	62,163,634	-	-	-	-	-
General government	14,775,604	-	-	-	-	-
Public safety	6,036,841	-	-	-	-	-
Public works and transportation	1,217,203	-	-	-	-	-
Health and human services	2,943,634	-	-	-	-	-
Culture and recreation	1,742,798	-	-	-	-	-
Community development and housing	67,524	-	-	-	-	-
Environment	288,288	-	-	-	-	-
Total assigned	27,071,892	-	-	-	-	-
Public safety						
Fire and rescue	-	-	-	-	-	(8,330,786)
Mass transit	-	-	-	-	-	2,900,000
General government	102,697,741	-	-	-	-	-
Total unassigned	102,697,741	-	-	-	-	(5,430,786)
Total fund balances	<u>\$ 521,024,506</u>	<u>\$ 238,720,955</u>	<u>\$ 111,734</u>	<u>\$ 187,817,336</u>	<u>\$ 126,666,183</u>	<u>\$ 91,973,860</u>

2) Encumbrances

Encumbrance accounting is employed as part of the budgetary integration for all governmental funds. As of June 30, 2018, 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:

<u>Governmental Fund</u>	<u>Amount</u>	<u>Fund Balance Classification</u>
General Fund	\$ 27,071,892	Restricted/Assigned
Housing Initiative	310,517	Restricted
Debt Service	225,900	Restricted
Nonmajor Governmental Funds	<u>14,808,358</u>	Restricted
Total Governmental Funds	<u>\$ 42,416,667</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	\$ 613,724,279
Business-type activities	<u>78,086,195</u>
Total	<u>\$ 691,810,474</u>

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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, 2018:

	General Fund			Capital	Debt	
	Operating	Capital *	Total	Projects	Service	Total
MCPS	\$ 1,671,507,568	\$ 25,000,000	\$ 1,696,507,568	\$ 204,402,142	\$ -	\$ 1,900,909,710
MC	141,667,452	12,709,286	154,376,738	38,796,841	-	193,173,579
HOC	6,406,061	-	6,406,061	6,727,212	-	13,133,273
Total	<u>\$ 1,819,581,081</u>	<u>\$ 37,709,286</u>	<u>\$ 1,857,290,367</u>	<u>\$ 249,926,195</u>	<u>\$ -</u>	<u>\$ 2,107,216,562</u>

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

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

2) Other Transactions

BUP charges for services revenue include \$5,212,523 earned under contracts with the County. For capital leases with MCRA, see Note III-E3. For mortgages receivable due from HOC, see Note III-B2.

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NOTE IV. OTHER INFORMATION

A) Risk Management

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

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

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

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

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Changes in the balances of Claims Payable for the self-insurance funds for FY18 and FY17 are as follows:

	Liability and Property Coverage	Employee Health Benefits	Total
Balance July 1, 2016	\$ 136,867,500	\$ 13,388,794	\$ 150,256,294
Claims and changes in estimates	55,159,603	106,454,852	161,614,455
Claim payments ¹	<u>(45,216,915)</u>	<u>(107,572,233)</u>	<u>(152,789,148)</u>
Balance June 30, 2017	146,810,188	12,271,413	159,081,601
Claims and changes in estimates	62,121,946	125,409,988	187,531,934
Claim payments ¹	<u>(44,848,729)</u>	<u>(123,594,625)</u>	<u>(168,443,354)</u>
Balance June 30, 2018 ²	<u>\$ 164,083,405</u>	<u>\$ 14,086,776</u>	<u>\$ 178,170,181</u>

¹ Includes non-monetary settlements.

² Includes incurred but not reported (IBNR) claims of \$73,826,909 and \$14,086,776 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 post closure 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 FY1991 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 FY1998. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons. The total closure and post closure costs are estimated at \$68,120,319, which have been fully accrued through June 30, 2018. Of the total amount accrued, \$51,214,308 in actual costs have been paid out in prior years, and \$1,234,707 was paid in FY18, resulting in a net liability of \$15,671,304 at June 30, 2018. The current and non-current portions of the adjusted liability at year-end are estimated at \$1,323,038 and \$14,348,266 respectively. These costs are subject to change based on cost differences, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and post closure costs as they are incurred in the future.

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 total remediation cost estimated as of FY17 was \$28,700,000. In FY18 actual costs of \$169,147 were paid resulting in a net liability of \$28,530,853 as of June 30, 2018. The Department of Environmental Protection (DEP) completed an Assessment of Corrective Measures (ACM) report, which evaluates the effectiveness of a range of remediation alternatives and includes a recommended approach for remediation of environmental contamination at the Gude Landfill. MDE approved a resubmittal of the ACM report in July 2016 which

specifically outlines the approved remediation method to include: toupee capping (regrading and capping the top of the landfill and selected slope areas with a synthetic liner and two feet of soil); and additional gas collection through the installation of additional gas extraction wells. These measures will reduce infiltration of rainwater into the landfill resulting in the generation of less leachate and fewer leachate seeps. They will also result in better control of landfill gas migration.

3) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, the County may be a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed \$1,195,676. In accordance with generally accepted accounting principles, none 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 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, 2018, have not yet been completed. In accordance with the provisions of the Uniform Grant Guidance, 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, 2018, are as follows:

Enterprise Funds:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Major Funds:			
Liquor	\$ 697,873	\$ -	\$ 697,873
Solid Waste Activities:			
Disposal operations	8,739,214	-	8,739,214
Collection operations	4,558	-	4,558
Parking Lot Districts:			
Silver Spring	92,573	5,836,368	5,928,940
Bethesda	14,642	1,799,880	1,814,523
Wheaton	5,549	243,058	248,607
Subtotal	<u>9,554,409</u>	<u>7,879,306</u>	<u>17,433,715</u>
Nonmajor Funds:			
Permitting Services	1,076,132	-	1,076,132
Community Use of Public Facilities	18,746	-	18,746
Subtotal	<u>1,094,878</u>	<u>-</u>	<u>1,094,878</u>
Total Enterprise Funds	<u>10,649,287</u>	<u>7,879,306</u>	<u>18,528,593</u>
<u>Internal Service Funds:</u>			
Motor Pool	4,008,621	-	4,008,621
Central Duplicating	176,349	-	176,349
Liability & Property Coverage Self-Insurance	796,361	-	796,361
Employee Health Benefits Self-Insurance	162,825	-	162,825
Total Internal Service Funds	<u>5,144,156</u>	<u>-</u>	<u>5,144,156</u>
Total Proprietary Funds	<u>\$ 15,793,443</u>	<u>\$ 7,879,306</u>	<u>\$ 23,672,749</u>

As of June 30, 2018, the County has \$34,879,404 in outstanding offers of loans and/or grants that have been extended to various companies under its Economic Development programs. To help fund such offers, the fund balance of the Economic Development programs at the end of the year is typically re-appropriated in the following year.

C) Subsequent Events

On July 26, 2018, the County issued a fifth draw under the Banc of America Master Equipment Lease/Purchase Agreement of approximately \$3.2 million dollars. The proceeds will fund energy performance savings projects at various County buildings for which the repayment of debt is guaranteed through energy savings.

On August 13, 2018, the County issued \$30.2 million in Economic Development Revenue Bonds (Conduit Bonds) on behalf of the Friends House Retirement Community. On November 16, 2018, the County issued Conduit Bonds in the amount of \$87.5 million on behalf of The Village at Rockville Project. The Conduit Bonds do not constitute indebtedness to which the full faith and credit of Montgomery County or any other public body is pledged.

On August 22, 2018, the County entered into a loan agreement with PNC Bank in the amount of \$6.9 million dollars. This loan is to finance the County's Rockville Innovation Center and National Cybersecurity Center of Excellence incubator projects.

A sixth draw under the Banc of America Master Equipment Lease/Purchase Agreement in the amount of \$5.3 million dollars was issued on September 26, 2018. The proceeds will fund the first phase of an LED streetlighting conversion project for which the repayment of debt is guaranteed through energy savings.

The County issued General Obligation Bonds (Tax-Exempt Series A) in the amount of \$330,000,000 on November 8, 2018. The proceeds will pay off an equivalent amount of the County's BANs which funded capital expenditures for education, transportation and other County facilities.

On November 19, 2018 the County issued \$33.7 million in Series 2018A Taxable Limited Obligation Certificates (Facility and Residential Development Projects) to finance certain projects of the Montgomery Housing Initiative Fund which promotes a broad range of housing opportunities in the County. On the same day, the County issued \$22.4 million in Series 2018B Taxable Limited Obligation Refunding Certificates which refunded the 2010A Series for debt service savings.

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, 2018, M-NCPPC had outstanding notes payable and bonds payable in the amount of \$145,971,035, of which zero dollars were self-supporting. Of the total amount payable, \$10,140,000 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, 2018 is \$53,808,994, 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, 2018, WSSC had outstanding notes payable and bonds payable in the amount of \$3,223,272,000 which were fully self-supporting. Of the total amount payable, \$338,363,000 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, 2018, 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 \$109,941 to WSTC during FY18.

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.

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A summary reflecting WMATA’s expenditures incurred for the County's share of WMATA's activities for FY18, which are fully funded by the State and not reflected in the accompanying financial statements, is as follows:

Bus operating subsidy	\$	71,200,554
Rail operating subsidy		67,921,502
Americans with Disabilities Act service		22,233,130
MetroMatters program		4,945,050
Capital Improvement Program		37,118,753
Project Development Program		506,820
Local bus program		<u>38,415,487</u>
Total	\$	<u>242,341,296</u>

At June 30, 2018, WMATA had outstanding bonds payable of \$937,600,000 of which \$75,600,000 represented bonds payable due within one year. This debt is payable from the resources of WMATA.

Northeast Maryland Waste Disposal Authority (NEMWDA)

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

NEMWDA operates the County’s Resource Recovery Project. NEMWDA has entered into a service contract with the County under which the County pays a waste disposal fee calculated in accordance with the agreement. Waste disposal fee expense incurred by the Solid Waste Activities Enterprise Fund during FY18 amounted to \$21,840,194.

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 FY18 membership dues and fees for services amounting to \$873,470.

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E) Employee Benefits

1) Deferred Compensation

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

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

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

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

2) Annual, Sick Leave, and Other Compensated Absences

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

3) Group Insurance Benefits

The County provides comprehensive group insurance programs to its employees. These benefits include, but are not limited to, medical, dental, and vision benefits, long-term disability, term life, and accidental death and dismemberment insurance. The cost of each insurance program is shared between the employer and the employees. During FY18, the County and its employees contributed \$104,563,168 and \$42,969,091, respectively. Employees of MCRA, HOC, and BUP participate in the comprehensive insurance program of the County. Employer contributions totaled \$812,842, \$4,796,101, and \$79,637 for these component units, respectively, for FY18.

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, 2018, the County reported a liability of \$324,129,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the County’s proportion was 94.78%.

For the fiscal year ended June 30, 2018, the County recognized pension expense of \$56,560,061. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 190,251	\$ 50,508,407
Assumption changes	-	4,012,875
Net difference between projected and actual earnings on pension plan investments	33,166,821	-
Changes in proportion and differences between County contributions and proportionate share of contributions	6,073,584	8,791,051
County contributions subsequent to the measurement date	90,721,940	-
Total	<u>\$ 130,152,596</u>	<u>\$ 63,312,333</u>

The \$90,721,940 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	\$ (24,820,940)
2020	32,947,747
2021	(656,870)
2022	(31,351,614)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
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 8.3 years for total ERS.

Asset valuation method	Market value
Projected salary increases depending on service	3.25% - 9.50% per year
Cost-of-living (inflation rate) adjustments	2.75% on the benefit attributable to credited service earned prior to June 30, 2011. 2.3% on the benefit attributable to credited service earned on or after July 1, 2011, reflecting the 2.5% cap.
Post-retirement increases	Consumer Price Index – by Group
Investment rate of return	7.5% per year
Mortality rates after retirement	RP-2014 Healthy Annuitant Mortality Table, gender-distinct for healthy mortality. Rates are set forward six years for male disabled mortality and eight years for the female disabled mortality assumption. To provide a margin for future mortality improvements, generational mortality improvements from 2014 using projection scale MP-2014 was used.

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

The long term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected rate of inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 (see Note III.A4 for discussion of the System’s investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.75 %
International Equity	4.75
Emerging Market Equity	4.75
Global Equity	4.95
Private Equity	6.60
Credit Opportunities	5.05
Long Duration Fixed Income	2.05
High Yield Bonds	3.15
Global IIs	0.94
Private Real Assets	6.36
Public Real Assets	4.25
Hedge Funds	4.38
Cash	(0.30)

Discount Rate

The discount rate used to measure the total liability was 7.5%. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from the County and other participating agencies will be made at a contractually required rate,

actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability	\$ 777,121,964	\$ 324,129,748	\$ (58,972,213)

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 FY18 were \$20,348,143 and \$10,800,958, respectively. In accordance with IRS regulations and the County Code, \$300,000 in accumulated revenue was used to reduce employer contributions in FY18.

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

3) State Retirement Plan

Plan Description

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

Benefits Provided

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

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

Contributions

The County and its covered employees are required by the State statute to contribute to the MSRP System. The required FY18 employee contributions vary from 5-7% of salary. The required employer contribution rate for FY18 vary from 8.53 – 9.64% of annual payroll, actuarially determined. The contribution requirements of the

County and its covered employees are established and may be amended by the Board of Trustees of the MSRP System.

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

At June 30, 2018, the County reported a liability of \$27,549,791 for its proportionate share of the net pension liability of the MSRP System. The net pension liability was measured as of June 30, 2017, 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, 2018, the County's total proportionate share was as follows:

Montgomery County	0.0675932%
Montgomery County Public Libraries	0.0001844
Montgomery County (Supplemental)	0.0593010
Bethesda Fire Department	0.0001073
Chevy Chase Fire Department	<u>0.0002196</u>
Total	<u>0.1274055%</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.

For the year ended June 30, 2018, the County recognized pension expense of \$4,336,110. At June 30, 2018, the County reported the total amount of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 999,999	\$ -
Investment return difference	3,402,349	1,719,393
Difference between actual and expected experience	-	1,916,067
Changes in proportion and differences between County contributions and proportionate share of contributions	3,193,668	-
County contributions subsequent to the measurement date	<u>2,568,505</u>	<u>-</u>
Total	<u>\$ 10,164,521</u>	<u>\$ 3,635,460</u>

The \$2,568,505 reported as deferred outflows of resources related to pensions resulting from the County subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2019	\$ 1,431,673
2020	1,848,389
2021	1,165,796
2022	(284,778)
2023	(200,524)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method. Inflation is assumed to be 2.65% for general and 3.15% for wage.

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County’s total proportionate share of the net pension liability calculated using 7.50%, 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 (6.50%) lower or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 39,043,501	\$ 27,549,791	\$ 18,013,250

4) Length of Service Award Program (LOSAP)

Plan Description

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

and years of service. According to the general accounting standards, volunteers who provide services to state and local governments are included as the employees of those governments. Any local fire and rescue volunteer is eligible for this program if the volunteer is at least 16 years old and satisfies the following conditions: (a) was an active volunteer on or after August 15, 1965 or (b) on August 15, 1965, had completed 25 years as an active volunteer and (c) if less than 18 years old, meets any additional requirements established by Executive regulation.

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

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

The number of members covered under this program as of December 31, 2017 are as follows:

Inactive members currently receiving benefit payment	606
Inactive members entitled to but not yet receiving benefits	292
Active members	<u>1,522</u>
Total	<u>2,420</u>

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

The County must pay benefits under this program from the fire tax funds as required under Section 21-21 (h) of the County Code. Benefit expenditures amounting to \$1,385,863 in FY18 are reported in the Fire Tax District Special Revenue Fund on a "pay-as-you-go" basis.

Total Pension Liability

The County's total pension liability of \$37,946,046 was measured as of December 31, 2017, and was determined by an actuarial valuation date as of December 31, 2017.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation date	December 31, 2017
Actuarial method	Entry Age Normal

Retirement Age 100 percent of members are assumed to commence benefits at earliest eligibility of:

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

Mortality

The RP-2014 Employee Mortality Table, sex distinct, with projected generational mortality improvements based on the MP-2014 table for pre-retirement mortality. The RP-2014 Healthy Annuitant Mortality Table, sex distinct, set forward six years for males and eight years for females, with projected generational mortality improvements based on the MP-2014 table for post-retirement disabled mortality. The mortality assumptions contain a provision for future mortality improvements.

Discount Rate

The discount rate used is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. For this valuation, a discount rate of 2.85% was used to measure the total pension liability as of June 30, 2016. A discount rate of 3.31% was used to measure the total pension liability as of December 31, 2017.

The source of the municipal bond rate as of June 30, 2016 is published by the Bond Buyer and represents a portfolio of 20 general obligation bonds of mixed quality that mature in 20 years. In describing this index, the Bond Buyer notes that the bonds’ average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA. The rate shown is as of the most recent date available on or before the measurement date.

The discount rate as of December 31, 2017 is the fixed-income municipal bonds rate with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2017. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.

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

The following presents the total pension liability calculated using the discount rate of 3.31%, as well as what the County’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	1% Decrease <u>(2.31%)</u>	Discount Rate <u>(3.31%)</u>	1% Increase <u>(4.31%)</u>
Total Pension liability	\$45,412,854	\$37,946,046	\$32,304,883

Changes in the Total Pension Liability

	Total Pension Liability (a)
Balance at July 1, 2017	\$ 40,657,679
Changes for the year:	
Service cost	1,578,468
Interest on the Total Pension Liability	1,750,442
Benefit Changes	478,969
Difference between Expected and Actual Experience	(1,343,359)
Assumptions changes	(3,166,298)
Benefit Payments	<u>(2,009,855)</u>
Net Changes	<u>(2,711,633)</u>
Balance at December 31, 2017	\$ 37,946,046

The change in the Total Pension Liability, due to the change in the Single Discount Rate from 2.85% as of the beginning of the year to 3.31% as of the end of the year, is included as an assumption change.

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

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

For the year ended June 30, 2018, the County recognized LOSAP Pension expense of \$5,481,311. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to LOSAP as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 817,315
Changes in assumptions	356,088	1,926,412
County benefit payment subsequent to the measurement date	<u>692,932</u>	<u>-</u>
Total	<u><u>\$ 1,049,020</u></u>	<u><u>\$ 2,743,727</u></u>

The \$692,932 reported as deferred outflows of resources related to pensions resulting from the County subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources will be recognized in future pension expense as follows:

Fiscal Year	Amount
2019	\$ (1,409,842)
2020	(977,797)

G) Other Postemployment Benefits (OPEB)

Plan Description

Plan administration. During FY08, the Montgomery County Council enacted legislation (Bill No. 28-07) to establish a new trust effective July 1, 2007 to fund certain County retiree benefit plans. Effective July 1, 2011, the Montgomery County Council enacted legislation (Bill No. 17-11) to change the name to Consolidated Retiree Health Benefits Trust (CRHBT) due to the addition of County-funded agency retiree benefits plans. The County-funded agencies are MCPS and MC, both component units of the reporting entity. During FY18, the County contributed \$55,165,381 and \$552,000 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 FY18, as required per the County Council Resolution No. 18-823. The allocated portions of investments relating to MCPS and MC as of June 30, 2018 were \$432,861,330 and \$54,012,243, 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. A publicly available annual report that includes financial statements and required supplementary information for the CRHBT 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.

Benefits provided. Substantially all retirees of the County, MCRA, HOC, 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.

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 FY18, the County contributed \$55,165,381 and \$552,000 to the CRHBT on behalf of MCPS and MC for the health benefits of their retirees, respectively. The County and other contributing entities contributed \$63,725,810 including \$13,313,810 for current premiums, claims and administrative expenses, and \$50,412,000 toward prefunding future benefits. Contributions also include Medicare Part D contributions in the amount of \$10,453,719.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the County reported a liability of \$1,486,051,494 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating agencies actuarially determined. At June 30, 2017, the County's proportion was 97.62%.

For the fiscal year ended June 30, 2018, the County recognized OPEB expense of \$123,094,658. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	_____	_____
Differences between expected and actual experience	\$ -	\$ 18,758,953
Assumption changes	-	221,712,718
Net difference between projected and actual earnings on OPEB plan investments	-	11,985,183
Changes in proportion and differences between County contributions and proportionate share of contributions	-	(232,027)
County contributions subsequent to the measurement date	61,139,641	-
	_____	_____
Total	<u>\$ 61,139,641</u>	<u>\$ 252,224,827</u>

The \$61,139,641 reported as deferred outflows of resources related to OPEB resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
_____	_____
2019	\$ (39,231,536)
2020	(39,231,536)
2021	(39,231,536)
2022	(39,231,535)
2023	(36,235,240)
Thereafter	(59,063,444)

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 (see Note III.A4 discussion of the OPEB plan's investment policy) are summarized in the following table:

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

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

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

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

	1% Decrease (4.88%)	Discount Rate (5.88%)	1% Increase (6.88%)
Net OPEB Liability	\$ 1,828,143,854	\$ 1,486,051,500	\$ 1,217,199,614

Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,204,759,336	\$ 1,486,051,500	\$ 1,847,844,213

OPEB Plan Fiduciary Net Position

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

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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, 2018
RSI-1

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes:				
Property	\$ 1,279,589,952	\$ 1,279,589,952	\$ 1,265,611,259	\$ (13,978,693)
Property - penalty and interest	-	-	1,532,546	1,532,546
Total Property Tax	1,279,589,952	1,279,589,952	1,267,143,805	(12,446,147)
County Income Tax	1,557,887,240	1,557,887,240	1,469,251,059	(88,636,181)
Other Local Taxes:				
Real property transfer	114,280,000	114,280,000	109,452,764	(4,827,236)
Recordation	56,156,616	56,156,616	49,135,141	(7,021,475)
Fuel energy	204,333,000	204,333,000	197,200,021	(7,132,979)
Hotel-motel	21,938,020	21,938,020	21,033,479	(904,541)
Telephone	52,503,689	52,503,689	51,600,631	(903,058)
Other	3,701,900	3,701,900	4,381,285	679,385
Total Other Local Taxes	452,913,225	452,913,225	432,803,321	(20,109,904)
Total Taxes	3,290,390,417	3,290,390,417	3,169,198,185	(121,192,232)
Licenses and Permits:				
Business	4,774,650	4,774,650	4,793,063	18,413
Non business	7,562,795	7,562,795	6,463,556	(1,099,239)
Total Licenses and Permits	12,337,445	12,337,445	11,256,619	(1,080,826)
Intergovernmental Revenue:				
State Aid and Reimbursements:				
DHR State reimbursement	41,500	41,500	37,333	(4,167)
Highway user revenue	3,702,146	3,702,146	3,674,021	(28,125)
Police protection	14,743,832	14,743,832	14,167,756	(576,076)
Health and human services programs	5,355,737	5,355,737	5,593,803	238,066
Public libraries	6,252,000	6,252,000	6,954,757	702,757
911 Emergency	6,745,000	6,745,000	7,742,320	997,320
Other	1,964,799	1,964,799	(20,443)	(1,985,242)
Total State Aid and Reimbursements	38,805,014	38,805,014	38,149,547	(655,467)
Federal Reimbursements:				
Federal financial participation	15,351,685	15,351,685	15,848,593	496,908
Other	6,904,540	6,904,540	6,445,774	(458,766)
Total Federal Reimbursements	22,256,225	22,256,225	22,294,367	38,142
Other Intergovernmental	1,352,310	1,352,310	1,526,085	173,775
Total Intergovernmental Revenue	62,413,549	62,413,549	61,969,999	(443,550)
Charges for Services:				
General government	1,415,604	1,415,604	1,409,153	(5,951)
Public safety	5,224,225	5,224,225	5,022,790	(201,435)
Health and human services	1,059,600	1,059,600	1,169,318	109,718
Culture and recreation	20,000	20,000	14,510	(5,490)
Environment	410,000	410,000	957,832	547,832
Public works and transportation	1,315,341	1,315,341	1,551,497	236,156
Total Charges for Services	9,444,770	9,444,770	10,125,100	680,830
Fines and forfeitures	28,272,150	32,972,150	29,660,686	(3,311,464)
Investment Income:				
Pooled investment income	1,208,090	1,208,090	461,608	(746,482)
Other interest income	58,700	58,700	1,748	(56,952)
Total Investment Income	1,266,790	1,266,790	463,356	(803,434)

(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, 2018
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Miscellaneous Revenue:				
Property rentals	4,422,630	4,422,630	4,295,651	(126,979)
Sundry	6,053,828	6,429,206	6,560,297	131,091
Total Miscellaneous Revenue	10,476,458	10,851,836	10,855,948	4,112
Total Revenues	3,414,601,579	3,419,676,957	3,293,529,893	(126,146,564)
Expenditures:				
Departments or Offices:				
County Council:				
Personnel	10,964,269	11,227,235	11,227,235	-
Operating	687,453	907,328	747,883	159,445
Totals	11,651,722	12,134,563	11,975,118	159,445
Board of Appeals:				
Personnel	493,820	499,667	499,663	4
Operating	47,932	47,212	31,470	15,742
Totals	541,752	546,879	531,133	15,746
Legislative Oversight:				
Personnel	1,608,939	1,643,873	1,643,866	7
Operating	52,756	47,486	29,088	18,398
Totals	1,661,695	1,691,359	1,672,954	18,405
Merit System Protection Board:				
Personnel	224,680	230,423	230,349	74
Operating	143,008	211,715	75,481	136,234
Totals	367,688	442,138	305,830	136,308
Zoning and Administrative Hearings:				
Personnel	590,592	590,592	589,776	816
Operating	98,999	113,929	91,233	22,696
Totals	689,591	704,521	681,009	23,512
Inspector General:				
Personnel	1,027,577	1,033,498	977,048	56,450
Operating	44,295	44,295	13,718	30,577
Totals	1,071,872	1,077,793	990,766	87,027
Circuit Court:				
Personnel	9,407,435	9,407,435	9,396,434	11,001
Operating	2,659,119	2,872,588	2,622,263	250,325
Totals	12,066,554	12,280,023	12,018,697	261,326
State's Attorney:				
Personnel	16,327,799	16,383,988	16,259,996	123,992
Operating	860,656	1,063,668	1,039,764	23,904
Totals	17,188,455	17,447,656	17,299,760	147,896
County Executive:				
Personnel	5,169,269	5,187,309	4,826,031	361,278
Operating	778,036	1,024,840	991,871	32,969
Totals	5,947,305	6,212,149	5,817,902	394,247
Community Engagement Cluster:				
Personnel	2,936,939	2,949,237	2,858,057	91,180
Operating	835,111	903,633	879,373	24,260
Totals	3,772,050	3,852,870	3,737,430	115,440

(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, 2018
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Ethics Commission:				
Personnel	386,445	398,043	398,036	7
Operating	43,162	181,087	175,414	5,673
Totals	429,607	579,130	573,450	5,680
Intergovernmental Relations:				
Personnel	866,910	909,992	909,987	5
Operating	258,763	288,693	237,424	51,269
Totals	1,125,673	1,198,685	1,147,411	51,274
Public Information:				
Personnel	4,238,293	4,584,398	4,584,396	2
Operating	841,058	772,714	621,453	151,261
Totals	5,079,351	5,357,112	5,205,849	151,263
Board of Elections:				
Personnel	3,991,897	4,063,701	4,063,696	5
Operating	4,221,803	4,736,142	4,608,639	127,503
Totals	8,213,700	8,799,843	8,672,335	127,508
County Attorney:				
Personnel	5,754,090	5,974,926	5,974,924	2
Operating	565,392	833,266	833,266	-
Totals	6,319,482	6,808,192	6,808,190	2
Management and Budget:				
Personnel	4,631,157	4,776,540	4,707,295	69,245
Operating	99,774	249,253	234,004	15,249
Totals	4,730,931	5,025,793	4,941,299	84,494
Finance:				
Personnel	12,131,486	11,004,918	10,061,949	942,969
Operating	2,314,610	5,413,490	5,413,479	11
Totals	14,446,096	16,418,408	15,475,428	942,980
Office of Procurement				
Personnel	4,078,180	4,115,486	4,071,825	43,661
Operating	434,782	496,957	488,218	8,739
Totals	4,512,962	4,612,443	4,560,043	52,400
Human Resources:				
Personnel	5,512,130	5,539,115	5,402,280	136,835
Operating	2,842,961	3,032,229	2,976,101	56,128
Totals	8,355,091	8,571,344	8,378,381	192,963
Technology Services:				
Personnel	24,352,689	21,897,592	20,102,507	1,795,085
Operating	18,669,369	25,262,506	25,223,429	39,077
Totals	43,022,058	47,160,098	45,325,936	1,834,162
General Services:				
Personnel	13,528,180	14,902,673	14,902,663	10
Operating	17,437,397	23,272,009	23,119,591	152,418
Totals	30,965,577	38,174,682	38,022,254	152,428
Consumer Protection:				
Personnel	2,160,205	2,163,885	1,985,836	178,049
Operating	204,392	204,392	171,834	32,558
Totals	2,364,597	2,368,277	2,157,670	210,607
Corrections and Rehabilitation:				
Personnel	60,185,370	60,356,574	60,356,566	8
Operating	6,530,891	7,829,440	7,829,436	4
Totals	66,716,261	68,186,014	68,186,002	12

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, 2018
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Human Rights:				
Personnel	1,077,469	1,082,469	1,065,761	16,708
Operating	165,344	165,344	121,274	44,070
Totals	1,242,813	1,247,813	1,187,035	60,778
Police:				
Personnel	229,447,034	225,731,146	225,731,139	7
Operating	46,027,336	47,711,641	47,711,632	9
Totals	275,474,370	273,442,787	273,442,771	16
Sheriff:				
Personnel	20,507,032	20,828,143	20,828,137	6
Operating	2,859,414	2,973,745	2,973,744	1
Totals	23,366,446	23,801,888	23,801,881	7
Homeland Security:				
Personnel	1,083,650	1,104,287	1,041,797	62,490
Operating	233,921	272,567	200,208	72,359
Totals	1,317,571	1,376,854	1,242,005	134,849
Transportation:				
Personnel	22,437,286	24,464,210	23,810,458	653,752
Operating	27,372,634	39,320,364	39,320,360	4
Totals	49,809,920	63,784,574	63,130,818	653,756
Health and Human Services:				
Personnel	123,522,408	121,079,274	121,079,265	9
Operating	110,562,432	113,452,772	110,357,403	3,095,369
Totals	234,084,840	234,532,046	231,436,668	3,095,378
Libraries:				
Personnel	34,113,070	34,149,751	32,158,479	1,991,272
Operating	8,324,506	10,282,475	10,282,467	8
Totals	42,437,576	44,432,226	42,440,946	1,991,280
Housing and Community Affairs:				
Personnel	6,332,020	6,355,148	6,074,090	281,058
Operating	1,206,598	1,269,705	909,017	360,688
Totals	7,538,618	7,624,853	6,983,107	641,746
Economic Development:				
Personnel	643,433	648,513	606,105	42,408
Operating	345,762	396,505	370,955	25,550
Totals	989,195	1,045,018	977,060	67,958
Environmental Protection:				
Personnel	1,986,147	1,997,699	1,824,960	172,739
Operating	921,196	1,643,226	997,825	645,401
Totals	2,907,343	3,640,925	2,822,785	818,140
Total Departments	890,408,762	924,578,956	911,949,923	12,629,033
Nondepartmental:				
Arts Council - operating	5,506,943	5,506,943	5,506,943	-
Boards, Committees and Commissions	22,950	22,950	18,304	4,646
Charter Review Commission	1,150	1,150	-	1,150
Children's Opportunity Fund	375,000	375,000	375,000	-
Community grants	11,075,881	11,893,531	11,667,921	225,610
Compensation adjustment - personnel	1,554,230	538,133	181,215	356,918
Compensation adjustment - operating	587,360	649,626	649,624	2
Conference Center - personnel	129,574	139,344	139,339	5
Conference Center - operating	503,195	493,425	18,779	474,646

(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, 2018
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Conferences & Visitors Bureau	1,535,661	1,535,661	1,535,661	-
Consolidated Retiree Health Benefits Trust (MC)	2,552,000	2,552,000	552,000	2,000,000
Consolidated Retiree Health Benefits Trust (MCPS)	74,192,000	74,192,000	55,165,381	19,026,619
Contrib. To Self Ins Fund - Risk Mg	16,816,427	16,816,427	16,231,702	584,725
County Associations	74,728	74,728	74,728	-
County Leases - personnel	100,000	128,800	128,794	6
County Leases - operating	20,234,394	20,420,336	20,219,458	200,878
Desktop computer modernization - operating	7,886,200	8,247,847	7,255,375	992,472
Grants To Muni Lieu Of Shared Tax	28,020	28,020	28,012	8
Group Insurance Retirees	43,300,000	43,300,000	1,888,000	41,412,000
Historical Activities	110,000	110,000	110,000	-
Homeowners' Association Roads	61,051	61,051	61,051	-
Independent Audit	420,820	481,320	377,577	103,743
Interagency tech, policy and coord comm - operating	5,850	5,850	5,717	133
Legislative Branch Communications Outreach	540,000	1,464,087	594,696	869,391
MEDCO Grant Incubator Network	3,399,971	3,399,971	3,043,076	356,895
Metro Washington Council Of Govts	876,710	876,710	873,470	3,240
Mont Coalition Adult English Literacy	1,657,058	1,657,058	1,657,058	-
Mont. County Economic Development Corp.	5,007,750	5,007,750	4,907,750	100,000
Municipal Tax Duplication	8,405,243	8,405,243	8,322,006	83,237
Prisoner Medical Services	20,000	20,000	-	20,000
Public Election Fund	5,095,000	5,095,000	5,019,763	75,237
Public Technologies Inc	20,000	20,000	20,000	-
Rebate Takoma Park For Police	1,012,888	1,013,688	1,013,685	3
Retiree Health Benefits Trust	43,398,320	43,398,320	43,398,320	-
Rockville Parking District	412,200	412,200	409,016	3,184
Snow Removal	2,884,990	-	-	-
State Positions Supplement	60,756	60,756	-	60,756
State Property Tax Services	3,565,615	3,616,295	3,616,293	2
State Retirement Contribution	1,448,295	1,448,295	1,448,295	-
Takoma Park - Lib Transition	154,043	168,713	168,704	9
Telecommunications	5,356,382	5,781,154	5,740,231	40,923
Utilities	26,235,645	24,512,075	24,512,068	7
Vision Zero	100,000	100,000	100,000	-
Working Families Income Supplement	24,638,264	22,174,444	21,420,862	753,582
WorkSource Montgomery	1,657,344	1,747,344	1,747,344	-
Total - Nondepartmental	323,019,908	317,953,245	250,203,218	67,750,027
Total Expenditures	1,213,428,670	1,242,532,201	1,162,153,141	80,379,060
Excess of Revenues over (under) Expenditures	2,201,172,909	2,177,144,756	2,131,376,752	(45,768,004)
Other Financing Sources (Uses):				
Transfers In:				
Special Revenue Funds:				
Fire Tax District	551,232	551,232	551,232	-
Recreation	6,269,831	7,394,831	7,394,831	-
Mass Transit	12,943,952	23,155,152	23,155,152	-
Water Quality Protection	1,611,261	1,611,261	1,611,261	-
Urban Districts	703,662	703,662	703,662	-
Housing Activities	329,848	329,848	329,848	-
Cable TV	10,251,189	13,232,189	13,232,189	-
Total Special Revenue Funds	32,660,975	46,978,175	46,978,175	-

(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, 2018
RSI-1 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Enterprise Funds:				
Liquor	22,676,698	24,828,303	24,828,303	-
Parking Lot Districts	1,015,167	1,015,167	1,015,167	-
Solid Waste Activities	2,993,810	2,993,810	2,993,810	-
Community Use of Public Facilities	791,032	791,032	791,032	-
Permitting Services	5,236,021	5,236,021	5,236,021	-
Total Enterprise Funds	32,712,728	34,864,333	34,864,333	-
Internal Service Funds:				
Self insurance liability and property	15,954,769	21,404,769	21,404,769	-
Motor Pool	1,181,250	5,954,591	5,954,591	-
Total Internal Service Funds	17,136,019	27,359,360	27,359,360	-
Total Transfers In	82,509,722	109,201,868	109,201,868	-
Transfers In - Component Units:				
Montgomery County Public Schools	-	-	-	-
Montgomery College	-	-	-	-
Total Transfers In - Component Units	-	-	-	-
Total Transfers In - MCG	82,509,722	109,201,868	109,201,868	-
Transfers (Out):				
Special Revenue Funds:				
Recreation	(1,309,700)	(1,009,700)	(1,009,700)	-
Fire Tax District	(250,000)	(250,000)	(250,000)	-
Urban Districts	(2,654,218)	(2,654,218)	(2,654,218)	-
Mass Transit	(531,310)	(531,310)	(531,310)	-
Revenue Stabilization	(25,634,541)	(25,121,288)	(24,949,110)	172,178
Housing Activities	(22,703,644)	(22,703,644)	(22,703,644)	-
Economic Development	(3,937,383)	(4,237,383)	(4,233,040)	4,343
Total Special Revenue Funds	(57,020,796)	(56,507,543)	(56,331,022)	176,521
Internal Service Funds:				
Motor Pool	(973,258)	(973,258)	(609,198)	364,060
Total Internal Service Funds	(973,258)	(973,258)	(609,198)	364,060
Enterprise Funds:				
Community Use of Public Facilities	(160,000)	(160,000)	(160,000)	-
Solid Waste Activities	(2,006,800)	(2,006,800)	(2,006,800)	-
Total Enterprise Funds	(2,166,800)	(2,166,800)	(2,166,800)	-
Debt Service Fund	(320,009,040)	(320,420,156)	(312,020,119)	8,400,037
Capital Projects Fund	-	(82,506,326)	(46,703,653)	35,802,673
Total Transfers (Out)	(380,169,894)	(462,574,083)	(417,830,792)	44,743,291

(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, 2018
RSI-1 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Transfers (Out) - Component Units:				
Montgomery County Public Schools - operating	(1,666,978,187)	(1,671,678,187)	(1,671,507,568)	170,619
Montgomery County Public Schools - capital	-	(36,492,063)	(25,000,000)	11,492,063
Total Montgomery County Public Schools	(1,666,978,187)	(1,708,170,250)	(1,696,507,568)	11,662,682
Montgomery College - operating	(141,667,452)	(141,667,452)	(141,667,452)	-
Montgomery College - capital	-	(33,073,987)	(12,709,286)	20,364,701
Total Montgomery College	(141,667,452)	(174,741,439)	(154,376,738)	20,364,701
Housing Opportunity Commission - operating	(6,536,889)	(6,536,889)	(6,406,061)	130,828
Housing Opportunity Commission - capital	-	(10,192,659)	-	10,192,659
Total Housing Opportunity Commission	(6,536,889)	(16,729,548)	(6,406,061)	10,323,487
M-NCPPC - operating	(990,700)	(990,700)	(890,700)	100,000
Total Transfers (Out) - Component Units and JV	(1,816,173,228)	(1,900,631,937)	(1,858,181,067)	42,450,870
Total Transfers (Out) - MCG	(2,196,343,122)	(2,363,206,020)	(2,276,011,859)	87,194,161
Total Other Financing Sources (Uses)	(2,113,833,400)	(2,254,004,152)	(2,166,809,991)	87,194,161
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 87,339,509	\$ (76,859,396)	(35,433,239)	\$ 41,426,157

Adjustments required under generally accepted accounting principles:

Non budgeted Item - Bad debt expense	(171,923)
Elimination of encumbrances outstanding	27,072,391
Revenue Stabilization investment income	3,086,376
Conference center activity	102,586
Other non budgeted items	(1,566,538)
Transfer to Revenue Stabilization	24,949,110
Public Election Fund Transfers	(4,277,959)
Economic Development	1,077,809
Urban Districts	(785,902)
GAAP - Net Change in Fund Balance	14,052,711
Fund Balance - Beginning of Year	506,971,795
Fund Balance - End of Year	\$ 521,024,506

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, 2018
RSI-2

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - recordation premium	\$ 15,086,338	\$ 15,086,338	\$ 12,936,302	\$ (2,150,036)
Charges for services	70,200	70,200	34,842	(35,358)
Investment Income:				
Pooled investment income	951,460	951,460	417,962	(533,498)
Other interest income	900,000	900,000	2,424,014	1,524,014
Total Investment Income	1,851,460	1,851,460	2,841,976	990,516
Miscellaneous:				
Property rentals, MPDU and other contributions	584,026	584,026	2,027,100	1,443,074
Total Miscellaneous	584,026	584,026	2,027,100	1,443,074
Total Revenues	17,592,024	17,592,024	17,840,220	248,196
Expenditures: Community development and housing				
Personnel	1,896,770	1,907,510	1,907,503	7
Operating	34,874,045	59,471,625	29,211,687	30,259,938
Total Expenditures	36,770,815	61,379,135	31,119,190	30,259,945
Excess of Revenues over (under) Expenditures	(19,178,791)	(43,787,111)	(13,278,970)	30,508,141
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	22,703,644	22,703,644	22,703,644	-
From Capital Projects Fund	4,814,347	4,814,347	4,814,347	-
To General Fund	(329,848)	(329,848)	(329,848)	-
To Debt Service Fund	(7,808,010)	(7,808,010)	(7,325,134)	482,876
To Capital Projects Fund	-	-	(6,918,539)	(6,918,539)
Mortgage repayment	2,175,000	2,175,000	8,248,165	6,073,165
Sale of property	1,000,000	1,000,000	1,648,724	648,724
Total Other Financing Sources (Uses)	22,555,133	22,555,133	22,841,359	286,226
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 3,376,342	\$ (21,231,978)	9,562,389	\$ 30,794,367
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			310,517	
Repayment of loan principal not considered revenue under GAAP			(8,248,165)	
Non budgeted Item - Bad debt expense			(12,678,962)	
GAAP - Net Change in Fund Balance			(11,054,221)	
Fund Balance - Beginning of Year			249,775,176	
Fund Balance - End of Year			\$ 238,720,955	

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, 2018
RSI-3

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental:				
Federal grants	\$ 27,544,332	\$ 37,351,073	\$ 49,686,374	\$ 12,335,301
State grants	88,566,266	75,445,016	64,316,680	(11,128,336)
Other non-state and non-federal reimbursements	309,200	355,952	291,302	(64,650)
Total Intergovernmental	116,419,798	113,152,041	114,294,356	1,142,315
Investment income:				
Other principal and interest income	1,000,000	1,000,000	1,188,962	188,962
Total Investment Income	1,000,000	1,000,000	1,188,962	188,962
Miscellaneous	-	16,826	684,485	667,659
Total Revenues	117,419,798	114,168,867	116,167,803	1,998,936
Expenditures:				
General Government:				
Circuit Court:				
Personnel costs	2,493,952	2,333,851	2,204,771	129,080
Operating	235,176	220,665	215,555	5,110
Totals	2,729,128	2,554,516	2,420,326	134,190
Office of State's Attorney:				
Personnel costs	134,867	147,643	288,951	(141,308)
Operating	-	86,722	30,079	56,643
Totals	134,867	234,365	319,030	(84,665)
Office of the County Executive:				
Personnel costs	133,178	133,178	117,082	16,096
Operating	4,484	(982)	50,741	(51,723)
Totals	137,662	132,196	167,823	(35,627)
Intergovernmental Relations:				
Operating	30,670	30,670	30,666	4
Totals	30,670	30,670	30,666	4
Community Engagement Cluster:				
Personnel costs	67,320	67,320	53,363	13,957
Operating	-	(3,239)	14,579	(17,818)
Totals	67,320	64,081	67,942	(3,861)
Department of Human Resources:				
Operating	-	-	7,676	(7,676)
Totals	-	-	7,676	(7,676)
General Services:				
Operating	-	150,000	150,000	-
Totals	-	150,000	150,000	-
Total General Government	3,099,647	3,165,828	3,163,463	2,365

(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, 2018
RSI-3 (Continued)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Department of Fire and Rescue Services:				
Personnel costs	-	2,838,418	1,538,702	1,299,716
Operating	-	1,151,616	992,428	159,188
Totals	-	3,990,034	2,531,130	1,458,904
Department of Police:				
Personnel costs	148,000	618,206	499,232	118,974
Operating	17,000	350,866	434,603	(83,737)
Totals	165,000	969,072	933,835	35,237
Office of the County Sheriff:				
Personnel costs	558,819	1,131,427	795,781	335,646
Operating	273,262	548,646	112,429	436,217
Totals	832,081	1,680,073	908,210	771,863
Office of Emergency Management & Homeland Security:				
Personnel costs	768,405	1,703,965	878,590	825,375
Operating	-	6,274,305	8,163,161	(1,888,856)
Totals	768,405	7,978,270	9,041,751	(1,063,481)
Total Public Safety	1,765,486	14,617,449	13,414,926	1,202,523
Transportation:				
Department of Transportation:				
Personnel costs	1,859,934	1,224,526	1,527,793	(303,267)
Operating	3,205,705	2,664,911	3,411,502	(746,591)
Total Transportation	5,065,639	3,889,437	4,939,295	(1,049,858)
Health and Human Services:				
Department of Health and Human Services:				
Personnel costs	46,469,327	44,829,708	46,762,050	(1,932,342)
Operating	32,407,229	31,394,405	38,693,208	(7,298,803)
Total Health and Human Services	78,876,556	76,224,113	85,455,258	(9,231,145)
Culture and Recreation:				
Department of Libraries:				
Personnel costs	211,064	211,064	65,911	145,153
Operating	76,513	109,375	69,218	40,157
Totals	287,577	320,439	135,129	185,310
Department of Recreation:				
Personnel costs	82,563	81,350	66,438	14,912
Operating	-	-	(1,177)	1,177
Totals	82,563	81,350	65,261	16,089
Total Culture and Recreation	370,140	401,789	200,390	201,399

(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, 2018
RSI-3 (Concluded)

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Housing:				
Department of Permitting Service:				
Personnel costs	-	-	3,705	(3,705)
Operating	-	-	27,146	(27,146)
Totals	-	-	30,851	(30,851)
Department of Housing and Community Affairs:				
Personnel costs	2,182,457	2,182,457	2,069,070	113,387
Operating	6,059,871	6,805,229	7,255,396	(450,167)
Totals	8,242,328	8,987,686	9,324,466	(336,780)
Total Housing	8,242,328	8,987,686	9,355,317	(367,631)
Department of Liquor Control:				
Personnel costs	-	(47,320)	6,417	(53,737)
Operating	-	(6,300)	77,036	(83,336)
Total Liquor Control	-	(53,620)	83,453	(137,073)
Nondepartmental:				
NDA Future Grants - Operating	20,000,000	11,007,224	-	11,007,224
Total Nondepartmental	20,000,000	11,007,224	-	11,007,224
Total Expenditures	117,419,796	118,239,906	116,612,102	1,627,804
Excess of Revenues over (under) Expenditures	2	(4,071,039)	(444,299)	3,626,740
Other Financing Sources (Uses):				
Transfers In:				
Mass Transit Special Revenue Fund	-	340,000	340,000	-
Total Transfers In	-	340,000	340,000	-
Total Other Financing Sources (Uses)	-	340,000	340,000	-
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	2	(3,731,039)	(104,299)	3,626,740
Adjustments required under generally accepted accounting principles:				
GAAP - Net Change in Fund Balance			(104,299)	
Fund Balance - Beginning of Year			216,033	
Fund Balance - End of Year			<u>\$ 111,734</u>	

**Reconciliation of Budgetary Schedule to GAAP Basis
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances:**

	Revenues	Expenditures & Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
As reported - budgetary basis	\$ 116,167,803	\$ 116,612,102	\$ 340,000	\$ -
Reconciling items:				
Encumbrances	(5,895,405)	(5,895,405)	-	-
As reported - GAAP basis	<u>\$ 110,272,398</u>	<u>\$ 110,716,697</u>	<u>\$ 340,000</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

CONSOLIDATED RETIREE HEALTH BENEFITS TRUST

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

Measurement date June 30	County's Proportion			County's Covered- Employee Payroll	Plan Fiduciary Net Position as a % of Total OPEB Liability
	% of Net OPEB Liability	Share of the Net OPEB Liability	Share of the Net OPEB Liability as a % of its Covered-Employee Payroll		
2017	97.62%	\$ 1,486,051,494	202.70%	\$ 733,142,945	22.38%

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

Fiscal Year Ended June 30	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions	Contribution Deficiency (excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2018	\$ 110,024,000	\$ 119,823,414	\$ (9,799,414)	\$ 733,142,945	16.34%

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

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM

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

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	97.79%	\$ 298,751,284	75.83%	\$ 393,995,026	92.28%
2015	96.94	407,854,987	100.48	405,915,489	89.69
2016	96.36	521,396,382	126.54	412,057,017	87.06
2017	94.78	324,129,748	76.97	421,097,825	92.00

SCHEDULE OF COUNTY CONTRIBUTIONS LAST 10 FISCAL YEARS

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
2016	129,899,308	129,899,308	-	412,057,017	31.52
2017	90,422,232	90,422,232	-	421,097,825	21.47

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	County's Proportion			County's Covered 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 Payroll		
2014	0.1007417%	\$ 17,878,357	276.62%	\$ 6,463,239	71.87%
2015	0.1175148	24,421,562	305.33	7,998,461	68.78
2016	0.1276071	30,107,615	408.16	7,376,386	65.79
2017	0.1274055	27,549,791	401.31	6,865,033	69.38

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 Payroll	Contribution as a % of Covered Payroll
2014	\$ 2,347,645	\$ 2,347,645	\$ -	\$ 6,463,239	36.32%
2015	2,476,892	2,476,892	-	7,998,461	30.97
2016	2,485,889	2,485,889	-	7,376,386	33.70
2017	2,593,137	2,593,137	-	6,865,033	33.77

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

REQUIRED SUPPLEMENTARY INFORMATION

LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY

Actuarial Valuation Date	December 31, 2017	January 1, 2015
Measurement Date	December 31, 2017	June 30, 2016
County's Fiscal Year Ending Date for GASB 73	June 30, 2018	June 30, 2017
Total Pension Liability		
Service cost	\$ 1,578,468	\$ 886,540
Interest on the Total Pension Liability	1,750,442	1,273,361
Benefit Changes	478,969	-
Difference between Expected and Actual Experience	(1,343,359)	-
Assumptions changes ¹	(3,166,298)	6,088,358
Benefit Payments	(2,009,855)	(1,309,686)
Refunds	-	-
Net Change in Total Pension Liability	<u>(2,711,633)</u>	<u>6,938,573</u>
Total Pension Liability – Beginning	<u>40,657,679</u>	<u>33,719,106</u>
Total Pension Liability – Ending (a)	<u>\$ 37,946,046</u>	<u>\$ 40,657,679</u>
Covered Employee Payroll	\$ -	\$ -
Total Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A

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

¹ For fiscal year ending June 30,2018, the change in the Total Pension Liability due to the change in the Single Discount Rate from 2.85% as of the beginning of the year to 3.31% as of the end of the year is included as an assumption change.

There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement 73 to pay related benefits.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

Overview

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

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

Approval

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

The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. During the operating year the County Council may adopt a supplemental appropriation if recommended by the County Executive and after holding a public hearing. Supplemental appropriations enacted during the first half of the fiscal year require: five Councilmember votes if they are to avail the County of, or put into effect the provision of Federal, State, or local legislation or regulation or six Councilmember votes for any other purpose. During the operating year the County Council may also adopt, with six Councilmember votes, special appropriations to meet an unforeseen disaster or other emergency or to act without delay in the public interest. Special appropriations require only public notice by news release. During FY18, the County Council

increased the operating budget for all funds through supplemental and special appropriations by \$17.6 million. In addition, supplemental appropriations increased the CIP budget by \$14.3 million.

Presentation

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

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

Pension Trend Information

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

Valuation date	June 30, 2017
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 8.3 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.

OPEB Trend Information

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

Valuation date	July 1, 2017
Methods and assumptions used to determine contributions rates:	
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open period)
Asset valuation method	Market value
Inflation	3.00%
Healthcare cost trend rates	
Medical (excluding Indemnity plan) pre-65	8.23%, 4.50%
Medical (excluding Indemnity plan) post-65	8.48%, 4.50%
Medical (Indemnity plan) pre-65	8.80%, 4.50%
Medical (Indemnity plan) post-65	7.81%, 4.50%
Dental	4.50%, 4.50%
Salary increases	3.25% - 9.50% per year
Investment rate of return	7.50%
Mortality	Aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with scale MP-2016 for the year 2017.

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, 2018
Exhibit B-1

	Special Taxing Districts	Rehabilitation Loan	Cable TV	Other	Total Nonmajor Governmental Total
ASSETS					
Equity in pooled cash and investments	\$ 31,880,323	\$ 2,492,130	\$ 6,690,140	\$ 61,863,518	\$ 102,926,111
Cash	10,750	-	-	25,000	35,750
Receivables (net of allowances for uncollectibles):					
Property taxes	2,938,708	-	-	-	2,938,708
Accounts	4,577,738	-	6,714,537	752,955	12,045,230
Mortgages	-	2,291,134	-	-	2,291,134
Parking violations	311,866	-	-	-	311,866
Due from other governments	1,075,713	-	-	-	1,075,713
Total Assets	\$ 40,795,098	\$ 4,783,264	\$ 13,404,677	\$ 62,641,473	\$ 121,624,512
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	972,034	-	270,037	1,667,898	2,909,969
Accrued liabilities	13,143,855	-	389,315	1,026,235	14,559,405
Deposits	-	-	167,343	-	167,343
Due to other funds	4,733,768	-	56,865	96,902	4,887,535
Due to component units	155,552	-	-	85	155,637
Due to other governments	232,264	-	794,440	335,332	1,362,036
Unearned revenue	2,211	-	-	-	2,211
Total Liabilities	19,239,684	-	1,678,000	3,126,452	24,044,136
Deferred Inflows of Resources:					
Unavailable property taxes	2,864,916	-	-	752,955	3,617,871
Unavailable revenue	1,988,645	-	-	-	1,988,645
Total Deferred Inflows of Resources	4,853,561	-	-	752,955	5,606,516
Fund Balances:					
Restricted	22,132,639	4,783,264	11,726,677	58,762,066	97,404,646
Unassigned	(5,430,786)	-	-	-	(5,430,786)
Total Fund Balances	16,701,853	4,783,264	11,726,677	58,762,066	91,973,860
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 40,795,098	\$ 4,783,264	\$ 13,404,677	\$ 62,641,473	\$ 121,624,512

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit B-2

	Special Taxing Districts	Rehabilitation Loan	Cable TV	Other	Total Nonmajor Governmental Total
REVENUES					
Taxes	\$ 362,146,866	\$ -	\$ -	\$ 40,488,097	\$ 402,634,963
Licenses and permits	493,912	-	-	-	493,912
Intergovernmental	42,371,177	-	-	39,524	42,410,701
Charges for services	58,920,548	-	27,537,351	97,920	86,555,819
Fines and forfeitures	611,333	-	-	873,480	1,484,813
Investment income	11,662	64,224	125,012	485,212	686,110
Miscellaneous	424,621	-	-	37,862,634	38,287,255
Total Revenues	464,980,119	64,224	27,662,363	79,846,867	572,553,573
EXPENDITURES					
General government	-	-	1,739,562	32,791	1,772,353
Public safety	231,473,092	-	-	1,828,193	233,301,285
Public works and transportation	126,819,711	-	-	-	126,819,711
Health and human services	-	-	-	421,162	421,162
Culture and recreation	38,063,776	-	12,222,875	179,147	50,465,798
Community development and housing	-	-	-	7,288	7,288
Environment	-	-	-	28,074,259	28,074,259
Total Expenditures	396,356,579	-	13,962,437	30,542,840	440,861,856
Excess (Deficiency) of Revenues over (under) Expenditures	68,623,540	64,224	13,699,926	49,304,027	131,691,717
OTHER FINANCING SOURCES (USES)					
Transfers in	3,683,616	-	-	-	3,683,616
Transfers (out)	(96,488,030)	-	(16,272,447)	(21,654,761)	(134,415,238)
Total Other Financing Sources (Uses)	(92,804,414)	-	(16,272,447)	(21,654,761)	(130,731,622)
Net Change in Fund Balances	(24,180,874)	64,224	(2,572,521)	27,649,266	960,095
Fund Balances - Beginning of Year	40,882,727	4,719,040	14,299,198	31,112,800	91,013,765
Fund Balances - End of Year	\$ 16,701,853	\$ 4,783,264	\$ 11,726,677	\$ 58,762,066	\$ 91,973,860

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL TAXING DISTRICTS
 JUNE 30, 2018
Exhibit B-3

	Recreation	Fire Tax District	Mass Transit Facilities	Total
ASSETS				
Equity in pooled cash and investments	\$ 3,391,056	\$ 1,616,510	\$ 26,872,757	\$ 31,880,323
Cash	5,750	5,000	-	10,750
Receivables (net of allowances for uncollectibles):				
Property taxes	278,898	1,806,193	853,617	2,938,708
Accounts	57,448	3,562,869	957,421	4,577,738
Parking violations	-	-	311,866	311,866
Due from other governments	-	-	1,075,713	1,075,713
Total Assets	<u>\$ 3,733,152</u>	<u>\$ 6,990,572</u>	<u>\$ 30,071,374</u>	<u>\$ 40,795,098</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	353,046	257,640	361,348	972,034
Accrued liabilities	1,504,261	8,067,145	3,572,449	13,143,855
Due to other funds	272,712	3,242,286	1,218,770	4,733,768
Due to component units	25,180	-	130,372	155,552
Due to other governments	198	2,816	229,250	232,264
Unearned revenue	-	-	2,211	2,211
Total Liabilities	<u>2,155,397</u>	<u>11,569,887</u>	<u>5,514,400</u>	<u>19,239,684</u>
Deferred Inflows of Resources:				
Unavailable property taxes	270,513	1,762,826	831,577	2,864,916
Unavailable service revenues	-	1,988,645	-	1,988,645
Total Deferred Inflows of Resources	<u>270,513</u>	<u>3,751,471</u>	<u>831,577</u>	<u>4,853,561</u>
Fund Balances:				
Restricted	1,307,242	-	20,825,397	22,132,639
Unassigned	-	(8,330,786)	2,900,000	(5,430,786)
Total Fund Balances	<u>1,307,242</u>	<u>(8,330,786)</u>	<u>23,725,397</u>	<u>16,701,853</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,733,152</u>	<u>\$ 6,990,572</u>	<u>\$ 30,071,374</u>	<u>\$ 40,795,098</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, 2018

Exhibit B-4

	Recreation	Fire Tax District	Mass Transit Facilities	Total
REVENUES				
Taxes	\$ 40,286,137	\$ 210,007,260	\$ 111,853,469	\$ 362,146,866
Licenses and permits	-	-	493,912	493,912
Intergovernmental	-	1,961,675	40,409,502	42,371,177
Charges for services	10,497,998	21,090,212	27,332,338	58,920,548
Fines and forfeitures	-	-	611,333	611,333
Investment income	-	11,662	-	11,662
Miscellaneous	170,253	204,286	50,082	424,621
Total Revenues	<u>50,954,388</u>	<u>233,275,095</u>	<u>180,750,636</u>	<u>464,980,119</u>
EXPENDITURES				
Public safety	-	231,473,092	-	231,473,092
Public works and transportation	-	-	126,819,711	126,819,711
Culture and recreation	38,063,776	-	-	38,063,776
Total Expenditures	<u>38,063,776</u>	<u>231,473,092</u>	<u>126,819,711</u>	<u>396,356,579</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>12,890,612</u>	<u>1,802,003</u>	<u>53,930,925</u>	<u>68,623,540</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,009,700	2,142,606	531,310	3,683,616
Transfers (out)	<u>(16,072,395)</u>	<u>(12,214,602)</u>	<u>(68,201,033)</u>	<u>(96,488,030)</u>
Total Other Financing Sources (Uses)	<u>(15,062,695)</u>	<u>(10,071,996)</u>	<u>(67,669,723)</u>	<u>(92,804,414)</u>
Net Change in Fund Balances	<u>(2,172,083)</u>	<u>(8,269,993)</u>	<u>(13,738,798)</u>	<u>(24,180,874)</u>
Fund Balances - Beginning of Year	<u>3,479,325</u>	<u>(60,793)</u>	<u>37,464,195</u>	<u>40,882,727</u>
Fund Balances - End of Year	<u>\$ 1,307,242</u>	<u>\$ (8,330,786)</u>	<u>\$ 23,725,397</u>	<u>\$ 16,701,853</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - OTHER
 JUNE 30, 2018
Exhibit B-5

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
ASSETS					
Equity in pooled cash and investments	\$ 967,716	\$ 2,000,304	\$ 22,402,139	\$ 36,493,359	\$ 61,863,518
Cash	-	25,000	-	-	25,000
Receivables (net of allowances for uncollectibles):					
Accounts	-	-	752,955	-	752,955
Total Assets	<u>\$ 967,716</u>	<u>\$ 2,025,304</u>	<u>\$ 23,155,094</u>	<u>\$ 36,493,359</u>	<u>\$ 62,641,473</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	-	10,333	1,607,512	50,053	1,667,898
Accrued liabilities	-	2,222	949,588	74,425	1,026,235
Due to other funds	-	-	96,902	-	96,902
Due to component units	-	-	-	85	85
Due to other governments	-	-	335,332	-	335,332
Total Liabilities	<u>-</u>	<u>12,555</u>	<u>2,989,334</u>	<u>124,563</u>	<u>3,126,452</u>
Deferred Inflows of Resources:					
Unavailable property taxes	-	-	752,955	-	752,955
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>752,955</u>	<u>-</u>	<u>752,955</u>
Fund Balances:					
Restricted	<u>967,716</u>	<u>2,012,749</u>	<u>19,412,805</u>	<u>36,368,796</u>	<u>58,762,066</u>
Total Fund Balances	<u>967,716</u>	<u>2,012,749</u>	<u>19,412,805</u>	<u>36,368,796</u>	<u>58,762,066</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 967,716</u>	<u>\$ 2,025,304</u>	<u>\$ 23,155,094</u>	<u>\$ 36,493,359</u>	<u>\$ 62,641,473</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, 2018
Exhibit B-6

	Agricultural Transfer Tax	Drug Enforcement Forfeitures	Water Quality Protection	Restricted Donations	Total
REVENUES					
Taxes	\$ 102,263	\$ -	\$ 40,385,834	\$ -	\$ 40,488,097
Intergovernmental	-	-	-	39,524	39,524
Charges for services	-	-	97,920	-	97,920
Fines and forfeitures	-	873,480	-	-	873,480
Investment income	10,205	30,235	444,772	-	485,212
Miscellaneous	-	30,410	-	37,832,224	37,862,634
Total Revenues	<u>112,468</u>	<u>934,125</u>	<u>40,928,526</u>	<u>37,871,748</u>	<u>79,846,867</u>
EXPENDITURES					
General government	-	-	-	32,791	32,791
Public safety	-	1,745,888	-	82,305	1,828,193
Health and human services	-	-	-	421,162	421,162
Community development and housing	-	-	-	7,288	7,288
Culture and recreation	-	-	-	179,147	179,147
Environment	40,905	-	24,983,355	3,049,999	28,074,259
Total Expenditures	<u>40,905</u>	<u>1,745,888</u>	<u>24,983,355</u>	<u>3,772,692</u>	<u>30,542,840</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>71,563</u>	<u>(811,763)</u>	<u>15,945,171</u>	<u>34,099,056</u>	<u>49,304,027</u>
OTHER FINANCING SOURCES (USES)					
Transfers (out)	-	-	(21,654,761)	-	(21,654,761)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(21,654,761)</u>	<u>-</u>	<u>(21,654,761)</u>
Net Change in Fund Balances	71,563	(811,763)	(5,709,590)	34,099,056	27,649,266
Fund Balances - Beginning of Year	<u>896,153</u>	<u>2,824,512</u>	<u>25,122,395</u>	<u>2,269,740</u>	<u>31,112,800</u>
Fund Balances - End of Year	<u>\$ 967,716</u>	<u>\$ 2,012,749</u>	<u>\$ 19,412,805</u>	<u>\$ 36,368,796</u>	<u>\$ 58,762,066</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, 2018
Exhibit B-7

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final		
Revenues:				
Intergovernmental	\$ 21,829,310	\$ 21,829,310	\$ 5,656,650	\$ (16,172,660)
Investment income	-	-	1,272,378	1,272,378
Miscellaneous	1,033,870	1,033,870	6,480	(1,027,390)
Total Revenues	22,863,180	22,863,180	6,935,508	(15,927,672)
Expenditures:				
Operating:				
Principal and interest for general obligation bonds:				
General county	63,521,610	63,521,610	61,573,861	1,947,749
Roads and storm drainage	74,945,800	74,945,800	74,528,705	417,095
Parks and recreation	9,113,810	9,113,810	8,984,883	128,927
Public schools	150,388,180	150,388,180	150,398,822	(10,642)
Montgomery College	24,785,350	24,785,350	24,610,342	175,008
Public housing	60,720	60,720	60,055	665
Recreation	9,477,020	9,477,020	9,320,281	156,739
Fire and rescue	7,678,780	7,678,780	7,524,661	154,119
Mass transit	20,461,280	20,461,280	20,378,554	82,726
Issuing costs	3,523,000	3,749,959	3,436,453	313,506
Bond anticipation note interest	5,900,000	5,900,000	3,672,862	2,227,138
Principal and interest on long-term equipment notes	-	411,116	411,116	-
Principal and interest on revenue bonds	6,146,000	11,996,772	11,996,610	162
Long-term leases:				
General Fund	10,633,750	10,633,750	9,231,044	1,402,706
Recreation	1,526,360	1,526,360	1,526,249	111
Montgomery Housing Initiative	7,808,010	7,808,010	7,265,079	542,931
Mass Transit	5,982,600	5,982,600	5,276,084	706,516
Fire and Rescue	6,281,400	6,281,400	4,349,422	1,931,978
Total Expenditures	408,233,670	414,722,517	404,545,083	10,177,434
Excess of Revenues over (under) Expenditures	(385,370,490)	(391,859,337)	(397,609,575)	(5,750,238)
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	320,009,040	320,420,156	312,020,122	(8,400,034)
From Capital Projects Fund	-	-	144,691	144,691
Transfer to Capital Projects Fund	-	-	(24,176,588)	(24,176,588)
From Special Revenue Funds:				
Recreation	11,003,380	11,003,380	10,440,774	(562,606)
Mass Transit	26,443,880	26,443,880	25,015,362	(1,428,518)
Fire Tax District	13,960,180	13,960,180	11,663,370	(2,296,810)
Montgomery Housing Initiative	7,808,010	7,808,010	7,325,134	(482,876)
Water Quality Protection	6,146,000	6,146,000	6,100,007	(45,993)
From Liquor Control Fund	-	5,850,772	5,850,772	-
Total Other Financing Sources (Uses)	385,370,490	391,632,378	354,383,644	(37,248,734)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses				
	\$ -	\$ (226,959)	\$ (43,225,931)	\$ (42,998,972)

(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, 2018
Exhibit B-7 (Concluded)

Adjustments required under generally accepted accounting principles:

Payment to refunding bond escrow agent	\$ (441,368,126)
Elimination of encumbrances outstanding	225,900
Bond anticipation note activity	(340,000,000)
Premium on general obligation bond	28,688,520
Premium on general obligation refunding bonds	86,325,587
Issuing costs for general obligation bonds/certificate of participation	(1,836,017)
Proceeds of:	
General obligation bonds	340,000,000
General obligation refunding bonds	516,725,000
GAAP - Net Change in Fund Balance	<u>145,534,933</u>
Fund Balance - Beginning of Year	<u>42,282,403</u>
Fund Balance - End of Year	<u><u>\$ 187,817,336</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, 2018
Exhibit B-8

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 43,628,000	\$ 50,180,000	\$ 103,868,534	\$ 53,688,534
Intergovernmental	7,457,000	13,581,200	81,584,321	68,003,121
Charges for services	185,000	185,000	416,640	231,640
Investment income	70,000	70,000	2,605,507	2,535,507
Miscellaneous	11,436,000	13,182,000	1,068,404	(12,113,596)
Total Revenues	62,776,000	77,198,200	189,543,406	112,345,206
Expenditures - Capital Projects	781,228,072	862,601,993	1,058,260,145	(195,658,152)
Excess of Revenues over (under) Expenditures	(718,452,072)	(785,403,793)	(868,716,739)	(83,312,946)
Other Financing Sources (Uses):				
Transfers in	50,291,000	52,499,000	135,465,919	82,966,919
Transfers out	-	-	(7,063,879)	(7,063,879)
Sale of property	15,000,000	15,000,000	681,000	(14,319,000)
Financing under notes and leases payable	(3,036,000)	(3,036,000)	39,446,477	42,482,477
Proceeds from taxable limited obligation certificates	7,843,000	6,948,000	-	(6,948,000)
Proceeds from general obligation bonds	273,390,000	281,273,000	-	(281,273,000)
Proceeds from bond anticipation notes	(78,054,000)	(78,054,000)	340,000,000	418,054,000
Proceeds from issuance of revenue bonds	29,697,000	34,454,000	-	(34,454,000)
Total Other Financing Sources (Uses)	295,131,000	309,084,000	508,529,517	199,445,517
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ (423,321,072)	\$ (476,319,793)	(360,187,222)	\$ 116,132,571
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			428,552,954	
GAAP - Net Change in Fund Balance			68,365,732	
Fund Balance - Beginning of Year			58,300,451	
Fund Balance - End of Year			\$ 126,666,183	

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, 2018
Exhibit B-9

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 40,622,929	\$ 40,622,929	\$ 40,286,137	\$ (336,792)
Charges for services - activity fees	10,580,542	10,580,542	10,497,998	(82,544)
Investment income	35,970	35,970	-	(35,970)
Miscellaneous	129,597	129,597	170,253	40,656
Total Revenues	<u>51,369,038</u>	<u>51,369,038</u>	<u>50,954,388</u>	<u>(414,650)</u>
Expenditures:				
Personnel costs	24,207,351	24,247,425	23,687,761	559,664
Operating	13,479,960	13,772,581	13,043,582	728,999
Total Expenditures	<u>37,687,311</u>	<u>38,020,006</u>	<u>36,731,343</u>	<u>1,288,663</u>
Excess of Revenues over (under) Expenditures	<u>13,681,727</u>	<u>13,349,032</u>	<u>14,223,045</u>	<u>874,013</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	1,309,700	1,009,700	1,009,700	-
To General Fund	(6,269,831)	(7,394,831)	(5,631,621)	1,763,210
To Debt Service Fund	(11,003,380)	(11,003,380)	(10,440,774)	562,606
Total Other Financing Sources (Uses)	<u>(15,963,511)</u>	<u>(17,388,511)</u>	<u>(15,062,695)</u>	<u>2,325,816</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ (2,281,784)</u>	<u>\$ (4,039,479)</u>	<u>(839,650)</u>	<u>\$ 3,199,829</u>
Adjustments required under generally accepted accounting principles:				
Interfund activity- Maintenance cost reimbursement budgeted as a transfer to General Fund			(1,763,210)	
Elimination of encumbrances outstanding			<u>430,777</u>	
GAAP - Net Change in Fund Balance			<u>(2,172,083)</u>	
Fund Balance - Beginning of Year			<u>3,479,325</u>	
Fund Balance - End of Year			<u>\$ 1,307,242</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, 2018
Exhibit B-10

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 211,455,538	\$ 211,455,538	\$ 210,007,261	\$ (1,448,277)
Intergovernmental	-	1,885,554	1,961,675	76,121
Charges for services	19,199,561	19,199,561	21,090,213	1,890,652
Investment income	242,130	242,130	11,662	(230,468)
Miscellaneous	240,500	240,500	204,286	(36,214)
Total Revenues	<u>231,137,729</u>	<u>233,023,283</u>	<u>233,275,097</u>	<u>251,814</u>
Expenditures:				
Personnel costs	176,184,420	184,258,618	184,258,614	4
Operating	<u>38,678,000</u>	<u>46,173,640</u>	<u>46,173,640</u>	-
Total Expenditures	<u>214,862,420</u>	<u>230,432,258</u>	<u>230,432,254</u>	<u>4</u>
Excess of Revenues over (under) Expenditures	<u>16,275,309</u>	<u>2,591,025</u>	<u>2,842,843</u>	<u>251,818</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	250,000	250,000	250,000	-
From Capital Projects Fund	-	-	1,892,606	1,892,606
To General Fund	(551,232)	(551,232)	(551,232)	-
To Debt Service Fund	(13,960,180)	(13,960,180)	(11,663,370)	2,296,810
To Capital Projects Fund	-	(2,497,000)	-	2,497,000
Total Other Financing Sources (Uses)	<u>(14,261,412)</u>	<u>(16,758,412)</u>	<u>(10,071,996)</u>	<u>6,686,416</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 2,013,897</u>	<u>\$ (14,167,387)</u>	<u>(7,229,153)</u>	<u>\$ 6,938,234</u>
Adjustments required under generally accepted accounting principles:				
Non-budgeted item - Bad debt expense			(2,371,138)	
Elimination of encumbrances outstanding			<u>1,330,298</u>	
GAAP - Net Change in Fund Balance			(8,269,993)	
Fund Balance - Beginning of Year			<u>(60,793)</u>	
Fund Balance - End of Year			<u>\$ (8,330,786)</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, 2018
Exhibit B-11

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes - property	\$ 112,620,948	\$ 112,620,948	\$ 111,853,469	\$ (767,479)
Licenses and permits	531,000	531,000	493,912	(37,088)
Intergovernmental	39,453,060	39,453,060	40,409,502	956,442
Charges for services:				
Fare receipts	24,417,881	24,417,881	27,332,338	2,914,457
Parking fees	405,000	405,000	611,333	206,333
Total Charges for Services	24,822,881	24,822,881	27,943,671	3,120,790
Investment income	120,250	120,250	-	(120,250)
Miscellaneous	-	-	50,082	50,082
Total Revenues	177,548,139	177,548,139	180,750,636	3,202,497
Expenditures:				
Division of Transit Services				
Personnel costs	73,950,305	72,562,231	72,562,220	11
Operating	58,166,711	56,467,424	56,467,414	10
Total Division of Transit Services	132,117,016	129,029,655	129,029,634	21
Washington Suburban Transit Commission				
Operating	109,941	109,941	109,941	-
Total Expenditures	132,226,957	129,139,596	129,139,575	21
Excess of Revenues over (under) Expenditures	45,321,182	48,408,543	51,611,061	3,202,518
Other Financing Sources (Uses):				
Transfers In (Out):				
From General Fund	531,310	531,310	531,310	-
To General Fund	(12,943,952)	(23,155,152)	(23,155,152)	-
To Debt Service Fund	(26,443,880)	(26,443,880)	(25,015,362)	1,428,518
To Grants Fund	-	(340,000)	(340,000)	-
To Capital Projects Fund	-	(16,387,000)	(19,690,519)	(3,303,519)
Total Other Financing Sources (Uses)	(38,856,522)	(65,794,722)	(67,669,723)	(1,875,001)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 6,464,660	\$ (17,386,179)	(16,058,662)	\$ 1,327,517
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			2,319,864	
GAAP - Net Change in Fund Balance			(13,738,798)	
Fund Balance - Beginning of Year			37,464,195	
Fund Balance - End of Year			\$ 23,725,397	

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, 2018
Exhibit B-12

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Investment income				
Pooled investment income	\$ -	\$ -	\$ 25,143	\$ 25,143
Other investment income	-	-	39,081	39,081
Total Revenues	-	-	64,224	64,224
Total Expenditures	-	-	-	-
Excess of Revenues over (under) Expenditures	-	-	64,224	64,224
Other Financing Sources (Uses):				
Mortgage loans	(4,719,040)	(4,719,040)	-	4,719,040
Total Other Financing Sources (Uses)	(4,719,040)	(4,719,040)	-	4,719,040
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ (4,719,040)</u>	<u>\$ (4,719,040)</u>	64,224	<u>\$ 4,783,264</u>
Fund Balance - Beginning of Year			4,719,040	
Fund Balance - End of Year			<u>\$ 4,783,264</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, 2018
Exhibit B-13

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Fines and forfeitures	\$ 29,236,307	\$ 29,236,307	\$ 27,537,351	\$ (1,698,956)
Investment income	75,330	75,330	125,012	49,682
Total Revenues	<u>29,311,637</u>	<u>29,311,637</u>	<u>27,662,363</u>	<u>(1,649,274)</u>
Expenditures:				
Personnel costs	4,168,822	4,198,733	3,454,309	744,424
Operating	11,902,782	13,617,007	12,699,413	917,594
Total Expenditures	<u>16,071,604</u>	<u>17,815,740</u>	<u>16,153,722</u>	<u>1,662,018</u>
Excess of Revenues over (under) Expenditures	<u>13,240,033</u>	<u>11,495,897</u>	<u>11,508,641</u>	<u>12,744</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
To General Fund	(10,251,189)	(13,232,189)	(13,232,189)	-
To Capital Projects Fund	-	(4,670,000)	(3,040,258)	1,629,742
Total Other Financing Sources (Uses)	<u>(10,251,189)</u>	<u>(17,902,189)</u>	<u>(16,272,447)</u>	<u>1,629,742</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 2,988,844</u>	<u>\$ (6,406,292)</u>	<u>(4,763,806)</u>	<u>\$ 1,642,486</u>
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			<u>2,191,285</u>	
GAAP - Net Change in Fund Balance			<u>(2,572,521)</u>	
Fund Balance - Beginning of Year			<u>14,299,198</u>	
Fund Balance - End of Year			<u>\$ 11,726,677</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, 2018
Exhibit B-14

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 873,480	\$ 873,480
Investment income	-	-	30,235	30,235
Miscellaneous	-	-	30,410	30,410
Total Revenues	-	-	934,125	934,125
Expenditures:				
Operating	-	2,824,512	1,965,196	859,316
Total Expenditures	-	2,824,512	1,965,196	859,316
Excess of Revenues over (under) Expenditures	\$ -	\$ (2,824,512)	(1,031,071)	\$ 1,793,441
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			219,308	
GAAP - Net Change in Fund Balance			(811,763)	
Fund Balance - Beginning of Year			2,824,512	
Fund Balance - End of Year			\$ 2,012,749	

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, 2018
Exhibit B-15

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 39,973,767	\$ 39,973,767	\$ 40,385,834	\$ 412,067
Charges for services	565,000	565,000	97,920	(467,080)
Investment income	235,750	235,750	444,772	209,022
Total Revenues	40,774,517	40,774,517	40,928,526	154,009
Expenditures:				
Personnel costs	9,189,829	9,207,962	8,623,713	584,249
Operating	18,174,820	23,537,665	21,896,228	1,641,437
Total Expenditures	27,364,649	32,745,627	30,519,941	2,225,686
Excess of Revenues over (under) Expenditures	13,409,868	8,028,890	10,408,585	2,379,695
Other Financing Sources (Uses):				
Transfers In (Out):				
To General Fund	(1,611,261)	(1,611,261)	(1,611,261)	-
To Capital Projects Fund	-	(6,371,000)	(13,943,493)	(7,572,493)
To Debt Service Fund	(6,146,000)	(6,146,000)	(6,100,007)	45,993
Total Other Financing Sources (Uses)	(7,757,261)	(14,128,261)	(21,654,761)	(7,526,500)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ 5,652,607	\$ (6,099,371)	(11,246,176)	\$ (5,146,805)
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			5,536,586	
GAAP - Net Change in Fund Balance			(5,709,590)	
Fund Balance - Beginning of Year			25,122,395	
Fund Balance - End of Year			\$ 19,412,805	

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, 2018
Exhibit B-16

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 39,524	\$ 39,524
Miscellaneous - contributions	-	3,050,000	37,832,224	34,782,224
Total Revenues	-	3,050,000	37,871,748	34,821,748
Expenditures:				
Operating	-	5,340,803	6,552,932	(1,212,129)
Total Expenditures	-	5,340,803	6,552,932	(1,212,129)
Excess of Revenues over (under) Expenditures	-	(2,290,803)	31,318,816	33,609,619
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	\$ -	\$ (2,290,803)	31,318,816	\$ 33,609,619
Adjustments required under generally accepted accounting principles:				
Elimination of encumbrances outstanding			2,780,240	
GAAP - Net Change in Fund Balance			34,099,056	
Fund Balance - Beginning of Year			2,269,740	
Fund Balance - End of Year			\$ 36,368,796	



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, 2018
Exhibit C-1

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Equity in pooled cash and investments	\$ 38,378,983	\$ 11,261,034	\$ 49,640,017
Receivables (net of allowance for uncollectibles):			
Accounts	257,046	2,152	259,198
Total Current Assets	<u>38,636,029</u>	<u>11,263,186</u>	<u>49,899,215</u>
Noncurrent Assets:			
Capital Assets:			
Furniture, fixtures, equipment, and machinery	1,832,435	49,423	1,881,858
Automobiles and trucks	365,755	-	365,755
Subtotal	2,198,190	49,423	2,247,613
Less: Accumulated depreciation	1,845,773	49,423	1,895,196
Total Capital Assets (net of accumulated depreciation)	352,417	-	352,417
Total Noncurrent Assets	352,417	-	352,417
Total Assets	<u>38,988,446</u>	<u>11,263,186</u>	<u>50,251,632</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	3,699,061	262,318	3,961,379
Total Deferred Outflows of Resources	<u>3,699,061</u>	<u>262,318</u>	<u>3,961,379</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	173,806	135,222	309,028
Deposits	8,941,816	-	8,941,816
Accrued liabilities	2,856,935	696,809	3,553,744
Due to other funds	1,788,906	233,389	2,022,295
Due to component units	-	815,543	815,543
Equipment notes payable	-	-	-
Unearned revenue	478,897	2,454,345	2,933,242
Total Current Liabilities	<u>14,240,360</u>	<u>4,335,308</u>	<u>18,575,668</u>
Noncurrent Liabilities:			
Compensated absences	892,421	91,634	984,055
Net pension liability	9,022,152	607,743	9,629,895
Other postemployment benefits	-	-	-
Total Noncurrent Liabilities	9,914,573	699,377	10,613,950
Total Liabilities	<u>24,154,933</u>	<u>5,034,685</u>	<u>29,189,618</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	1,762,299	118,710	1,881,009
Total Deferred Inflows of Resources	<u>1,762,299</u>	<u>118,710</u>	<u>1,881,009</u>
NET POSITION			
Net investment in capital assets	352,417	-	352,417
Unrestricted	16,417,858	6,372,109	22,789,967
Total Net Position	<u>\$ 16,770,275</u>	<u>\$ 6,372,109</u>	<u>\$ 23,142,384</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit C-2

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 909,225	\$ 11,917,129	\$ 12,826,354
Licenses and permits	43,320,411	-	43,320,411
Fines and penalties	110,305	-	110,305
Total Operating Revenues	<u>44,339,941</u>	<u>11,917,129</u>	<u>56,257,070</u>
OPERATING EXPENSES			
Personnel costs	31,061,164	3,236,329	34,297,493
Other post employment contributions	1,220,880	148,760	1,369,640
Postage	24,437	90	24,527
Insurance	523,278	-	523,278
Supplies and materials	147,029	261,702	408,731
Contractual services	1,617,335	5,711,499	7,328,834
Communications	192,638	14,617	207,255
Transportation	836,801	9,374	846,175
Public utility services	-	1,908,000	1,908,000
Rentals	2,847,914	344,136	3,192,050
Maintenance	308,386	127,722	436,108
Depreciation	161,424	-	161,424
Other	42,449	97,504	139,953
Total Operating Expenses	<u>38,983,735</u>	<u>11,859,733</u>	<u>50,843,468</u>
Operating Income (Loss)	<u>5,356,206</u>	<u>57,396</u>	<u>5,413,602</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	560,411	161,425	721,836
Interest expense	(166)	-	(166)
Other revenue	89,982	-	89,982
Total Nonoperating Revenues (Expenses)	<u>650,227</u>	<u>161,425</u>	<u>811,652</u>
Income (Loss) Before Transfers	<u>6,006,433</u>	<u>218,821</u>	<u>6,225,254</u>
Transfers In (Out):			
Transfers in	-	25,000	25,000
Transfers out	<u>(26,227,021)</u>	<u>(791,032)</u>	<u>(27,018,053)</u>
Total Transfers In (Out)	<u>(26,227,021)</u>	<u>(766,032)</u>	<u>(26,993,053)</u>
Change in Net Position	<u>(20,220,588)</u>	<u>(547,211)</u>	<u>(20,767,799)</u>
Total Net Position - Beginning of Year	<u>36,990,863</u>	<u>6,919,320</u>	<u>43,910,183</u>
Total Net Position - End of Year	<u>\$ 16,770,275</u>	<u>\$ 6,372,109</u>	<u>\$ 23,142,384</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit C-3

	Permitting Services	Community Use of Public Facilities	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 44,452,611	\$ 11,917,828	\$ 56,370,439
Payments to suppliers	(7,697,108)	(7,536,976)	(15,234,084)
Payments to employees	(28,877,656)	(2,853,701)	(31,731,357)
Other operating receipts	4,564,508	-	4,564,508
Other operating payments	(4,509,937)	-	(4,509,937)
Other revenue	89,982	-	89,982
Net cash provided (Used) by Operating Activities	<u>8,022,400</u>	<u>1,527,151</u>	<u>9,549,551</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	(26,227,021)	(791,032)	(27,018,053)
Net cash provided (Used) by Noncapital Financing Activities	<u>(26,227,021)</u>	<u>(766,032)</u>	<u>(26,993,053)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(78,856)	-	(78,856)
Principal paid on capital debt	(18,987)	-	(18,987)
Interest paid on capital debt	(166)	-	(166)
Net cash provided (Used) by Capital and Related Financing Activities	<u>(98,009)</u>	<u>-</u>	<u>(98,009)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income from pooled investments	560,411	161,425	721,836
Net cash provided (Used) by Investing Activities	<u>560,411</u>	<u>161,425</u>	<u>721,836</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(17,742,219)	922,544	(16,819,675)
Balances - Beginning of Year	<u>56,121,202</u>	<u>10,338,490</u>	<u>66,459,692</u>
Balances - End of Year	<u>\$ 38,378,983</u>	<u>\$ 11,261,034</u>	<u>\$ 49,640,017</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 5,356,206	\$ 57,396	\$ 5,413,602
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	161,424	-	161,424
Other revenues	89,982	-	89,982
Pension expense	1,959,927	131,022	2,090,949
Effect of changes in operating assets and liabilities:			
Receivables, net	(12,731)	699	(12,032)
Accounts payable and other liabilities	233,365	1,339,209	1,572,574
Accrued expenses	234,227	(1,175)	233,052
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,022,400</u>	<u>\$ 1,527,151</u>	<u>\$ 9,549,551</u>

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit C-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
LIQUOR				
Personnel costs	\$ 34,959,512	\$ 32,459,512	\$ 36,028,478	\$ (3,568,966)
Operating	30,201,807	29,021,045	28,268,479	752,566
Total	<u>\$ 65,161,319</u>	<u>\$ 61,480,557</u>	64,296,957	<u>\$ (2,816,400)</u>

Reconciliation to GAAP expenses:

Additions:			
Depreciation			2,779,001
Cost of goods sold			205,931,522
Interest expense			1,679,387
Bad debt expense			680,330
Pension expense			1,085,017
Deductions:			
Equipment note principal reduction			(1,069,499)
Amortization of Premium			(177,733)
Cash interest payments			(1,663,015)
Capital outlay			(2,327,971)
Principal paid on bonds			(2,206,912)
Encumbrances outstanding at year-end			(697,873)
GAAP Expenses			<u>\$ 268,309,211</u>

PERMITTING SERVICES

Personnel costs	\$ 29,183,145	\$ 29,308,927	\$ 29,101,237	\$ 207,690
Operating	9,691,684	10,592,008	8,935,288	1,656,720
Total	<u>\$ 38,874,829</u>	<u>\$ 39,900,935</u>	38,036,525	<u>\$ 1,864,410</u>

Reconciliation to GAAP expenses:

Additions:			
Depreciation			161,424
Pension expense			1,959,927
Deductions:			
Equipment note principal reduction			(18,987)
Cash interest payments			(166)
Capital outlay			(78,856)
Encumbrances outstanding at year-end			(1,076,132)
GAAP Expenses			<u>\$ 38,983,735</u>

COMMUNITY USE OF PUBLIC FACILITIES

Personnel costs	\$ 3,171,358	\$ 3,200,920	\$ 3,105,307	\$ 95,613
Operating	8,519,786	8,744,414	8,641,451	102,963
Total	<u>\$ 11,691,144</u>	<u>\$ 11,945,334</u>	11,746,758	<u>\$ 198,576</u>

Reconciliation to GAAP expenses:

Additions:			
Bad Debt			699
Deductions:			
Pension expense			131,022
Encumbrances outstanding at year-end			(18,746)
GAAP Expenses			<u>\$ 11,859,733</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit C-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
SOLID WASTE DISPOSAL				
Personnel costs	\$ 10,517,776	\$ 10,542,706	\$ 9,933,334	\$ 609,372
Operating	79,182,952	83,225,102	83,992,021	(766,919)
Total	<u>\$ 89,700,728</u>	<u>\$ 93,767,808</u>	93,925,355	<u>\$ (157,547)</u>
Reconciliation to GAAP expenses:				
Additions:				
Depreciation			2,202,544	
Interest expense			150	
Pension expense			316,428	
Accrued landfill closing cost			1,172,289	
Bad debt expense			1,452,776	
Miscellaneous			988,119	
Deductions:				
Capital outlay expenditures			(3,478,354)	
Encumbrances outstanding at year-end			(8,739,214)	
Adjustment of landfill closure costs			(1,403,854)	
GAAP Expenses			<u>\$ 86,436,239</u>	
SOLID WASTE COLLECTION				
Personnel costs	\$ 1,508,074	\$ 1,462,397	\$ 1,462,391	\$ 6
Operating	5,334,573	6,381,579	6,381,576	3
Total	<u>\$ 6,842,647</u>	<u>\$ 7,843,976</u>	7,843,967	<u>\$ 9</u>
Reconciliation to GAAP expenses:				
Additions:				
Pension expense			39,089	
Deductions:				
Encumbrances outstanding at year-end			(4,558)	
GAAP Expenses			<u>\$ 7,878,498</u>	
SOLID WASTE LEAFING				
Personnel costs	\$ 3,320,925	\$ 3,200,005	\$ 3,200,002	\$ 3
Operating	2,803,659	3,058,229	3,058,227	2
Total	<u>\$ 6,124,584</u>	<u>\$ 6,258,234</u>	6,258,229	<u>\$ 5</u>
Reconciliation to GAAP expenses:				
Additions:				
Interfund activities budgeted as transfers - charges for services from disposal				
Deductions:				
Pension expense			(17,853)	
GAAP Expenses			<u>\$ 6,240,376</u>	
Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:				
GAAP Expenses:				
Solid Waste Disposal			\$ 86,436,239	
Solid Waste Collection			7,878,498	
Solid Waste Leafing			6,240,376	
Total Solid Waste Activities			<u>\$ 100,555,113</u>	*

(Continued)

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit C-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
SILVER SPRING PARKING				
Personnel costs	\$ 2,581,507	\$ 2,587,569	\$ 2,188,686	\$ 398,883
Operating	8,851,735	8,910,952	8,171,172	739,780
Total	<u>\$ 11,433,242</u>	<u>\$ 11,498,521</u>	10,359,858	<u>\$ 1,138,663</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			4,466,934	
CIP - other operating costs			3,879,877	
Pension expense			80,683	
Bad debt expense			55,041	
Property tax refunds			7,696	
Deductions:				
Capital outlay			(3,455,567)	
Encumbrances outstanding at year-end			(92,573)	
GAAP Expenses			<u>\$ 15,301,949</u>	

BETHESDA PARKING

Personnel costs	\$ 2,268,697	\$ 2,275,244	\$ 2,143,567	\$ 131,677
Operating	12,668,175	12,687,369	12,177,287	510,082
Total	<u>\$ 14,936,872</u>	<u>\$ 14,962,613</u>	14,320,854	<u>\$ 641,759</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			6,127,352	
Interest expense			1,056,137	
CIP - other operating costs			2,853,046	
Pension expense			52,122	
Property tax refunds			9,483	
Deductions:				
Capital outlay			(2,661,540)	
Encumbrances outstanding at year-end			(14,642)	
Bad debt expense			(245)	
Principal paid on bonds			(3,291,000)	
Cash interest payments			(1,363,646)	
GAAP Expenses			<u>\$ 17,087,921</u>	

WHEATON PARKING

Personnel costs	\$ 389,084	\$ 390,178	\$ 364,899	\$ 25,279
Operating	1,018,708	1,082,589	783,080	299,509
Total	<u>\$ 1,407,792</u>	<u>\$ 1,472,767</u>	1,147,979	<u>\$ 324,788</u>

Reconciliation to GAAP expenses:

Additions:				
Depreciation			310,056	
Pension expense			11,512	
CIP - other operating costs			143,199	
Property tax refunds			388	
Deductions:				
Capital outlay			(115,766)	
Encumbrances outstanding at year-end			(5,549)	
GAAP Expenses			<u>\$ 1,491,819</u>	

(Continued)

MONTGOMERY COUNTY, MARYLAND
 SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit C-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
Reconciliation of GAAP expenses to Statement of Revenues, Expenses, and Changes in Fund Net Assets:				
GAAP Expenses:				
Silver Spring Parking			\$ 15,301,949	
Bethesda Parking			17,087,921	
Wheaton Parking			1,491,819	
Total Parking Lot Districts			<u>\$ 33,881,689</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, 2018
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	\$ 14,534,142	\$ 164,185,643	\$ 23,231,782	\$ 1,232,487	\$ 203,184,054
Cash	300	-	-	-	300
Receivables (net of allowances for uncollectibles):					
Accounts	289,796	518,733	495,633	-	1,304,162
Due from other funds	-	-	8,907,005	-	8,907,005
Due from component units	50,741	-	198,432	2,806	251,979
Due from other governments	27,268	-	235,090	25,858	288,216
Inventory of supplies	4,144,707	-	-	-	4,144,707
Prepays	10,943	25,151	-	101,020	137,114
Total Current Assets	<u>19,057,897</u>	<u>164,729,527</u>	<u>33,067,942</u>	<u>1,362,171</u>	<u>218,217,537</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	3,274,048	-	-	859,724	4,133,772
Automobiles and trucks	97,674,580	-	-	-	97,674,580
Subtotal	<u>101,239,699</u>	<u>-</u>	<u>-</u>	<u>859,724</u>	<u>102,099,423</u>
Less: Accumulated depreciation	59,256,246	-	-	749,779	60,006,025
Total Capital Assets (net of accumulated depreciation)	<u>41,983,453</u>	<u>-</u>	<u>-</u>	<u>109,945</u>	<u>42,093,398</u>
Total Assets	<u>61,041,350</u>	<u>164,729,527</u>	<u>33,067,942</u>	<u>1,472,116</u>	<u>260,310,935</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	1,070,739	477,328	135,793	251,906	1,935,766
Total Deferred Outflows of Resources	<u>1,070,739</u>	<u>477,328</u>	<u>135,793</u>	<u>251,906</u>	<u>1,935,766</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	1,975,078	1,271,188	5,342,410	13,318	8,601,994
Claims payable	-	34,261,076	8,272,776	-	42,533,852
Accrued liabilities	2,570,118	707,714	1,122,721	269,593	4,670,146
Due to other funds	1,315,977	107,841	7,923,201	162,942	9,509,961
Due to component units	-	-	-	-	-
Due to other governments	-	501,171	-	-	501,171
Unearned revenue	-	-	-	-	-
Total Current Liabilities	<u>5,861,173</u>	<u>36,848,990</u>	<u>22,661,108</u>	<u>445,853</u>	<u>65,817,124</u>
Noncurrent Liabilities:					
Claims payable	-	129,822,329	5,814,000	-	135,636,329
Compensated absences	598,783	144,177	88,414	73,229	904,603
Net pension liability	2,551,874	1,022,305	220,408	615,522	4,410,109
Other postemployment benefits	-	-	-	-	-
Total Noncurrent Liabilities	<u>3,150,657</u>	<u>130,988,811</u>	<u>6,122,822</u>	<u>688,751</u>	<u>140,951,041</u>
Total Liabilities	<u>9,011,830</u>	<u>167,837,801</u>	<u>28,783,930</u>	<u>1,134,604</u>	<u>206,768,165</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	498,458	199,688	43,053	120,229	861,428
Total Deferred Inflows of Resources	<u>498,458</u>	<u>199,688</u>	<u>43,053</u>	<u>120,229</u>	<u>861,428</u>
NET POSITION					
Net investment in capital assets	41,983,452	-	-	-	41,983,452
Unrestricted	10,618,349	(2,830,634)	4,376,752	469,189	12,633,656
Total Net Position (Deficit)	<u>\$ 52,601,801</u>	<u>\$ (2,830,634)</u>	<u>\$ 4,376,752</u>	<u>\$ 469,189</u>	<u>\$ 54,617,108</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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	\$ 78,492,351	\$ 66,629,996	\$ 159,157,074	\$ 7,793,507	\$ 312,072,928
Claim recoveries	1,717,363	665,890	-	-	2,383,253
Total Operating Revenues	80,209,714	67,295,886	159,157,074	7,793,507	314,456,181
OPERATING EXPENSES					
Personnel costs	21,800,282	4,296,028	1,761,910	2,696,630	30,554,850
Other post employment contributions	1,025,950	51,300	-	148,760	1,226,010
Postage	2,588	161	20,246	1,136,360	1,159,355
Self-insurance incurred and estimated claims	-	62,121,946	125,409,989	-	187,531,935
Insurance	1,487,753	4,677,244	27,937,730	-	34,102,727
Supplies and materials	24,358,582	3,070	33,490	731,192	25,126,334
Contractual services	634,316	7,592,810	6,641,681	210,422	15,079,229
Communications	118,086	7,068	43,789	169,921	338,864
Transportation	208,429	20,584	1,018	34,615	264,646
Public utility services	1,042,999	-	-	-	1,042,999
Rentals	2,780	-	253	2,759,603	2,762,636
Maintenance	16,110,191	-	-	41,266	16,151,457
Depreciation	8,948,250	-	-	39,674	8,987,924
Other	28,309	16,343	33,320	-	77,972
Total Operating Expenses	75,768,515	78,786,554	161,883,426	7,968,443	324,406,938
Operating Income (Loss)	4,441,199	(11,490,668)	(2,726,352)	(174,936)	(9,950,757)
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	480,255	-	-	-	480,255
Investment income	159,331	2,065,271	363,140	21,418	2,609,160
Insurance recoveries	-	4,017,631	-	-	4,017,631
Total Nonoperating Revenues (Expenses)	639,586	6,082,902	363,140	21,418	7,107,046
Income (Loss) Before Transfers	5,080,785	(5,407,766)	(2,363,212)	(153,518)	(2,843,711)
Transfers In (Out):					
Transfers in	609,198	-	-	-	609,198
Transfers out	(5,954,591)	(3,454,769)	(17,950,000)	-	(27,359,360)
Total Transfers In (Out)	(5,345,393)	(3,454,769)	(17,950,000)	-	(26,750,162)
Change in Net Position	(264,608)	(8,862,535)	(20,313,212)	(153,518)	(29,593,873)
Total Net Position - Beginning of Year	52,866,409	6,031,901	24,689,964	622,707	84,210,981
Total Net Position - End of Year	\$ 52,601,801	\$ (2,830,634)	\$ 4,376,752	\$ 469,189	\$ 54,617,108

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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	\$ 80,794,367	\$ 66,254,038	\$ 158,571,856	\$ 7,794,894	\$ 313,415,155
Payments to suppliers	(45,554,999)	4,485,484	(13,984,103)	(5,155,631)	(60,209,249)
Payments to employees	(24,061,413)	(4,257,984)	(1,848,756)	(2,539,914)	(32,708,067)
Claims paid	-	(62,121,946)	(151,520,258)	-	(213,642,204)
Other revenue	-	665,890	-	-	665,890
Internal activity-receipts from other funds	609,198	-	-	-	609,198
Net Cash Provided (Used) by Operating Activities	11,787,153	5,025,482	(8,781,261)	99,349	8,130,723
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Insurance reimbursement claims	-	4,017,631	-	-	4,017,631
Internal activity-payment to other funds	(5,954,591)	(3,454,769)	(17,950,000)	-	(27,359,360)
Net Cash Provided (Used) by Noncapital Financing Activities	(5,954,591)	562,862	(17,950,000)	-	(23,341,729)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	731,259	-	-	-	731,259
Purchases of capital assets	(8,595,812)	-	-	(94,160)	(8,689,972)
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,864,553)	-	-	(94,160)	(7,958,713)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income from pooled investments	159,331	2,065,271	363,140	21,418	2,609,160
Net Cash Provided (Used) by Investing Activities	159,331	2,065,271	363,140	21,418	2,609,160
Net Increase (Decrease) in Cash and Cash Equivalents	(1,872,660)	7,653,615	(26,368,121)	26,607	(20,560,559)
Balances - Beginning of Year	16,407,102	156,532,028	49,599,903	1,205,880	223,744,913
Balances - End of Year	\$ 14,534,442	\$ 164,185,643	\$ 23,231,782	\$ 1,232,487	\$ 203,184,354
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 4,441,199	\$ (11,490,668)	\$ (2,726,352)	\$ (174,936)	\$ (9,950,757)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	8,948,250	-	-	39,674	8,987,924
Pension expense	415,842	64,751	(42,871)	104,468	542,190
Effect of changes in operating assets and liabilities:					
Receivables, net	1,193,852	(375,958)	(585,218)	1,389	234,065
Inventories, prepaids and other assets	365,267	(22,387)	-	75,999	418,879
Accounts payable and other liabilities	(867,705)	(758,075)	(5,909,293)	8,187	(7,526,886)
Claims payable	-	17,273,218	-	-	17,273,218
Accrued expenses	(2,709,552)	334,601	482,473	44,568	(1,847,910)
Net Cash Provided (Used) by Operating Activities	\$ 11,787,153	\$ 5,025,482	\$ (8,781,261)	\$ 99,349	\$ 8,130,723

MONTGOMERY COUNTY, MARYLAND
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit D-4

	Budget		Actual	Variance Positive (Negative)
	Original Budget	Final Budget		
LIABILITY AND PROPERTY COVERAGE SELF-INSURANCE				
Personnel costs	\$ 4,661,445	\$ 4,661,445	\$ 4,360,776	\$ 300,669
Operating	<u>62,294,172</u>	<u>62,399,277</u>	<u>58,013,673</u>	<u>4,385,604</u>
Total	<u>\$ 66,955,617</u>	<u>\$ 67,060,722</u>	62,374,449	<u>\$ 4,686,273</u>
Reconciliation to GAAP expenses:				
Additions:				
Portion of incurred but not reported claims not required to be budgeted			17,273,217	
Deductions:				
Pension expense			(64,751)	
Encumbrances outstanding at year-end			<u>(796,361)</u>	
GAAP Expenses			<u>\$ 78,786,554</u>	
EMPLOYEE HEALTH BENEFITS SELF-INSURANCE				
Personnel costs	\$ 3,041,195	\$ 2,737,085	\$ 1,804,781	\$ 932,304
Operating	<u>240,551,178</u>	<u>242,251,137</u>	<u>158,143,328</u>	<u>84,107,809</u>
Total	<u>\$ 243,592,373</u>	<u>\$ 244,988,222</u>	159,948,109	<u>\$ 85,040,113</u>
Reconciliation to GAAP expenses:				
Additions:				
Portion of incurred but not reported claims not required to be budgeted			1,815,363	
Encumbrances outstanding at year-end			162,825	
Deductions:				
Pension expense			<u>(42,871)</u>	
GAAP Expenses			<u>\$ 161,883,426</u>	

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

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, 2018
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	\$ 2,014,964	\$ 591,684	\$ -	\$ 1,779,231	\$ 4,385,879
Investments:					
Government and agency obligations	535,053,176	-	-	141,023,823	676,076,999
Municipal/Provincial bonds	8,431,521	-	-	1,468,338	9,899,859
Asset-backed securities	700,355	-	-	124,766	825,121
Corporate bonds	657,342,966	-	-	152,688,713	810,031,679
Collateralized mortgage obligations	379,768	-	-	17,853	397,621
Commercial mortgage-backed securities	2,283,013	-	-	24,083	2,307,096
Common and preferred stock	1,718,906,869	-	-	466,636,270	2,185,543,139
Mutual and commingled funds	488,075,929	443,877,730	430,321,129	72,586,382	1,434,861,170
Short-term investments	106,196,816	-	-	29,754,989	135,951,805
Cash collateral received under securities lending agreements	152,967,307	-	-	6,005,299	158,972,606
Private real assets	198,112,470	-	-	31,181,436	229,293,906
Private equity/debt	412,741,287	-	-	74,967,923	487,709,210
Total Investments	4,281,191,477	443,877,730	430,321,129	976,479,875	6,131,870,211
Receivables (net of allowances for uncollectibles):					
Receivables and accrued interest	16,824,845	-	-	3,952,420	20,777,265
Accounts	37,534	6,830	-	-	44,364
Due from other funds	7,348,278	1,650,848	1,094,555	7,959,020	18,052,701
Due from component units	36,291	68,703	-	-	104,994
Due from other governments	3,016	251	-	-	3,267
Total Current Assets	4,307,456,405	446,196,046	431,415,684	990,170,546	6,175,238,681
Noncurrent Assets:					
Capital assets:					
Miscellaneous	900,043	-	-	-	900,043
Less: Accumulated depreciation	900,043	-	-	-	900,043
Total Capital Assets (net of accumulated depreciation)	-	-	-	-	-
Total Assets	4,307,456,405	446,196,046	431,415,684	990,170,546	6,175,238,681
LIABILITIES					
Current Liabilities:					
Accounts payable	153,082,049	248	-	6,059,540	159,141,837
Accrued liabilities	4,975,546	33,301	-	1,143,350	6,152,197
Claims payable	-	-	-	4,000,599	4,000,599
Due to other funds	17,930	2,444	-	3,458	23,832
Total Current Liabilities	158,075,525	35,993	-	11,206,947	169,318,465
Noncurrent Liabilities:					
Compensated absences	73,439	8,809	-	11,419	93,667
Total Liabilities	158,148,964	44,802	-	11,218,366	169,412,132
NET POSITION					
Restricted for pension and other postemployment benefits	\$ 4,149,307,441	\$ 446,151,244	\$ 431,415,684	\$ 978,952,180	\$ 6,005,826,549

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, 2018
Exhibit E-2

	Employees' Retirement System	Employees' Retirement Savings Plan	Deferred Compensation Plan	Retiree Health Benefits	Total
ADDITIONS					
Contributions:					
Employers	\$ 93,163,298	\$ 20,348,143	\$ -	\$ 119,443,191	\$ 232,954,632
Members	28,964,769	10,800,958	20,574,411	-	60,340,138
Federal government - Medicare Part D	-	-	-	10,453,719	10,453,719
Total Contributions	<u>122,128,067</u>	<u>31,149,101</u>	<u>20,574,411</u>	<u>129,896,910</u>	<u>303,748,489</u>
Investment income (loss)	363,022,824	36,229,190	43,153,596	83,208,369	525,613,979
Less: Investment expenses	22,938,330	4,968	-	4,842,508	27,785,806
Net Investment Income (Loss)	<u>340,084,494</u>	<u>36,224,222</u>	<u>43,153,596</u>	<u>78,365,861</u>	<u>497,828,173</u>
Other income - forfeitures	-	336,228	-	-	336,228
Total Additions, net	<u>462,212,561</u>	<u>67,709,551</u>	<u>63,728,007</u>	<u>208,262,771</u>	<u>801,912,890</u>
DEDUCTIONS					
Benefits:					
Annuities:					
Retirees	178,267,822	-	-	-	178,267,822
Survivors	9,783,701	-	-	-	9,783,701
Disability	50,864,259	-	-	-	50,864,259
Claims	-	-	-	87,973,387	87,973,387
Total Benefits	<u>238,915,782</u>	<u>-</u>	<u>-</u>	<u>87,973,387</u>	<u>326,889,169</u>
Member refunds	4,624,066	15,386,970	22,718,661	-	42,729,697
Administrative expenses	2,870,683	328,586	-	532,657	3,731,926
Total Deductions	<u>246,410,531</u>	<u>15,715,556</u>	<u>22,718,661</u>	<u>88,506,044</u>	<u>373,350,792</u>
Net Increase (Decrease)	215,802,030	51,993,995	41,009,346	119,756,727	428,562,098
Net Position - Beginning of Year	<u>3,933,505,411</u>	<u>394,157,249</u>	<u>390,406,338</u>	<u>859,195,453</u>	<u>5,577,264,451</u>
Net Position - End of Year	<u>\$ 4,149,307,441</u>	<u>\$ 446,151,244</u>	<u>\$ 431,415,684</u>	<u>\$ 978,952,180</u>	<u>\$ 6,005,826,549</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit E-3

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>RECREATION ACTIVITIES FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 4,123,675	\$ 47,927,611	\$ 48,631,269	\$ 3,420,017
Accounts receivable	9,949,654	158,156,114	158,312,118	9,793,650
Total Assets	<u>14,073,329</u>	<u>206,083,725</u>	<u>206,943,387</u>	<u>13,213,667</u>
LIABILITIES				
Accounts payable	498,062	18,623,282	19,031,108	90,236
Accrued liabilities	14,459	35,186	49,645	-
Due to other governments	334,926	26,102,833	26,131,997	305,762
Other liabilities	13,225,882	78,508,035	78,916,248	12,817,669
Total Liabilities	<u>\$ 14,073,329</u>	<u>\$ 123,269,336</u>	<u>\$ 124,128,998</u>	<u>\$ 13,213,667</u>
<u>PROPERTY TAX FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 21,440,671	\$ 2,406,126,678	\$ 2,328,482,120	\$ 99,085,229
Property taxes receivable	4,741,747	442,763,355	442,307,885	5,197,217
Accounts receivable	211	1,503	1,503	211
Due from other governments	-	-	-	-
Total Assets	<u>26,182,629</u>	<u>2,848,891,536</u>	<u>2,770,791,508</u>	<u>104,282,657</u>
LIABILITIES				
Uncollected property taxes due to governments	4,417,261	442,763,355	442,307,885	4,872,731
Due to other governments	1,477,758	546,076,749	546,676,789	877,718
Undistributed taxes and refunds	67,554	2,337,283,515	2,335,259,911	2,091,158
Unearned revenue	-	80,178,379	4,833,899	75,344,480
Tax sale surplus and redemptions payable	3,213,282	43,495,384	44,194,436	2,514,230
Other liabilities	17,006,774	695,901,670	694,326,104	18,582,340
Total Liabilities	<u>\$ 26,182,629</u>	<u>\$ 4,145,699,052</u>	<u>\$ 4,067,599,024</u>	<u>\$ 104,282,657</u>
<u>MISCELLANEOUS AGENCY FUND</u>				
ASSETS				
Equity in pooled cash and investments	\$ 5,437,367	\$ 8,574,090	\$ 7,657,640	\$ 6,353,817
Cash	158,242	33,689	-	191,931
Property taxes receivable	293	243,299	243,299	293
Accounts receivable	516	344	638	222
Due from other governments	161,259	47,503	67,436	141,326
Total Assets	<u>5,757,677</u>	<u>8,898,925</u>	<u>7,969,013</u>	<u>6,687,589</u>
LIABILITIES				
Due to other governments	1,290,318	3,586,149	3,407,561	1,468,906
Other liabilities	1,564,408	6,571,989	6,634,459	1,501,938
Deposits	2,902,951	3,381,485	2,567,691	3,716,745
Total Liabilities	<u>\$ 5,757,677</u>	<u>\$ 13,539,623</u>	<u>\$ 12,609,711</u>	<u>\$ 6,687,589</u>

(Continued)

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Exhibit E-3 (Concluded)

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Equity in pooled cash and investments	\$ 31,001,713	\$ 2,462,628,379	\$ 2,384,771,029	\$ 108,859,063
Cash	158,242	33,689	-	191,931
Property taxes receivable	4,742,040	443,006,654	442,551,184	5,197,510
Accounts receivable	9,950,381	158,157,961	158,314,259	9,794,083
Due from other governments	161,259	47,503	67,436	141,326
Total Assets	<u>46,013,635</u>	<u>3,063,874,186</u>	<u>2,985,703,908</u>	<u>124,183,913</u>
LIABILITIES				
Accounts payable	498,062	18,623,282	19,031,108	90,236
Accrued liabilities	14,459	35,186	49,645	-
Deposits	2,902,951	3,381,485	2,567,691	3,716,745
Due to other governments	3,103,002	575,765,731	576,216,347	2,652,386
Uncollected property taxes due to governments	4,417,261	442,763,355	442,307,885	4,872,731
Undistributed taxes and refunds	67,554	2,337,283,515	2,335,259,911	2,091,158
Unearned revenue	-	80,178,379	4,833,899	75,344,480
Tax sale surplus and redemptions payable	3,213,282	43,495,384	44,194,436	2,514,230
Other liabilities	31,797,064	780,981,694	779,876,811	32,901,947
Total Liabilities	<u>\$ 46,013,635</u>	<u>\$ 4,282,508,011</u>	<u>\$ 4,204,337,733</u>	<u>\$ 124,183,913</u>

NONMAJOR COMPONENT UNITS



MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR COMPONENT UNITS
 JUNE 30, 2018
Exhibit F-1

	BUP	MCRA	MC	Total
ASSETS				
Equity in pooled cash and investments	\$ -	\$ -	\$ 29,500,472	\$ 29,500,472
Cash with fiscal agents	-	-	10,953,308	10,953,308
Cash	754,645	5,269,045	6,500	6,030,190
Investments - cash equivalents	-	-	7,515,603	7,515,603
Investments	-	-	33,782,033	33,782,033
Receivables (net of allowance for uncollectibles):				
Capital leases	-	6,477,240	-	6,477,240
Accounts	-	-	7,339,564	7,339,564
Notes	-	59,804,049	-	59,804,049
Other	77,404	592,455	1,950,872	2,620,731
Due from primary government	375,781	-	14,756,263	15,132,044
Due from other governments	11,250	520,593	3,347,262	3,879,105
Inventory of supplies	-	351,247	5,916	357,163
Prepays	29,314	21,613	1,606,693	1,657,620
Other assets	5,075	168,090	2,728,008	2,901,173
Restricted Assets:				
Equity in pooled cash and investments	-	-	2,535,333	2,535,333
Cash	-	448,470	-	448,470
Investment	-	1,479,788	22,086,566	23,566,354
Capital Assets:				
Nondepreciable assets	-	39,097,911	101,258,877	140,356,788
Depreciable assets, net	283,768	11,939,986	501,571,120	513,794,874
Total Assets	<u>1,537,237</u>	<u>126,170,487</u>	<u>740,944,390</u>	<u>868,652,114</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding of debt	-	653,438	42,105	695,543
Pension deferrals	-	936,060	6,651,384	7,587,444
OPEB deferrals	-	294,537	5,141,936	5,436,473
Total Deferred Outflow of Resources	<u>-</u>	<u>1,884,035</u>	<u>11,835,425</u>	<u>13,719,460</u>
LIABILITIES				
Accounts payable	268,517	194,125	47,206	509,848
Interest payable	-	423,030	514,561	937,591
Retainage payable	-	265,685	1,571,198	1,836,883
Accrued liabilities	228,874	970,068	23,090,029	24,288,971
Deposits	-	354,038	-	354,038
Due to primary government	19,098	237,902	8,069	265,069
Due to other governments	-	-	958,919	958,919
Unearned revenue	24,482	1,078,955	6,469,630	7,573,067
Other liabilities	28,958	-	1,961,991	1,990,949
Noncurrent Liabilities:				
Due within one year	25,033	6,208,677	4,431,613	10,665,323
Due in more than one year	19,818	80,826,341	181,068,260	261,914,419
Total Liabilities	<u>614,780</u>	<u>90,558,821</u>	<u>220,121,476</u>	<u>311,295,077</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding of debt	-	-	2,856,000	2,856,000
Pension deferrals	-	821,204	1,673,174	2,494,378
OPEB deferrals	-	612,367	7,606,085	8,218,452
Accumulated increase in fair value of hedging derivatives	-	168,090	-	168,090
Total Deferred Intflow of Resources	<u>-</u>	<u>1,601,661</u>	<u>12,135,259</u>	<u>13,736,920</u>
NET POSITION				
Net investment in capital assets	283,768	36,223,451	516,494,666	553,001,885
Restricted for:				
Capital projects	-	195,928	-	195,928
Debt service	-	1,479,788	-	1,479,788
Other purposes	-	252,542	34,163,859	34,416,401
Unrestricted (deficit)	<u>638,689</u>	<u>(2,257,669)</u>	<u>(30,135,445)</u>	<u>(31,754,425)</u>
Total Net Position	<u>\$ 922,457</u>	<u>\$ 35,894,040</u>	<u>\$ 520,523,080</u>	<u>\$ 557,339,577</u>

MONTGOMERY COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 NONMAJOR COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 Exhibit F-2

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	BUP	MCRA	MC	Total
Component Units:								
General government	\$ 5,630,858	\$ 5,426,221	\$ 183,000	\$ -	\$ (21,637)	\$ -	\$ -	\$ (21,637)
Culture and recreation	18,398,754	15,715,436	-	4,660,465	-	1,977,147	-	1,977,147
Education	352,064,605	71,055,228	19,891,068	47,967,381	-	-	(213,150,928)	(213,150,928)
Total component units	<u>\$ 376,094,217</u>	<u>\$ 92,196,885</u>	<u>\$ 20,074,068</u>	<u>\$52,627,846</u>	(21,637)	1,977,147	(213,150,928)	(211,195,418)
General revenues:								
Grants and contributions not restricted to specific programs					41,796	-	228,040,473	228,082,269
Investment Income					-	2,289,021	3,234,999	5,524,020
Total general revenues					41,796	2,289,021	231,275,472	233,606,289
Change in net position					20,159	4,266,168	18,124,544	22,410,871
Total Net Position - beginning					902,298	31,627,872	502,398,536	534,928,706
Total Net Position - ending					<u>\$ 922,457</u>	<u>\$ 35,894,040</u>	<u>\$ 520,523,080</u>	<u>\$ 557,339,577</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017*	2018
Governmental Activities:										
Net investment in capital assets	\$ 1,937,493,317	\$ 1,965,289,080	\$ 1,923,668,729	\$ 1,880,813,780	\$ 1,932,495,036	\$ 2,112,879,507	\$ 2,099,290,326	\$ 2,280,466,863	\$ 2,336,853,956	\$ 2,169,845,557
Restricted	393,404,279	380,181,540	426,265,013	502,059,858	296,564,191	315,878,315	493,320,702	415,275,255	441,648,621	650,720,854
Unrestricted (deficit) (1)	(1,043,969,070)	(1,372,709,340)	(1,388,128,738)	(1,365,476,872)	(1,147,060,057)	(1,247,964,983)	(1,882,775,991)	(2,007,096,943)	(3,091,267,121)	(2,964,345,467)
Total Governmental Activities Net Position	<u>1,286,928,526</u>	<u>972,761,280</u>	<u>961,805,004</u>	<u>1,017,396,766</u>	<u>1,081,999,170</u>	<u>1,180,792,839</u>	<u>709,835,037</u>	<u>688,645,175</u>	<u>(312,764,544)</u>	<u>(143,779,056)</u>
Business-type Activities:										
Net investment in capital assets	177,697,087	178,781,693	173,232,831	185,300,678	191,266,741	181,965,592	186,001,533	139,122,346	186,321,262	185,894,133
Restricted	66,606,205	54,684,729	52,817,393	93,254,622	94,329,133	64,810,807	48,386,118	88,115,316	68,287,578	80,545,655
Unrestricted	24,449,753	16,127,031	18,434,295	26,894,257	41,045,651	69,285,828	57,451,970	71,413,125	67,161,146	43,687,119
Total Business-type Activities Net Position	<u>268,753,045</u>	<u>249,593,453</u>	<u>244,484,519</u>	<u>305,449,557</u>	<u>326,641,525</u>	<u>316,062,227</u>	<u>291,839,621</u>	<u>298,650,787</u>	<u>321,769,986</u>	<u>310,126,907</u>
Primary Government:										
Net investment in capital assets	2,003,119,670	2,109,006,202	2,065,797,289	2,066,114,458	2,123,761,777	2,294,845,099	2,285,291,859	2,419,589,209	2,523,175,218	2,355,739,690
Restricted	487,048,374	434,866,269	479,082,406	595,314,480	390,893,324	380,689,122	541,706,820	503,390,571	509,936,199	731,266,509
Unrestricted (deficit) (1)	(577,980,713)	(1,321,517,738)	(1,338,590,172)	(1,338,582,615)	(1,106,014,406)	(1,178,679,155)	(1,825,324,021)	(1,935,683,818)	(3,024,105,975)	(2,920,658,348)
Total Primary Government Net Position	<u>\$ 1,912,187,331</u>	<u>\$ 1,222,354,733</u>	<u>\$ 1,206,289,523</u>	<u>\$ 1,322,846,323</u>	<u>\$ 1,408,640,695</u>	<u>\$ 1,496,855,066</u>	<u>\$ 1,001,674,658</u>	<u>\$ 987,295,962</u>	<u>\$ 9,005,442</u>	<u>\$ 166,347,851</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	\$ (577,980,713)	\$(1,321,517,738)	\$(1,338,590,172)	\$(1,338,582,615)	\$(1,106,014,406)	\$(1,178,679,155)	\$(1,825,324,021)	\$(1,935,683,818)	\$ (3,024,105,975)	\$(2,920,658,348)
Debt issued for capital on behalf of others	<u>1,122,854,267</u>	<u>1,252,293,676</u>	<u>1,359,354,018</u>	<u>1,399,452,195</u>	<u>1,471,314,322</u>	<u>1,498,460,648</u>	<u>1,634,742,350</u>	<u>1,664,939,419</u>	<u>1,706,292,298</u>	<u>1,823,365,298</u>
County net position absent effect of this relationship	<u>\$ 544,873,554</u>	<u>\$ (69,224,062)</u>	<u>\$ 20,763,846</u>	<u>\$ 60,869,580</u>	<u>\$ 365,299,916</u>	<u>\$ 319,781,493</u>	<u>\$ (190,581,671)</u>	<u>\$ (270,744,399)</u>	<u>\$ (1,317,813,677)</u>	<u>\$(1,097,293,050)</u>

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS

Table 2-a

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	\$ 337,557,085	\$ 293,349,395	\$ 287,987,929	\$ 351,138,451	\$ 400,023,515	\$ 474,084,799	\$ 470,405,790	\$ 624,551,802	\$ 540,011,504	\$ 424,387,485
Public safety	626,855,553	611,714,420	614,081,563	600,877,545	609,565,746	607,555,402	591,702,869	620,407,666	641,585,272	673,208,779
Public works and transportation	257,041,963	297,864,026	255,731,300	263,586,549	278,716,716	273,021,015	288,226,716	279,744,940	258,627,800	270,104,981
Health and human services	288,519,635	287,883,637	283,727,427	256,703,043	272,032,818	291,657,233	296,567,081	292,252,497	319,917,837	340,401,563
Culture and recreation	116,186,268	108,490,460	88,433,456	93,560,027	93,965,468	95,084,426	95,703,122	116,004,130	134,848,367	124,775,369
Community development and housing	21,365,597	40,627,603	73,432,068	46,198,670	37,821,686	38,160,065	32,001,034	42,140,359	50,618,370	73,658,830
Environment	13,618,312	16,446,934	19,189,065	28,584,840	28,913,062	31,590,141	30,905,863	29,886,401	29,095,268	32,168,215
Education	1,842,962,933	1,738,633,028	1,728,747,256	1,751,721,080	1,797,097,286	1,770,301,285	1,826,117,289	1,899,997,038	2,037,048,982	2,094,083,289
Interest on long-term debt	92,511,000	86,352,825	99,272,929	116,354,151	113,688,959	101,268,081	112,420,639	99,889,037	100,887,704	118,778,942
Total Governmental Activities Expenses	3,596,618,346	3,481,362,328	3,450,602,993	3,508,724,356	3,631,825,256	3,682,722,447	3,744,050,403	4,004,873,870	4,112,641,104	4,151,567,453
Business-type Activities:										
Liquor control	197,044,956	204,677,766	215,359,402	220,242,176	225,650,484	239,218,758	248,982,109	264,763,943	273,828,277	268,344,647
Solid waste activities	96,857,869	100,709,914	100,890,192	99,723,180	106,039,038	129,531,260	109,351,706	105,838,154	92,126,174	100,674,500
Parking lot districts	29,003,485	30,698,606	30,755,951	29,724,042	30,321,385	30,140,788	37,103,525	33,453,769	34,418,684	33,941,506
Permitting services	27,878,868	27,306,059	25,490,571	25,039,256	27,534,056	29,486,839	29,002,673	31,042,939	36,065,066	39,017,094
Community use of public facilities	8,744,741	8,397,989	8,727,217	8,890,716	9,533,241	8,997,721	9,444,551	10,301,634	10,386,038	11,857,115
Total Business-type Activities Expenses	359,529,919	371,790,334	381,223,333	383,619,370	399,078,204	437,375,366	433,884,564	445,400,439	446,824,239	453,834,862
Total Primary Government Expenses	3,956,148,265	3,853,152,662	3,831,826,326	3,892,343,726	4,030,903,460	4,120,097,813	4,177,934,967	4,450,274,309	4,559,465,343	4,605,402,315
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	55,124,011	53,793,781	72,444,386	69,255,366	67,955,551	35,879,186	75,223,054	67,180,168	86,023,992	99,081,775
Public safety	44,359,719	33,115,674	38,595,219	35,960,217	44,887,666	52,773,389	52,554,641	56,419,015	57,893,409	55,776,247
Public works and transportation	18,997,028	22,214,073	26,974,805	28,375,493	31,024,303	28,606,534	32,070,795	31,222,409	34,480,822	32,977,409
Health and human services	5,604,372	1,497,239	4,721,205	5,785,003	4,976,188	5,448,684	4,968,870	4,210,725	5,806,436	4,765,964
Culture and recreation	29,964,898	31,559,913	32,590,653	36,029,762	37,693,903	38,555,482	39,462,050	39,033,846	43,338,703	38,827,721
Community development and housing	3,937,188	4,745,237	5,019,056	5,328,444	7,882,996	5,097,251	5,245,558	5,943,869	6,484,254	8,665,072
Environment	8,594,412	10,832,323	11,860,231	17,686,313	23,115,938	23,130,913	28,232,295	107,496	1,146,600	97,921
Operating Grants and Contributions:										
General government	6,720,731	8,425,267	5,849,908	4,727,151	4,746,333	7,177,643	5,900,190	5,783,686	2,506,534	1,367,478
Public safety	30,138,410	30,382,733	37,520,540	34,066,226	37,548,290	32,105,352	34,566,646	38,001,429	32,049,554	34,036,104
Public works and transportation	71,494,515	30,127,888	29,181,943	17,616,341	34,642,383	48,675,916	40,840,283	48,018,142	55,439,795	41,117,169
Health and human services	109,573,451	95,136,860	104,007,562	87,045,926	105,230,050	111,498,816	112,388,538	103,139,187	119,822,880	108,745,542
Culture and recreation	4,729,985	5,270,729	5,366,409	5,391,330	12,344,981	5,089,403	5,362,215	5,564,089	6,375,674	7,150,941
Community development and housing	6,300,663	10,997,335	10,261,792	13,596,969	738,299	4,765,528	2,843,614	3,382,444	8,593,974	8,273,826
Environment	924	86,862	567,585	2,984,828	623,999	1,740,066	23,547	126,632	-	-
Capital Grants and Contributions:										
General government	2,019,511	1,785,014	5,102,185	6,279,853	6,998,575	6,728,959	8,780,438	8,057,312	5,759,703	34,405,150
Public safety	5,112,282	1,830,899	212,915	805,520	1,866,778	2,144,407	986,711	1,085,087	918,607	2,738,267
Public works and transportation (3)	16,919,856	43,203,926	38,384,823	49,814,738	11,801,526	26,115,518	18,100,100	46,691,306	52,741,941	78,162,405

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS

Table 2-a (Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues (Continued)										
Culture and recreation	7,909,851	1,565,933	3,123,739	3,794,333	1,739,360	1,715,816	4,950,414	384,826	764,642	1,866,137
Community development and housing	2,567,389	1,760,429	79,902	556,768	1,008,236	3,306,075	1,509,342	536,830	(11,539)	-
Environment	-	5,024,146	493,943	12,063	-	-	43,848	5,582,790	1,787,625	6,677,036
Total Governmental Activities Program Revenues	430,069,196	393,356,261	432,358,801	425,112,644	436,825,355	440,554,938	474,053,149	470,471,288	521,923,606	564,732,164
Business-type Activities:										
Charges for Services:										
Liquor control	220,795,524	229,317,194	242,802,606	252,285,232	259,327,227	268,677,859	278,768,662	294,593,991	298,493,309	296,898,858
Solid waste activities	100,139,024	103,373,586	106,304,522	108,410,918	108,780,916	109,251,865	111,621,329	109,338,285	115,150,999	115,663,792
Parking lot districts	27,303,666	28,252,122	30,647,758	29,208,719	31,980,146	31,093,981	34,717,204	32,731,451	36,001,841	36,166,913
Permitting services	22,998,323	27,840,904	30,537,026	41,196,475	45,231,452	44,393,317	38,595,012	43,882,689	39,652,271	44,429,923
Community use of public facilities	8,576,323	8,405,087	9,854,373	10,378,258	10,555,506	10,986,875	11,133,118	11,437,099	11,335,072	11,917,129
Operating Grants and Contributions:										
Solid waste activities	8,700	30,000	-	-	-	-	-	-	-	-
Total Business-type Activities Program Revenues	379,821,560	397,218,893	420,146,285	441,479,602	455,875,247	464,403,897	474,835,325	491,983,515	500,633,492	505,076,615
Total Primary Government Program Revenues	809,890,756	790,575,154	852,505,086	866,592,246	892,700,602	904,958,835	948,888,474	962,454,803	1,022,557,098	1,069,808,779
Net (Expense) Revenue (1)										
Governmental activities	(3,166,549,150)	(3,088,006,067)	(3,018,244,192)	(3,083,611,712)	(3,194,999,901)	(3,242,167,509)	(3,269,997,254)	(3,534,402,582)	(3,590,717,498)	(3,586,835,289)
Business-type activities	20,291,641	25,428,559	38,922,952	57,860,232	56,797,043	27,028,531	40,950,761	46,583,076	53,809,253	51,241,753
Total Primary Government Net Expense	(3,146,257,509)	(3,062,577,508)	(2,979,321,240)	(3,025,751,480)	(3,138,202,858)	(3,215,138,978)	(3,229,046,493)	(3,487,819,506)	(3,536,908,245)	(3,535,593,536)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes (2)	2,759,520,047	2,711,817,013	2,945,614,528	3,083,078,491	3,208,768,624	3,290,585,776	3,228,243,148	3,488,157,212	3,722,174,244	3,670,382,662
Grants, contributions, and other revenue not restricted to specific programs	-	-	-	-	-	588,567	-	-	-	-
Investment income (3)	14,173,076	8,299,709	5,543,975	7,035,479	8,036,630	6,457,962	6,787,434	7,907,133	13,770,994	18,175,824
Gain/(loss) on sale of capital assets	1,604,285	(1,366,889)	2,669,858	1,103,216	4,965,531	(3,529,635)	3,882,648	172,639	-	2,106,453
Transfers	44,971,675	55,088,988	53,459,555	47,986,288	44,703,099	46,858,508	55,489,227	49,385,156	31,875,197	65,155,838
Total Governmental Activities	2,820,269,083	2,773,838,821	3,007,287,916	3,139,203,474	3,266,473,884	3,340,961,178	3,294,402,457	3,545,622,140	3,767,820,435	3,755,820,777
Business-type Activities:										
Property taxes	11,854,882	9,931,045	9,273,198	8,503,222	10,063,874	10,391,101	10,903,699	(657,506)	(45,762)	-
Investment income	2,599,459	569,792	154,471	43,202	51,852	100,857	215,823	415,329	1,068,863	2,073,306
Gain/(loss) on sale of capital assets	-	-	-	42,544,670	-	(1,241,279)	175,100	9,855,423	162,042	197,700
Transfers	(44,971,675)	(55,088,988)	(53,459,555)	(47,986,288)	(44,703,099)	(46,858,508)	(55,489,227)	(49,385,156)	(31,875,197)	(65,155,838)
Total Business-type Activities	(30,517,334)	(44,588,151)	(44,031,886)	3,104,806	(34,587,373)	(37,607,829)	(44,194,605)	(39,771,910)	(30,690,054)	(62,884,832)
Total Primary Government	2,789,751,749	2,729,250,670	2,963,256,030	3,142,308,280	3,231,886,511	3,303,353,349	3,250,207,852	3,505,850,230	3,737,130,381	3,692,935,945
Change in Net Position										
Governmental activities	(346,280,067)	(314,167,246)	(10,956,276)	55,591,762	71,473,983	98,793,669	24,405,203	11,219,558	177,102,937	168,985,488
Business-type activities	(10,225,693)	(19,159,592)	(5,108,934)	60,965,038	22,209,670	(10,579,298)	(3,243,844)	6,811,166	23,119,199	(11,643,079)
Total Primary Government	\$ (356,505,760)	\$ (333,326,838)	\$ (16,065,210)	\$ 116,556,800	\$ 93,683,653	\$ 88,214,371	\$ 21,161,359	\$ 18,030,724	\$ 200,222,136	\$ 157,342,409

MONTGOMERY COUNTY, MARYLAND
FINANCIAL TRENDS
CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
LAST TEN FISCAL YEARS
Table 2-a (Concluded)

NOTES:

* This table presents information from the basic financial statement Exhibit A-2.

* Government-wide net position information is reported on the accrual basis of accounting.

- (1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses
- (2) See Table 2-b for detail of General Tax Revenues.
- (3) Certain amounts have been restated or reclassified to conform with the following year's presentation.

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES
 LAST TEN FISCAL YEARS

Table 2-b

	2009	2010	2011	2012	2013
Property taxes	\$ 1,296,974,051	\$ 1,371,964,491	\$ 1,358,968,819	\$ 1,395,693,492	\$ 1,463,855,656
County income taxes	1,169,568,981	1,010,874,757	1,151,260,721	1,265,289,159	1,311,161,472
Real property transfer taxes	64,771,739	77,106,332	71,809,475	76,089,437	84,391,394
Recordation taxes	42,437,216	44,934,687	57,725,334	51,207,341	57,635,661
Fuel energy taxes	129,328,307	156,880,330	233,408,845	226,148,664	223,948,716
Hotel-motel taxes	16,829,254	17,064,493	19,295,158	18,167,827	18,910,872
Telephone taxes	30,906,025	29,741,879	49,087,889	46,470,315	45,696,525
Other taxes	<u>8,704,474</u>	<u>3,250,044</u>	<u>4,058,287</u>	<u>4,012,256</u>	<u>3,168,328</u>
Total Taxes - Governmental Activities	<u>\$ 2,759,520,047</u>	<u>\$ 2,711,817,013</u>	<u>\$ 2,945,614,528</u>	<u>\$ 3,083,078,491</u>	<u>\$ 3,208,768,624</u>

	2014	2015	2016	2017	2018
Property taxes	\$ 1,528,302,790	\$ 1,528,093,085	\$ 1,593,880,896	\$ 1,792,921,614	\$ 1,789,105,013
County income taxes	1,329,827,192	1,276,415,595	1,464,946,447	1,481,806,881	1,448,372,065
Real property transfer taxes	90,496,157	92,068,495	100,566,864	118,000,203	109,452,764
Recordation taxes	53,962,477	55,530,762	61,141,531	60,375,616	49,135,141
Fuel energy taxes	210,678,660	207,195,218	193,281,367	192,459,066	197,200,021
Hotel-motel taxes	17,675,982	19,007,650	19,444,152	21,462,751	21,033,479
Telephone taxes	53,160,865	48,839,958	49,694,945	50,812,917	51,600,631
Other taxes	<u>6,481,653</u>	<u>1,092,385</u>	<u>5,201,010</u>	<u>4,335,196</u>	<u>4,483,548</u>
Total Taxes - Governmental Activities	<u>\$ 3,290,585,776</u>	<u>\$ 3,228,243,148</u>	<u>\$ 3,488,157,212</u>	<u>\$ 3,722,174,244</u>	<u>\$ 3,670,382,662</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 8,621,928	\$ 7,596,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	99,484,134	39,665,617	-	-	-	-	-	-	-	-
Nonspendable	-	-	4,181,482	5,635,580	5,649,319	6,159,553	6,799,926	7,275,055	8,797,529	6,755,806
Restricted	-	-	-	-	184,879,381	208,001,441	231,233,570	261,313,852	292,445,250	322,335,413
Committed	-	-	23,275,746	41,243,696	49,695,245	68,078,344	70,586,279	71,684,134	60,445,573	62,163,634
Assigned	-	-	11,022,956	20,382,922	29,344,177	33,293,736	26,575,194	27,035,009	26,916,962	27,071,892
Unassigned	-	-	69,031,737	192,937,060	238,947,394	284,211,537	156,538,119	113,028,313	118,366,481	102,697,761
Total General Fund	<u>108,106,062</u>	<u>47,262,456</u>	<u>107,511,921</u>	<u>260,199,258</u>	<u>508,515,516</u>	<u>599,744,611</u>	<u>491,733,088</u>	<u>480,336,363</u>	<u>506,971,795</u>	<u>521,024,506</u>
All Other Governmental Funds:										
Reserved	225,379,967	292,759,512	-	-	-	-	-	-	-	-
Unreserved (deficit), reported in:										
Capital Projects Fund	(86,447,622)	(34,256,005)	-	-	-	-	-	-	-	-
Special Revenue Funds	176,689,046	107,931,281	-	-	-	-	-	-	-	-
Nonspendable	-	-	212,311,293	212,663,632	102,478	-	1,842,076	1,489,280	-	-
Restricted	-	-	116,843,705	172,168,580	273,243,953	314,830,001	491,602,469	413,785,975	441,648,621	650,720,854
Committed	-	-	97,110,019	117,227,649	23,217,760	-	-	-	-	-
Assigned	-	-	(16,187,982)	(6,573,775)	-	1,777,868	-	-	-	-
Unassigned	-	-	-	-	(4,023,811)	(45,043,906)	(123,843)	-	(60,793)	(5,430,786)
Total All Other Governmental Funds	<u>315,621,391</u>	<u>366,434,788</u>	<u>410,077,035</u>	<u>495,486,086</u>	<u>292,540,380</u>	<u>271,563,963</u>	<u>493,320,702</u>	<u>415,275,255</u>	<u>441,587,828</u>	<u>645,290,068</u>
Total All Governmental Funds	<u>\$ 423,727,453</u>	<u>\$ 413,697,244</u>	<u>\$ 517,588,956</u>	<u>\$ 755,685,344</u>	<u>\$ 801,055,896</u>	<u>\$ 871,308,574</u>	<u>\$ 985,053,790</u>	<u>\$ 895,611,618</u>	<u>\$ 948,559,623</u>	<u>\$ 1,166,314,574</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$2,872,519,430	\$2,742,547,034	\$2,842,907,152	\$3,071,355,492	\$3,213,926,861	\$3,340,415,154	\$3,262,424,596	\$3,447,864,362	\$3,711,400,753	\$3,690,299,252
Licenses and permits	11,545,500	11,864,114	12,846,648	12,195,140	10,738,233	11,614,419	11,326,007	12,265,385	11,758,684	11,750,533
Intergovernmental	226,479,924	247,787,259	233,177,719	238,828,101	203,295,273	238,025,684	239,344,101	243,783,791	242,093,911	302,227,316
Charges for services	89,226,745	88,114,055	95,328,028	104,474,174	118,897,641	137,867,556	138,342,978	118,467,372	127,764,110	99,502,255
Fines and forfeitures	28,423,775	24,010,876	22,095,048	19,823,291	23,990,181	24,718,907	29,527,268	29,007,222	28,633,840	31,145,495
Investment income	12,114,916	8,167,875	2,501,375	1,678,682	3,559,251	3,246,853	3,140,302	3,981,063	9,208,776	11,396,740
Miscellaneous (1)	17,856,623	13,186,434	35,697,895	32,262,972	28,609,606	19,238,372	22,099,346	18,754,780	60,558,640	56,778,286
Total Revenues	3,258,166,913	3,135,677,647	3,244,553,865	3,480,617,852	3,603,017,046	3,775,126,945	3,706,204,598	3,874,123,975	4,191,418,714	4,203,099,877
Expenditures										
General government	277,007,216	251,799,095	250,208,030	304,292,249	377,437,886	427,961,485	436,469,967	423,988,597	448,738,319	388,935,560
Public safety	569,158,754	551,861,356	540,676,570	545,731,975	584,117,898	609,901,721	638,867,007	654,542,863	623,552,752	639,589,841
Public works and transportation	176,414,373	209,734,805	172,602,449	163,495,587	182,373,840	202,423,119	201,412,836	210,800,081	195,129,517	202,497,073
Health and human services	276,831,826	274,811,330	259,840,844	241,758,579	262,670,134	290,822,526	307,899,487	298,572,142	320,432,552	332,908,876
Culture and recreation	93,616,178	87,134,422	69,468,004	69,919,113	75,063,030	83,710,619	86,389,803	92,157,698	94,553,277	97,871,980
Community development and housing	19,208,889	38,595,295	56,344,179	44,426,304	42,401,492	34,324,023	42,434,875	37,372,312	52,467,220	65,680,764
Environment	10,318,956	12,667,903	13,758,025	20,857,521	20,173,173	19,621,158	21,828,607	23,414,990	27,746,495	30,608,757
Education (2)	1,643,643,553	1,562,095,633	1,525,074,457	1,484,470,943	1,541,101,257	1,569,587,294	1,615,305,046	1,674,058,571	1,818,904,243	1,850,884,306
Debt service:										
Principal	373,014,292	136,317,844	142,318,320	160,126,917	164,255,364	176,485,346	197,898,016	192,160,354	224,618,357	233,284,376
Interest	87,192,902	85,337,817	90,118,001	96,102,824	26,472,773	22,100,609	27,134,321	29,873,326	29,326,306	24,716,905
Leases and other obligations	19,857,064	20,921,170	28,650,471	24,704,102	112,329,448	115,657,356	124,957,396	133,478,302	141,126,787	147,666,274
Issuing costs	2,087,524	5,544,495	4,407,985	6,108,436	3,943,616	4,509,475	5,669,380	3,715,273	5,639,495	5,046,571
Capital projects	447,794,002	511,372,430	496,309,888	559,056,287	603,801,660	617,298,883	556,683,579	624,096,406	627,826,903	629,707,191
Total Expenditures	3,996,145,529	3,748,193,595	3,649,777,223	3,721,050,837	3,996,141,571	4,174,403,614	4,262,950,320	4,398,230,915	4,610,062,223	4,649,398,474
Excess (Deficiency) of Revenues over (under) Expenditures	(737,978,616)	(612,515,948)	(405,223,358)	(240,432,985)	(393,124,525)	(399,276,669)	(556,745,722)	(524,106,940)	(418,643,509)	(446,298,597)
Other Financing Sources (Uses)										
Transfers in	367,718,614	440,418,586	407,905,174	494,213,344	500,639,293	468,468,576	518,356,272	498,634,256	553,454,133	655,987,851
Transfers (out)	(324,259,745)	(370,535,898)	(351,883,159)	(447,138,462)	(438,499,850)	(414,155,565)	(452,713,522)	(448,738,284)	(521,670,247)	(564,081,852)
Sale of property	1,629,312	1,596,976	3,124,492	1,578,365	5,652,439	1,552,618	3,596,267	1,192,070	1,886,335	2,330,091
Financing under notes and leases payable	-	22,969,000	97,525	35,151,498	8,395,000	15,857,552	18,128,411	8,360,742	41,921,607	39,446,477
Payment to refunded bond escrow agent	-	(183,217,861)	-	(314,114,061)	(33,636,846)	(29,837,255)	(429,855,226)	-	-	(441,368,126)

MONTGOMERY COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

Table 4 (Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses) (Continued)										
Debt Issued:										
General obligation bonds	250,000,000	310,000,000	325,000,000	320,000,000	295,000,000	295,000,000	500,000,000	300,000,000	340,000,000	340,000,000
Premium on general obligation bonds	-	9,937,130	28,107,877	37,661,920	32,201,168	30,795,345	81,853,250	26,706,450	29,810,010	28,688,520
Bond anticipation notes	250,000,000	125,000,000	75,000,000	-	-	-	-	-	-	-
Certificates of participation	-	24,483,684	-	-	-	-	-	-	24,860,000	-
Premium on Certificates of participation	-	-	-	-	-	-	-	-	1,329,676	-
Lease revenue bonds	15,059,652	14,700	29,360,000	28,840,000	-	-	-	-	-	-
Taxable LTD obligation certificate	-	30,400,000	-	-	-	38,015,000	-	-	-	-
Discount on Taxable LTD obligation certificate	-	-	-	-	-	(4,763)	-	-	-	-
Notes payable	10,000,000	-	-	-	-	-	-	-	-	-
Premium on general obligation refunding bonds	-	22,055,598	-	43,863,734	2,013,430	5,023,826	74,595,486	-	-	86,325,587
Capital lease financing	-	11,985	-	-	-	-	-	-	-	-
General obligation refunding bonds	8,917,011	161,755,000	-	237,655,000	23,360,000	25,059,716	356,510,000	-	-	516,725,000
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>579,066,853</u>	<u>594,890,910</u>	<u>516,713,920</u>	<u>478,531,385</u>	<u>438,497,090</u>	<u>469,531,361</u>	<u>670,472,953</u>	<u>434,664,768</u>	<u>471,591,514</u>	<u>664,053,548</u>
Net Change in Fund Balances	<u>\$ (158,911,763)</u>	<u>\$ (17,625,038)</u>	<u>\$ 111,490,562</u>	<u>\$ 238,098,400</u>	<u>\$ 45,372,565</u>	<u>\$ 70,254,692</u>	<u>\$ 113,727,231</u>	<u>\$ (89,442,172)</u>	<u>\$ 52,948,005</u>	<u>\$ 217,754,951</u>
Debt service as a percentage of noncapital expenditures (1, 2)	12.13%	6.44%	6.80%	7.47%	5.15%	5.25%	5.66%	5.44%	5.91%	6.03%

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, 2018 AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 5

	Cash and Investments			Investment and Interest Income (Loss)		
	Pooled	Non-pooled	Total	Pooled	Non-pooled	Total
Primary Government:						
General Fund	\$ 346,615,901	\$ 6,714,912	\$ 353,330,813	\$ 3,583,102	\$ 12,196	\$ 3,595,298
Debt Service Fund	18,558,350	169,878,531	188,436,881	-	1,272,378	1,272,378
Capital Projects Fund	277,517,112	53,065,027	330,582,139	1,964,547	640,960	2,605,507
Special Revenue Funds:						
Recreation	3,391,056	5,750	3,396,806	-	-	-
Fire Tax District	1,616,510	5,000	1,621,510	11,662	-	11,662
Mass Transit Facilities	26,872,757	-	26,872,757	-	-	-
Housing Initiative	33,127,918	212,450	33,340,368	417,962	2,424,014	2,841,976
Rehabilitation Loan	2,492,130	-	2,492,130	25,143	39,081	64,224
Cable TV (2)	6,690,140	-	6,690,140	126,829	-	126,829
Grants (1)	4,068,683	-	4,068,683	-	395,471	395,471
Agricultural Transfer Tax	967,716	-	967,716	10,205	-	10,205
Drug Enforcement Forfeitures	2,000,304	25,000	2,025,304	30,235	-	30,235
Water Quality Protection	22,402,139	-	22,402,139	444,772	-	444,772
Restricted Donations	36,493,359	-	36,493,359	-	-	-
Total Special Revenue Funds	140,122,712	248,200	140,370,912	1,066,808	2,858,566	3,925,374
Enterprise Funds:						
Liquor	6,306,249	2,509,960	8,816,209	19,717	30,822	50,539
Solid Waste Activities	100,387,364	3,600	100,390,964	866,485	-	866,485
Parking Lot Districts	37,458,487	3,100,446	40,558,933	397,828	36,619	434,447
Permitting Services	38,378,983	-	38,378,983	560,411	-	560,411
Community Use of Public Facilities	11,261,034	-	11,261,034	161,425	-	161,425
Total Enterprise Funds	193,792,117	5,614,006	199,406,123	2,005,866	67,441	2,073,307
Internal Service Funds:						
Motor Pool	14,534,142	300	14,534,442	159,331	-	159,331
Liability & Property Coverage Self-Insurance	164,185,643	-	164,185,643	2,065,271	-	2,065,271
Employee Health Benefits Self-Insurance	23,231,782	-	23,231,782	363,140	-	363,140
Central Duplicating	1,232,487	-	1,232,487	21,418	-	21,418
Total Internal Service Funds	203,184,054	300	203,184,354	2,609,160	-	2,609,160
Pension and Other Employee Benefit Trust Funds (1)	4,385,879	6,131,870,211	6,136,256,090	98,092	525,515,887	525,613,979
Investment Trust Fund	11,692,941	-	11,692,941	156,195	-	156,195
Private Purpose Trust Funds	-	-	-	-	-	-
Agency Funds	108,859,063	191,931	109,050,994	9,164	-	9,164
Total Primary Government	1,304,728,129	6,367,583,118	7,672,311,247	11,492,934	530,367,428	541,860,362
Component Units (Participation in County Pool)	289,888	-	289,888	5,198	-	5,198
Total	\$ 1,305,018,017	\$ 6,367,583,118	\$ 7,672,601,135	\$ 11,498,132	\$ 530,367,428	\$ 541,865,560

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 \$1,817 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, 2018

Table 6

Description	Total
PNC Bank	\$ 159,990,522
Capital One Bank	166,169,825
Congressional Bank	4,429,584
Eagle Bank	40,967,514
Capital Bank	3,514,757
United Bank	21,248,172
Colombo Bank	1,002,846
Total Financial Institutions	<u>397,323,220</u>
Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow:	
General Fund	6,714,912
Debt Service Fund	169,878,531
Capital Projects Fund	53,065,027
Special Revenue Funds	248,200
Enterprise Funds	2,572,534
Internal Service Funds	300
Fiduciary Funds	191,931
Total Petty Cash, Change Funds, Fiscal Agents, and Safe Deposit Escrow	<u>232,671,435</u>
Total Cash Deposits in Financial Institutions and on Hand	629,994,655
Investments, at carrying value	7,040,535,493
Accrued interest receivable	2,070,988
Total Cash and Investments (1)	<u>\$ 7,672,601,135</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, 2018
Table 7

	Pooled	Non-Pooled		Total Carrying Value (2)
		Enterprise	Fiduciary	
Investments, including accrued interest:				
U.S. Agency Securities	\$ 340,927,660	\$ -	\$ -	\$ 340,927,660
U.S. Treasury Securities	71,812,870	-	-	71,812,870
Commercial paper	83,673,435	-	-	83,673,435
Repurchase Agreements	150,000,000	-	-	150,000,000
Money Market Funds	-	3,041,472	-	3,041,472
Maryland Local Government Investment Pool	259,209,845	-	-	259,209,845
Pension and Other Employee Benefit Trusts	-	-	6,131,870,211	6,131,870,211
Total (1)	<u>\$ 905,623,810</u>	<u>\$ 3,041,472</u>	<u>\$ 6,131,870,211</u>	<u>\$ 7,040,535,493</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	
2009	\$ 123,318,552,451	\$ 127,923,809,596	\$ 34,814,939,022	\$ 36,115,081,973	\$ 158,133,491,473	\$ 164,038,891,570	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	135,320,234,942	34,855,968,247	37,722,909,358	159,891,865,334	173,043,144,300	1.008
2015	127,929,975,330	132,432,686,677	35,726,782,876	36,984,247,284	163,656,758,206	169,416,933,961	0.995
2016	130,228,674,548	139,133,199,303	39,947,771,504	42,679,243,060	170,176,446,052	181,812,442,363	0.986
2017	136,227,683,441	146,324,042,364	41,267,669,577	44,326,175,700	177,495,353,018	190,650,218,064	1.025
2018	141,123,298,797	149,442,250,755	42,870,571,864	45,397,711,116	183,993,870,661	194,839,961,871	0.999

Fiscal Year	Personal Property (2)					Total Direct Tax Rate (3)	Real and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value
	Business		Public Utility		Total		Assessed Value	Estimated Actual Value	
	Individuals	Corporations	Operating Property	Domestic Shares					
2009	\$ 31,767,940	\$ 2,328,560,300	\$ 1,077,766,490	\$ 482,076,290	\$ 3,920,171,020	\$ 2.241	\$ 162,053,662,493	\$ 167,959,062,590	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	176,752,471,808	92.56
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	173,072,067,171	96.67
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	185,696,791,380	93.73
2017	58,246,910	2,294,129,160	1,353,826,658	345,169,740	4,051,372,468	2.547	181,546,725,486	194,701,590,532	93.24
2018	59,939,710	2,365,219,600	1,415,902,926	347,503,030	4,188,565,266	2.487	188,182,435,927	199,028,527,137	94.55

NOTES:

- * Exempt and nontaxable property are not included in this table.
- * The following classes of property are not taxed: 1) personal property not used in a trade, business, or profession, and 2) business inventories.
- * Intangible personal property is exempt from taxation except in two instances: shares of stock in certain domestic utilities and oil pipeline corporations (shown above) and intangible personal property of corporations under a contract with the State, granted charter exemptions from property taxation.
- * Property owned by the Federal government, the State, or a subdivision or agency of either, is exempt. Also exempt are real and personal property used for religious, educational, or charitable purposes. Specific exemptions involve historical property, societies and museums, conservation property, cemeteries, certain fraternal and service organizations, continuing care facilities for the aged, nonprofit housing property, and dwelling houses of disabled veterans and blind persons.
- * Ratio for real property in FY14, FY15, FY16, and FY17 updated by the State Department of Assessments and Taxation.
- * Ratio for real property for FY18 not available used average of ratios FY15-FY17.
- (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.

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:											
2009	.6610	.1160	.0400	.0010	.8180	.0220	.0030	.0190	.0530	.0840	.9020
2010	.6830	.1050	.0370	.0010	.8260	.0190	.0030	.0180	.0500	.0780	.9040
2011	.6990	.0970	.0370	.0010	.8340	.0180	.0030	.0150	.0450	.0700	.9040
2012	.7130	.1210	.0380	.0010	.8730	.0180	.0030	.0170	.0480	.0740	.9470
2013	.7240	.1340	.0480	.0010	.9070	.0210	.0030	.0180	.0540	.0830	.9900
2014	.7590	.1250	.0420	.0010	.9270	.0200	.0030	.0180	.0530	.0810	1.0080
2015	.7320	.1360	.0400	.0010	.9090	.0230	.0030	.0170	.0560	.0857	.9947
2016	.7230	.1160	.0600	.0010	.9000	.0230	.0030	.0180	.0552	.0858	.9858
2017	.7734	.1140	.0520	.0010	.9404	.0230	.0030	.0170	.0548	.0845	1.0249
2018	.7484	.1089	.0580	.0010	.9163	.0240	.0000	.0172	.0554	.0833	.9996
Personal Property:											
2009	1.6520	.2900	.1000	.0030	2.0450	.0550	.0070	.0470	.1320	.1960	2.2410
2010	1.7070	.2620	.0920	.0030	2.0640	.0470	.0070	.0450	.1250	.1830	2.2470
2011	1.7470	.2420	.0920	.0030	2.0840	.0450	.0070	.0380	.1120	.1630	2.2470
2012	1.7830	.3030	.0950	.0030	2.1840	.0450	.0080	.0430	.1200	.1730	2.3570
2013	1.8100	.3350	.1200	.0030	2.2680	.0530	.0080	.0450	.1350	.1950	2.4630
2014	1.8980	.3130	.1050	.0030	2.3190	.0500	.0080	.0450	.1330	.1900	2.5090
2015	1.8300	.3400	.1000	.0030	2.2730	.0580	.0080	.0430	.1400	.2003	2.4733
2016	1.8075	.2900	.1500	.0025	2.2500	.0575	.0075	.0450	.1380	.1998	2.4498
2017	1.9335	.2850	.1300	.0025	2.3510	.0575	.0075	.0425	.1370	.1959	2.5469
2018	1.8710	.2723	.1450	.0025	2.2908	.0600	.0000	.0430	.1385	.1963	2.4871

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 services.
 - (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:												
2009	.2800	.2800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0630	.1440	.0000
2010	.2800	.1800	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0860	.1370	.0000
2011	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0800	.0800	.0790	.1630	.0000
2012	.3170	.1040	.2400	.2400	.0240	.0120	.0300	.0770	.0800	.0990	.1650	.1070
2013	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0100	.0990	.1730	.1120
2014	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.1050	.1830	.1130
2015	.3170	.1240	.2400	.2400	.0240	.0120	.0300	.0000	.0000	.0810	.1820	.1120
2016	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0660	.1510	.1111
2017	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0410	.1530	.1150
2018	.0000	.0000	.0000	.0000	.0240	.0120	.0300	.0000	.0000	.0740	.1610	.1125
Personal Property:												
2009	.7000	.7000	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2010	.7000	.4500	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2011	.7920	.2600	.6000	.6000	.0600	.0300	.0750	.2000	.2000	.0000	.0000	.0000
2012	.7930	.2600	.6000	.6000	.0600	.0300	.0750	.1930	.2000	.0000	.0000	.0000
2013	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0250	.0000	.0000	.0000
2014	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2015	.7930	.3100	.6000	.6000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2016	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2017	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000
2018	.0000	.0000	.0000	.0000	.0600	.0300	.0750	.0000	.0000	.0000	.0000	.0000

NOTES:

* Tax rates are per \$100 of assessed value.

* Personal property tax rates are applied to 100 percent of the property assessment.

* The County special taxing district rates above represent taxes that are levied against mutually exclusive specific geographic portions of the County's assessable base. Such rates are not included in the County direct rate on Table 9-a, as they are not reflective of what all County taxpayers would pay.

(1) Parking Lot Districts also carry a tax rate of one-half the amount shown which applies to property zoned commercial but not used as such.

(2) White Flint Special Taxing District was established in November 2010 and levy year 2011 was the first year that the property tax on commercial properties went into effect.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - CITIES AND TOWNS
 LAST TEN FISCAL YEARS

Table 9-c

Fiscal Year	Cities			Towns									
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:													
2009	.2120	.2920	.6050	.0540	.1500	.0210	.1900	.1300	.1300	.1200	.1600	.0400	.1810
2010	.2120	.2920	.5800	.0490	.1500	.0100	.1920	.1300	.1220	.1100	.1500	.0400	.1810
2011	.2620	.2920	.5800	.0514	.1500	.0100	.1920	.1300	.1360	.1000	.1594	.0800	.2210
2012	.2620	.2920	.5800	.0514	.1500	.0105	.2100	.1300	.1360	.1100	.1594	.0800	.2210
2013	.2620	.2920	.5800	.0514	.1500	.0104	.2100	.1340	.1360	.1100	.1590	.0800	.3170
2014	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400	.1360	.1000	.1672	.0800	.3000
2015	.2620	.2920	.5700	.0514	.1500	.0000	.2100	.1400	.1360	.0900	.1672	.0800	.3000
2016	.2620	.2920	.5850	.0514	.2000	.0000	.2100	.1400	.1360	.0900	.1700	.0800	.2860
2017	.2620	.2920	.5675	.0514	.2000	.0100	.2100	.1400	.1360	.0900	.1756	.1000	.2700
2018	.2620	.2920	.5348	.0514	.1500	.0100	.2100	.1400	.1360	.0900	.1756	.1000	.2550
Personal Property:													
2009	.5300	.8050	1.5130	.2000	.4500	.1000	1.0000	.8000	.5000	.3300	.6000	1.0000	.6000
2010	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5000	.3100	.6000	1.0000	.6000
2011	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2012	.5300	.8050	1.4500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2013	.5300	.8050	1.5500	.2000	.4500	.1000	1.0000	.8000	.5500	.3000	.6000	1.0000	.6000
2014	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.5700	.3000	.6000	1.0000	.7000
2015	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.6200	.3000	.6000	1.0000	.7000
2016	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.6500	.3000	.6000	1.0000	.7000
2017	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.7000	.3000	.6000	1.0000	.7000
2018	.5300	.8050	1.5500	.2000	.4500	.0000	1.0000	.8000	.7000	.3000	.6000	1.0000	.7000

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - VILLAGES
 LAST TEN FISCAL YEARS

Table 9-d

Fiscal Year	Villages									
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:										
2009	.0500	.0200	.0000	.0220	.1030	.0480	.0400	.0080	.0520	.0400
2010	.0500	.0200	.0000	.0220	.0960	.0480	.0400	.0080	.0520	.0400
2011	.0500	.0200	.0000	.0220	.0900	.0480	.0400	.0400	.0520	.0400
2012	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0460	.0520	.0400
2013	.0500	.0200	.0000	.0220	.1010	.0480	.0400	.0470	.0520	.0400
2014	.0500	.0200	.0000	.0220	.1000	.0480	.0400	.0470	.0520	.0400
2015	.0500	.0200	.0000	.0220	.0850	.0480	.0400	.0472	.0520	.0400
2016	.0500	.0200	.0000	.0220	.0828	.0480	.0400	.0472	.0520	.0400
2017	.0400	.0200	.0000	.0220	.0807	.0480	.0400	.0472	.0520	.0400
2018	.0400	.0200	.0000	.0200	.0819	.0480	.0400	.0472	.0450	.0400
Personal Property:										
2009	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2010	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2011	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2012	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2013	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2014	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2015	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2016	.1250	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2017	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000
2018	.1000	.0500	.0000	.0000	.6600	.1200	.0400	.5000	.1300	.1000

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
Table 10

For the Fiscal Year Ended June 30, 2018				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 954,650,036	\$ 30,503,636	\$ 924,146,400	0.51 %
JBG Smith	660,400,167	660,400,167	-	0.35
Federal Realty Investments Trust	610,256,503	606,230,033	4,026,470	0.32
Verizon Inc.	457,599,237	35,426,967	422,172,270	0.24
Montgomery Mall LLC	412,404,677	410,286,167	2,118,510	0.22
Wash Metro Area Transit Auth	398,157,300	398,157,300	-	0.21
Fishers Lane LLC	372,966,070	372,932,700	33,370	0.20
Street Retail Inc.	347,576,968	347,576,968	-	0.18
Chevy Chase Land Co	321,457,439	320,758,899	698,540	0.17
Wheaton Plaza Reg Shopping Center	321,116,206	320,055,166	1,061,040	0.17
Total	\$ 4,856,584,603	\$ 3,502,328,003	\$ 1,354,256,600	2.57 %
Total Assessable Base	\$ 188,182,435,927			100.00 %

For the Fiscal Year Ended June 30, 2009				
	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 690,226,160	\$ 7,717,700	\$ 682,508,460	0.43 %
Verizon - Maryland	680,681,930	33,066,700	647,615,230	0.42
Montgomery Mall LLC	396,142,869	395,637,599	505,270	0.24
Washington Gas Light Co.	230,268,250	-	230,268,250	0.14
7501 Wisconsin Avenue LLC	226,841,666	226,841,666	-	0.14
Camalier, Anne D et al, Trustee	220,531,312	220,531,312	-	0.14
Federal Realty Investment Trust	213,390,806	211,854,546	1,536,260	0.13
Democracy Associates	207,114,900	207,114,900	-	0.13
Chevy Chase Land Co	201,846,132	201,846,132	-	0.12
Wheaton Plaza Regional Shopping Center	188,065,412	187,096,732	968,680	0.12
Total	\$ 3,255,109,437	\$ 1,691,707,287	\$ 1,563,402,150	2.01 %
Total Assessable Base	\$ 162,053,662,492			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
2009	\$ 1,282,437,423	\$ 1,261,219	\$ 1,283,698,642	\$ 1,278,337,019	99.68	\$ 679,247	\$ 1,279,016,266	99.64 %
2010	1,344,626,102	(5,599,313)	1,339,026,789	1,343,140,289	99.89	(17,225,928)	1,325,914,361	99.02
2011	1,350,416,973	(2,565,756)	1,347,851,217	1,349,698,631	99.95	(4,130,169)	1,345,568,462	99.83
2012	1,365,605,932	(241,681)	1,365,364,251	1,363,217,734	99.83	752,806	1,363,970,540	99.90
2013	1,390,542,228	(1,449,573)	1,389,092,655	1,384,563,178	99.57	769,815	1,385,332,993	99.73
2014	1,437,898,506	(864,437)	1,437,034,069	1,434,787,650	99.78	(1,786,985)	1,433,000,665	99.72
2015	1,447,816,313	1,534,855	1,449,351,168	1,442,602,468	99.64	2,337,816	1,444,940,284	99.70
2016	1,521,343,303	(3,758,344)	1,517,584,959	1,518,519,304	99.81	(8,136,221)	1,510,383,083	99.53
2017	1,663,208,936	(966,214)	1,662,242,722	1,661,121,521	99.87	(1,273,461)	1,659,848,060	99.86
2018	1,679,004,512	-	1,679,004,512	1,678,245,742	99.95	-	1,678,245,742	99.95

NOTES:

* This table includes data for all property taxes billed applicable to all funds for Montgomery County, Maryland to include General, Special Revenue, Debt Service, and Enterprise Funds. Property taxes billed for the State of Maryland, various municipalities and development districts, the Washington Suburban Sanitary Commission, and the Maryland-National Capital Park and Planning Commission, are excluded.

(1) Amounts represent collections received, including overpayments, net of refunds. Penalties and interest are excluded. See Table 12 Note (2) for treatment of such overpayments.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
SCHEDULE OF FISCAL YEAR PROPERTY TAX LEVY, PROPERTY TAX REVENUES,
AND ADDITIONAL ITEMS RELATED TO THE PROPERTY TAX BILLING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 652,471	\$ 648,616	\$ 1,576	\$ 11,336	\$ 661,528
Silver Spring Urban District	817,391	792,295	(6,639)	4,220	789,876
Wheaton Urban District	207,812	206,434	(1,382)	836	205,888
All Other General Fund	1,309,565,385	1,311,172,452	(3,676,380)	(41,884,813)	1,265,611,259
Total General Fund	<u>1,311,243,059</u>	<u>1,312,819,797</u>	<u>(3,682,825)</u>	<u>(41,868,421)</u>	<u>1,267,268,551</u>
Special Revenue Funds: ***					
Recreation	36,485,812	36,394,081	66,776	3,754,550	40,215,407
Mass Transit	101,468,138	101,216,623	184,164	10,260,323	111,661,110
Fire Tax District	190,522,770	190,067,004	285,180	19,283,855	209,636,039
Water Quality Protection Charges	39,284,733	37,748,237	51,625	11,846	37,811,708
Total Special Revenue Funds	<u>367,761,453</u>	<u>365,425,945</u>	<u>587,745</u>	<u>33,310,574</u>	<u>399,324,264</u>
Enterprise Funds:					
Silver Spring Parking Lot District **	-	-	6,060	(15,558)	(9,498)
Bethesda Parking Lot District **	-	-	(2,680)	(9,646)	(12,326)
Wheaton Parking Lot District **	-	-	(134)	(583)	(717)
Total Enterprise Funds	<u>-</u>	<u>-</u>	<u>3,246</u>	<u>(25,787)</u>	<u>(22,541)</u>
Total Property Tax - Montgomery County	<u>1,679,004,512</u>	<u>1,678,245,742</u>	<u>(3,091,834)</u>	<u>(8,583,634)</u>	<u>1,666,570,274</u>
Tax Bill Items Other than Montgomery County					
Property Taxes:					
M-NCPPC Joint Venture Property Taxes:					
M-NCPPC Administration	25,996,329	25,931,283	49,756	2,664,583	28,645,622 *
M-NCPPC Park	83,738,812	83,532,690	154,397	8,574,418	92,261,505 *
M-NCPPC Land Acquisition	1,748,169	1,744,074	2,525	178,404	1,925,003 *
Agency Relationship Property Taxes:					
State of Maryland	206,998,109	206,866,688	(205,356)	(4,929,035)	201,732,297 *
Municipalities	105,109,454	104,433,724	143,941	85	104,577,750 *
Development Districts	2,987,469	2,988,349	(3,842)	8,964	2,993,471 *
Charges for Services:					
Refuse Disposal - Solid Waste Activities Fund	66,884,783	65,768,415	(41,451)	493,300	66,220,264 *
Refuse Collection - Solid Waste Activities Fund	6,429,815	6,426,787	3,324	(507)	6,429,604 *
Leaf Vacuuming	7,229,947	7,226,251	3,007	689	7,229,947 *
Municipality Refuse Charges	1,314,135	1,313,838	332	134	1,314,304 *
Development District Special Assessments	187,894	187,894	-	-	187,894 *
WSSC FFBC	9,692,967	9,686,614	8,906	588	9,696,108 *
Bay Restoration Fund	775,740	773,531	(36,232)	33,640	770,939 *
Total Other Items	<u>519,093,623</u>	<u>516,880,138</u>	<u>79,307</u>	<u>7,025,263</u>	<u>523,984,708</u>
Grand Total	<u>\$ 2,198,098,135</u>	<u>\$ 2,195,125,880</u>	<u>\$ (3,012,527)</u>	<u>\$ (1,558,371)</u>	<u>\$ 2,190,554,982</u>

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 2017 (FY18) to zero.

*** Beginning in FY16, the Urban Districts are included in the General Fund and the Water Quality Protection is included with Special Revenue Funds.

(1) Amounts represent collections received net of refunds.

(2) Total Revenues represent the sum of Collections, during the current year, of Current and Prior Year Levy Assessments, (i.e., cash basis) and related Adjustments and Accruals to convert such data to revenues on the modified or full accrual basis of accounting. Penalties and interest are excluded.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 SCHEDULE OF PROPERTY TAXES RECEIVABLE BY FUND TYPE
 JUNE 30, 2018

Table 13

Year	General*	Special Revenue*	Enterprise	Other Fiduciary	Total
2009 & prior	\$ 1,943,495	\$ 558,259	\$ 73,080	\$ 928,354	\$ 3,503,188
2010	643,758	146,998	6,437	217,118	1,014,311
2011	385,170	103,757	5,821	172,603	667,351
2012	291,476	213,345	38,761	230,772	774,354
2013	455,424	348,994	38,855	456,073	1,299,346
2014	618,163	589,159	73,570	257,928	1,538,820
2015	761,237	1,033,958	50,466	300,059	2,145,720
2016	772,508	1,458,057	44,981	511,084	2,786,630
2017	1,397,302	1,713,695	-	769,171	3,880,168
2018	3,923,906	2,571,752	-	1,354,348	7,850,006
Total Property Taxes Receivable	<u>\$ 11,192,439</u>	<u>\$ 8,737,974</u>	<u>\$ 331,971</u>	<u>\$ 5,197,510</u>	<u>\$ 25,459,894</u>

NOTES:

* Beginning in FY16, the Urban Districts are included in the General Fund and the Water Quality Protection Fund is included in the Special Revenue Funds.

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	
2007	2.00	3.00	4.00	4.75	3.20
2008	2.00	3.00	4.00	4.75-6.25	3.20
2009	2.00	3.00	4.00	4.75-6.25	3.20
2010	2.00	3.00	4.00	4.75-6.25	3.20
2011	2.00	3.00	4.00	4.75-5.50	3.20
2012	2.00	3.00	4.00	4.75-5.75	3.20
2013	2.00	3.00	4.00	4.75-5.75	3.20
2014	2.00	3.00	4.00	4.75-5.75	3.20
2015	2.00	3.00	4.00	4.75-5.75	3.20
2016	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 2016 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
2007	387,875	\$ 45,044,465,276	\$ 36,947,166,594	\$ 1,610,260,135	\$ 1,175,936,199	\$ 2,786,196,334	3.20 %
2008	379,739	41,070,791,364	32,876,469,466	1,511,917,178	1,046,272,919	2,558,190,097	3.20
2009	376,323	39,060,773,506	31,075,877,228	1,410,063,716	987,098,452	2,397,162,168	3.20
2010	386,891	42,234,426,562	34,040,992,827	1,556,444,328	1,081,538,245	2,637,982,573	3.20
2011	393,640	43,986,140,274	35,879,078,661	1,622,232,304	1,139,960,820	2,762,193,124	3.20
2012	401,848	47,554,137,682	39,644,979,160	1,845,214,377	1,259,631,971	3,104,846,348	3.20
2013	407,363	45,607,413,448	38,036,993,408	1,789,843,794	1,207,855,836	2,997,699,630	3.20
2014	413,501	48,591,853,475	40,868,459,662	1,920,372,577	1,283,681,651	3,204,054,228	3.20
2015	414,395	50,116,129,872	42,311,573,366	1,982,448,715	1,319,006,867	3,301,455,582	3.20
2016	421,928	51,599,222,961	43,483,145,210	2,021,966,998	1,346,884,021	3,368,851,019	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.
- * 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% for the top bracket.
- * Tax year 2016 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

	2016						2015					
	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	54,882	13.0 %	\$ 24,635,308,007	56.6 %	\$ 754,368,045	56.0 %	53,225	12.8 %	\$ 23,657,207,816	55.9 %	\$ 731,634,760	55.5 %
\$100,000 - 199,999	85,676	20.3	9,982,729,826	23.0	318,833,543	23.6	85,023	20.6	9,939,715,472	23.5	317,564,616	24.0
\$80,000 - 99,999	33,862	8.0	2,342,944,004	5.4	74,890,207	5.6	33,226	8.0	2,303,354,205	5.4	73,657,082	5.6
\$50,000 - 79,999	73,167	17.3	3,448,749,138	7.9	110,265,158	8.2	71,770	17.3	3,381,485,984	8.0	108,143,358	8.2
\$25,000 - 49,999	96,890	23.0	2,358,850,970	5.4	69,750,765	5.2	94,821	22.9	2,323,387,127	5.5	69,119,921	5.2
\$10,000 - 24,999	67,852	16.1	683,148,906	1.6	18,089,305	1.3	66,759	16.1	675,163,724	1.6	18,195,512	1.4
Under \$10,000	9,599	2.3	31,414,359	0.1	686,998	0.1	9,571	2.3	31,259,038	0.1	691,618	0.1
Total	<u>421,928</u>	<u>100.0 %</u>	<u>\$ 43,483,145,210</u>	<u>100.0 %</u>	<u>\$ 1,346,884,021</u>	<u>100.0 %</u>	<u>414,395</u>	<u>100.0 %</u>	<u>\$ 42,311,573,366</u>	<u>100.0 %</u>	<u>\$ 1,319,006,867</u>	<u>100.0 %</u>

	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	20.1	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	2.5	33,972,218	0.1	739,226	0.1	10,370	2.6	34,049,388	0.1	761,702	0.1
Total	<u>413,501</u>	<u>100.0 %</u>	<u>\$ 40,868,459,662</u>	<u>100.0 %</u>	<u>\$ 1,283,681,651</u>	<u>100.0 %</u>	<u>407,363</u>	<u>100.0 %</u>	<u>\$ 38,036,993,408</u>	<u>100.0 %</u>	<u>\$ 1,207,855,836</u>	<u>100.0 %</u>

	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	55.6 %	\$ 705,083,255	56.0 %	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	23.2	294,106,087	23.3	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	5.5	70,404,468	5.6	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	8.2	103,501,417	8.2	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	5.7	67,996,861	5.4	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	1.7	17,760,659	1.4	67,074	17.0	647,673,860	1.8	17,271,011	1.5
Under \$10,000	10,657	2.7	36,560,249	0.1	779,224	0.1	10,530	2.7	37,359,220	0.1	805,745	0.1
Total	<u>401,848</u>	<u>100.0 %</u>	<u>\$ 39,644,979,160</u>	<u>100.0 %</u>	<u>\$ 1,259,631,971</u>	<u>100.0 %</u>	<u>393,640</u>	<u>100.0 %</u>	<u>\$ 35,879,078,661</u>	<u>100.0 %</u>	<u>\$ 1,139,960,820</u>	<u>100.0 %</u>

(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)

	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	10.6 %	\$ 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	25.0	272,017,224	25.2	75,337	20.0	8,205,421,074	26.4	262,570,303	26.6
\$80,000 - 99,999	31,087	8.0	2,052,626,152	6.0	65,684,030	6.1	30,539	8.1	1,991,569,519	6.4	63,727,815	6.5
\$50,000 - 79,999	68,176	17.6	3,069,598,268	9.0	98,220,784	9.1	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	6.3	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	17.0	639,553,522	1.9	17,109,443	1.6	63,453	16.8	609,402,845	2.0	16,258,806	1.6
Under \$10,000	11,479	3.0	41,405,302	0.1	879,296	0.1	10,726	2.9	38,685,675	0.1	822,935	0.1
Total	<u>386,891</u>	<u>100.0 %</u>	<u>\$ 34,040,992,827</u>	<u>100.0 %</u>	<u>\$ 1,081,538,245</u>	<u>100.0 %</u>	<u>376,323</u>	<u>100.0 %</u>	<u>\$ 31,075,877,228</u>	<u>100.0 %</u>	<u>\$ 987,098,452</u>	<u>100.0 %</u>

	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	10.2 %	\$ 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	19.7	8,091,343,219	24.6	258,922,960	24.7	73,690	19.0	8,058,872,420	21.8	257,889,666	21.9
\$75,000 - 99,999	30,776	8.1	1,986,294,082	6.0	63,561,396	6.1	30,713	7.9	2,030,595,581	5.5	64,983,024	5.5
\$50,000 - 74,999	68,045	17.9	2,989,265,979	9.1	95,651,414	9.1	67,534	17.4	3,057,948,389	8.3	97,861,191	8.3
\$25,000 - 49,999	92,617	24.4	2,175,555,800	6.6	67,165,848	6.4	93,694	24.2	2,298,139,649	6.2	71,322,924	6.1
\$10,000 - 24,999	62,729	16.5	613,532,524	1.9	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	<u>379,739</u>	<u>100.0 %</u>	<u>\$ 32,876,469,466</u>	<u>100.0 %</u>	<u>\$ 1,046,272,919</u>	<u>100.0 %</u>	<u>387,875</u>	<u>100.0 %</u>	<u>\$ 36,947,166,594</u>	<u>100.0 %</u>	<u>\$ 1,175,936,199</u>	<u>100.0 %</u>

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 2016 is the latest tax year for which data are available.

Source: Revenue Administration Division, State Comptroller's Office and Montgomery County Department of Finance.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (2)
Table 17

Fiscal Year	Governmental Activities										Total Governmental Activities
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations	Bond Anticipation Notes	Notes Payable	Lease Revenue Bonds	Certificates of Participation	Capital Leases	Revenue Bonds	Taxable Limited Obligation Certificates	
2009	\$ 1,496,561,371	\$ 100,000,000	\$ -	\$ 300,000,000	\$ 15,764,265	\$ 35,025,000	\$ 30,475,000	\$ 67,929,435	\$ 14,463,000	\$ -	\$ 2,060,218,071
2010	1,437,839,285	100,000,000	232,000,000	425,000,000	13,897,942	33,320,000	50,255,000	81,564,283	13,923,324	30,400,000	2,418,199,834
2011	1,517,280,000	100,000,000	338,320,000	500,000,000	15,023,170	31,550,000	43,935,000	71,156,741	42,803,956	29,470,000	2,689,538,867
2012	1,658,970,000	100,000,000	338,320,000	500,000,000	59,537,476	33,100,000	37,420,000	46,530,000	41,265,110	56,265,000	2,871,407,586
2013	1,930,155,391	100,000,000	339,827,520	500,000,000	49,745,063	33,802,447	30,675,000	20,130,000	83,556,016	54,661,870	3,142,553,307
2014	2,085,028,317	100,000,000	339,671,879	500,000,000	55,419,997	32,812,650	24,305,000	16,432,750	112,031,698	90,509,121	3,356,211,412
2015	2,465,315,677	100,000,000	339,516,238	500,000,000	60,499,112	30,251,464	17,685,000	13,817,910	106,941,278	86,711,269	3,720,737,948
2016	2,582,259,186	100,000,000	323,901,913	500,000,000	53,985,826	27,624,182	10,800,000	11,158,430	151,269,640	82,881,644	3,843,880,821
2017	2,722,235,195	90,000,000	308,297,064	500,000,000	82,172,181	24,912,503	29,731,560	8,454,830	144,304,420	78,964,284	3,989,072,037
2018	2,919,530,233	170,000,000	292,692,211	500,000,000	109,283,027	22,123,326	25,620,410	6,106,510	137,180,120	74,929,237	4,257,465,074

Fiscal Year	Business-type Activities			Ratios		
	Revenue Bonds	Notes Payable	Total Business-Type Activities	Total Primary Government	Debt to Personal Income (1)	Outstanding Debt per Capita (1)
2009	\$ 79,567,000	\$ 467,876	\$ 80,034,876	\$ 2,140,252,947	3.24	\$ 2,232
2010	73,101,676	252,610	73,354,286	2,491,554,120	3.60	2,552
2011	71,566,044	81,782	71,647,826	2,761,186,693	3.74	2,780
2012	87,674,890	-	87,674,890	2,959,082,476	3.84	2,940
2013	86,295,600	1,976,348	88,271,948	3,230,825,255	4.36	3,170
2014	97,163,694	1,701,104	98,864,798	3,455,076,210	4.56	3,353
2015	91,756,076	4,655,348	96,411,424	3,817,149,372	4.77	3,670
2016	83,929,819	5,756,247	89,686,066	3,933,566,887	4.74	3,755
2017	78,105,420	5,367,645	83,473,065	4,072,545,102	4.70	3,860
2018	72,111,188	6,433,707	78,544,895	4,336,009,969	4.80	4,129

NOTES:

- (1) See Table 23 for personal income and population data, used in calculating these ratios.
- (2) Beginning in fiscal year 2013, the County changed its presentation of outstanding debt in the statistical section to include unamortized premiums, discounts, and deferred differences on refundings. Amounts presented prior to fiscal year 2013 are shown at gross amounts.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
Table 18

Fiscal Year	General Bonded Debt Outstanding (1)				Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
	General Obligation Bonds	Variable Rate Demand Obligations	Taxable BABs General Obligations	Total		
2009	\$ 1,496,561,371	\$ 100,000,000	\$ -	\$ 1,596,561,371	0.95	\$ 1,665
2010	1,437,839,285	100,000,000	232,000,000	1,769,839,285	0.99	1,813
2011	1,517,280,000	100,000,000	338,320,000	1,955,600,000	1.01	1,969
2012	1,658,970,000	100,000,000	338,320,000	2,097,290,000	1.18	2,084
2013	1,930,155,391	100,000,000	339,827,520	2,369,982,911	1.36	2,325
2014	2,085,028,317	100,000,000	339,671,879	2,524,700,196	1.42	2,450
2015	2,465,315,677	100,000,000	339,516,238	2,904,831,915	1.61	2,793
2016	2,582,259,186	100,000,000	323,901,913	3,006,161,099	1.67	2,870
2017	2,722,235,195	90,000,000	308,297,064	3,120,532,259	1.61	2,958
2018	2,919,530,233	170,000,000	292,692,211	3,382,222,444	1.71	3,226

NOTES:

(1) General Bonded Debt includes all general obligation debt, variable rate demand obligation, regardless of purpose or repayment source, and other bonded debt financed with general government resources. Governmental lease revenue bonds and business-type revenue bonds are excluded because they are repayable from specific resources other than general governmental resources. Other debt is excluded because it is not in the form of bonds.

(2) See Table 8 for estimated actual value of taxable property data.

(3) See Table 23 for population data used in calculating the Per Capita.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
JUNE 30, 2018
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	\$ 222,200	100.00 %	\$ 222,200
Poolesville - bonds	2,423,479	100.00	2,423,479
Rockville:			
Bonds	32,376,755	100.00	32,376,755
Certificates or notes	52,000	100.00	52,000
Somerset - bonds	1,240,000	100.00	1,240,000
Takoma Park:			
Bonds	10,239,000	100.00	10,239,000
Certificates or notes	150,000	100.00	150,000
Component Units (2):			
MCPS - capital leases	59,680,797	100.00	59,680,797
MC - capital leases	85,388,516	100.00	85,388,516
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	136,625,000	36.92	50,445,000
Advance land acquisition bonds	885,000	100.00	885,000
Development Districts (2):			
Kingsview Village Center - bonds	728,233	100.00	728,233
West Germantown - bonds	10,020,000	100.00	<u>10,020,000</u>
Total Overlapping Debt			253,850,980
Montgomery County direct debt (5)			<u>4,284,990,518</u>
Total Direct and Overlapping Debt			<u>\$ 4,538,841,498</u>

NOTES:

- (1) Direct debt relating to the governmental activities of the County includes general obligation bonds, variable rate demand obligations, bond anticipation notes, notes payable, lease revenue bonds, and capital leases. Overlapping debt is the debt of other governmental entities in the County that is payable in whole or in part by taxpayers of the County. It includes general obligation bonds, revenue bonds, mortgages payable, notes payable, commercial paper, bond anticipation notes, certificates of participation, capital leases, and bank loans.
- (2) Entities are wholly within Montgomery County.
- (3) Unaudited information provided by entities.
- (4) Overlapping debt percentage is based on the debt relating to the County.
- (5) Source: total of governmental activities debt on Table 17.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
Table 20

	2009	2010	2011	2012	2013
Assessed Value					
Real property (1, 3)	\$ 158,133,491,473	\$ 167,096,843,537	\$ 167,790,792,529	\$ 162,197,149,758	\$ 158,272,830,848
Personal property (2)	3,920,171,020	4,123,996,612	3,856,191,952	3,718,945,710	3,604,478,750
Total Assessed Value	<u>\$ 162,053,662,493</u>	<u>\$ 171,220,840,149</u>	<u>\$ 171,646,984,481</u>	<u>\$ 165,916,095,468</u>	<u>\$ 161,877,309,598</u>
Legal Debt Margin					
Debt limit - percentage of assessable base:					
For real property at 6%	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552	\$ 9,731,828,985	\$ 9,496,369,851
For personal property at 15%	588,025,653	618,599,492	578,428,793	557,841,857	540,671,813
Legal limitation for the borrowing of funds and the issuance of bonds	10,076,035,141	10,644,410,104	10,645,876,345	10,289,670,842	10,037,041,664
Debt Applicable to Limit:					
General obligation bonds	1,496,561,371	1,437,839,285	1,517,280,000	1,658,970,000	1,930,155,391
Variable rate demand obligation	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Taxable BABs general obligation	-	232,000,000	338,320,000	338,320,000	339,827,520
Bond anticipation notes	300,000,000	425,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>1,896,561,371</u>	<u>2,194,839,285</u>	<u>2,455,600,000</u>	<u>2,597,290,000</u>	<u>2,869,982,911</u>
Legal Debt Margin	<u>\$ 8,179,473,770</u>	<u>\$ 8,449,570,819</u>	<u>\$ 8,190,276,345</u>	<u>\$ 7,692,380,842</u>	<u>\$ 7,167,058,753</u>
Legal Debt Margin as a Percentage of Debt Limit	81%	79%	77%	75%	71%
<hr/>					
	2014	2015	2016	2017	2018
Assessed Value					
Real property (1, 3)	\$ 159,891,865,334	\$ 163,656,758,206	\$ 170,176,446,052	\$ 177,495,353,018	\$ 183,993,870,661
Personal property (2)	3,709,327,508	3,655,133,210	3,884,349,017	4,051,372,468	4,188,565,266
Total Assessed Value	<u>\$ 163,601,192,842</u>	<u>\$ 167,311,891,416</u>	<u>\$ 174,060,795,069</u>	<u>\$ 181,546,725,486</u>	<u>\$ 188,182,435,927</u>
Legal Debt Margin					
Debt limit - percentage of assessable base:					
For real property at 6%	\$ 9,593,511,920	\$ 9,819,405,492	\$ 10,210,586,763	\$ 10,649,721,181	\$ 11,039,632,240
For personal property at 15%	556,399,126	548,269,982	582,652,353	607,705,870	628,284,790
Legal limitation for the borrowing of funds and the issuance of bonds	10,149,911,046	10,367,675,474	10,793,239,116	11,257,427,051	11,667,917,030
Debt Applicable to Limit:					
General obligation bonds	2,085,028,317	2,465,315,677	2,582,259,186	2,722,235,195	2,919,530,233
Variable rate demand obligation	100,000,000	100,000,000	100,000,000	90,000,000	170,000,000
Taxable BABs general obligation	339,671,879	339,516,238	323,901,913	308,297,064	292,692,211
Bond anticipation notes	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Total Debt Applicable to Limit	<u>3,024,700,196</u>	<u>3,404,831,915</u>	<u>3,506,161,099</u>	<u>3,620,532,259</u>	<u>3,882,222,444</u>
Legal Debt Margin	<u>\$ 7,125,210,850</u>	<u>\$ 6,962,843,559</u>	<u>\$ 7,287,078,017</u>	<u>\$ 7,636,658,297</u>	<u>\$ 7,785,694,586</u>
Legal Debt Margin as a Percentage of Debt Limit	70%	67%	68%	68%	67%

NOTES:

- (1) See (1) on Table 8.
- (2) See (2) on Table 8.
- (3) As a Charter County, the legal debt limit is provided by Article 25A, Section 5(P(i)), of the Annotated Code of Maryland. The legal debt margin is a total of 6 percent of the assessable base (presented at 100 percent) of real property of the County and 15 percent of the County's assessable base of personal property and operating real property.

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
PLEGGED-REVENUE COVERAGE (1)
LAST TEN FISCAL YEARS
Table 21

Fiscal Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue for Debt Service	Debt Service (4)			Coverage %
				Principal	Interest	Total	
Bethesda Parking Lot District:							
2008	\$ 20,991,790	\$ 6,935,238	\$ 14,056,552	\$ 3,175,000	\$ 1,709,435	\$ 4,884,435	287.78 %
2009	21,538,148	7,409,414	14,128,734	3,340,000	1,566,585	4,906,585	287.95
2010	20,046,662	8,188,688	11,857,974	1,840,000	1,429,335	3,269,335	362.70
2011	19,217,766 (a)	7,829,314	11,388,452	1,915,000	1,355,235	3,270,235	348.25
2012	18,137,767 (a)	8,038,372	10,099,395	1,995,000	1,278,135	3,273,135	308.55
2013	20,201,622 (a)	8,006,351	12,195,271	2,020,000	2,030,369	4,050,369	301.09
2014	19,001,427 (a)	8,129,681	10,871,746	2,100,000	1,910,939	4,010,939	271.05
2015	21,153,076 (a)	9,015,362	12,137,714	3,120,000	1,839,789	4,959,789	244.72
2016	17,963,769 (a)	9,024,033	8,939,736	3,245,000	1,575,467	4,820,467	185.45
2017	20,320,118 (a)	9,924,556	10,395,562	3,158,000	1,416,347	4,574,347	227.26
2018	20,803,921 (a)	9,894,949	10,908,972	3,291,000	1,358,910	4,649,910	234.61
Liquor Control:							
2010	\$ 229,335,472	\$ 201,443,397	\$ 27,892,075	\$ 1,745,000	\$ 2,024,478	\$ 3,769,478	739.95 %
2011	242,614,756	212,550,427	30,064,329	1,550,000	2,108,248	3,658,248	821.82
2012	252,364,670	217,254,363	35,110,307	2,825,000	3,530,455	6,355,455	552.44
2013	258,903,266	222,759,553	36,143,713	2,790,000	3,561,750	6,351,750	569.04
2014	268,683,615	235,187,621	33,495,994	4,725,000	5,038,843	9,763,843	343.06
2015	278,792,397	245,176,046	33,616,351	4,640,000	5,188,539	9,828,539	342.03
2016	294,621,921	261,015,960	33,605,961	4,865,000	4,972,389	9,837,389	341.61
2017	298,572,068	269,930,631	28,641,437	5,060,000	4,774,889	9,834,889	291.22
2018	296,949,396	263,850,822	33,098,574	5,295,000	4,539,639	9,834,639	336.55
Metrorail Garage Project:							
2008	\$ 3,292,339	\$ -	\$ 3,292,339	\$ 1,585,000	\$ 1,707,339	\$ 3,292,339	100.00 %
2009	3,295,276	-	3,295,276	1,645,000	1,650,276	3,295,276	100.00
2010	3,294,214	-	3,294,214	1,705,000	1,589,214	3,294,214	100.00
2011	3,292,009	-	3,292,009	1,770,000	1,522,009	3,292,009	100.00
2012	3,416,120	-	3,416,120	2,365,000	1,051,120	3,416,120	100.00
2013	3,472,363	-	3,472,363	1,860,000	1,612,363	3,472,363	100.00
2014	3,474,363	-	3,474,363	1,955,000	1,519,363	3,474,363	100.00
2015	3,481,613	-	3,481,613	2,060,000	1,421,613	3,481,613	100.00
2016	3,478,613	-	3,478,613	2,160,000	1,318,613	3,478,613	100.00
2017	3,490,613	-	3,490,613	2,280,000	1,210,613	3,490,613	100.00
2018	3,491,613	-	3,491,613	2,395,000	1,096,613	3,491,613	100.00
Water Quality Protection:							
2013	\$ 25,302,118	\$ 16,937,522	\$ 8,364,596	\$ 915,000	\$ 1,207,601	\$ 2,122,601	394.07 %
2014	26,047,644	17,248,871	8,798,773	1,310,000	1,706,150	3,016,150	291.72
2015	30,745,793	20,016,830	10,728,963	1,340,000	1,678,850	3,018,850	355.40
2016	33,454,313	20,751,317	12,702,996	1,395,000	1,625,250	3,020,250	420.59
2017	38,471,238	22,324,542	16,146,696	3,185,000	2,963,160	6,148,160	262.63
2018	40,928,526	24,983,355	15,945,171	3,245,000	2,900,838	6,145,838	259.45

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 2018			Fiscal Year 2009		
	Rank	Employees (1)	Percentage of Total County Employment (2,3)	Rank	Employees (1)	Percentage of Total County Employment (2,3)
U.S. Department of Health and Human Services	1	>30,000	6.12 %	1	>30,000	6.27 %
Montgomery County Public Schools	2	20,000 - 25,000	4.59	2	20,000 - 25,000	4.70
Montgomery County Government	3	10,000 - 15,000	2.55	5	5,000 - 10,000	1.57
U.S. Department of Commerce	4	5,000 - 10,000	1.53	4	5,000 - 10,000	1.57
U.S. Department of Defense	5	2,500 - 5,000	0.76	3	10,000 - 15,000	2.61
Holy Cross Hospital of Silver Spring	6	2,500 - 5,000	0.76	10	2,500 - 5,000	0.78
Adventist Healthcare	7	2,500 - 5,000	0.76	7	5,000 - 10,000	1.57
Government Employees Insurance Co.	8	2,500 - 5,000	0.76		*	-
Marriott International Admin Svcs, Inc.	9	2,500 - 5,000	0.76	8	2,500 - 5,000	0.78
U.S. Nuclear Regulatory Commission	10	1,500 - 2,500	0.41		*	-
Lockheed Martin Corporation		*	-	6	5,000 - 10,000	1.57
Giant Food Corporation		*	-	9	2,500 - 5,000	0.78
Total			<u>19.00 %</u>			<u>22.20 %</u>

NOTES:

* Employer is not one of the ten largest employers during the year noted.

Source: Department of Labor, Licensing and Regulation

Analysis and Information - Major Employer List - 4th quarter CY2017 and CY2009

(1) Information such as the actual number of employees is not available for disclosure.

(2) Percentages are based on the midpoint of the employment range and average total Montgomery County employment of FY18 according to Bureau of Labor Statistics, U.S. Department of Labor. Employee counts for federal and military facilities exclude contractors to the extent possible.

(3) Total average payroll employment in FY18 was 490,389, and in FY09, 478,400.

MONTGOMERY COUNTY, MARYLAND
 DEMOGRAPHIC STATISTICS
 LAST TEN YEARS
Table 23

Calendar Year	Population (1)	Personal		Civilian		Unemployment Rate (6)	Average Registered Number of Pupils as of September (7)
		Income (\$ thousands) (2)	Per Capita Income (3)	Labor Force (4)	Resident Employment (5)		
2009	959,013	\$ 66,147,761	\$ 68,975	522,421	494,565	5.3 %	137,763
2010	976,321	69,149,438	70,827	532,549	502,710	5.6	140,500
2011	992,928	73,818,085	74,344	536,832	508,549	5.3	143,309
2012	1,006,218	76,994,315	76,519	540,427	512,438	5.2	146,497
2013	1,017,759	74,017,970	72,726	543,124	516,264	4.9	149,018
2014	1,027,780	75,745,140	73,698	545,005	521,063	4.4	151,289
2015	1,036,233	80,786,226	77,961	549,111	527,763	3.9	153,852
2016	1,043,863	84,518,332	80,967	548,401	529,491	3.4	159,242
2017	1,050,370	87,230,000	83,047	557,412	539,132	3.3	161,909
2018	1,056,920	90,840,000	85,948	562,343	542,965	3.4	161,936

NOTES:

(1) Sources: Data for 2009-2016 is from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2017 and 2018 are estimated by the Montgomery County Department of Finance from Round 9.0 Cooperative Estimates and pertain to population in households. Data for 2009-2016 was published by BEA.

(2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2009-2016 was published by BEA. Data for 2017 through 2018 are estimates derived by the Montgomery County Department of Finance.

(3) Per capita income is derived by dividing personal income by population.

(4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are published by BLS for 2009-2017. Data for 2018 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY2017 to the average of the first six months of CY2018.

(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 2009-2017 was published by BLS. Data for 2018 is estimated by Montgomery County Department of Finance based on the percent change from the average of the first six months of CY2017 to the first six months of CY2018.

(6) The unemployment rates for 2009 through 2017 were published by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2018 is estimated by Montgomery County Department of Finance based on the estimate of the civilian labor force and the estimate of resident employment.

(7) Source: County Executive Recommended FY19 Operating Budget, Office of Management and Budget, Montgomery County. Since the school year begins in September, data are represented as enrollment as of September of the calendar year.

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 EMPLOYEE FTEs BY FUNCTION (1)
 LAST TEN FISCAL YEARS
Table 24

	2009 ⁽⁴⁾	2010 ⁽⁴⁾	2011 ⁽⁴⁾	2012 ⁽⁴⁾	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General Government:										
Legislative Branch:										
Board of Appeals	5	5	4	4	4	4	4	4	4	4
County Council	77	75	70	73	75	77	79	82	82	83
Inspector General	6	5	3	4	5	5	5	7	7	7
Legislative Oversight	11	11	9	9	10	11	11	11	11	11
Merit System Protection Board	1	1	1	1	1	1	1	2	2	2
People's Counsel	2	2	2	-	-	-	-	-	-	-
Zoning and Administrative Hearings	4	4	4	4	4	4	4	4	4	4
Judicial Branch:										
Circuit Court	109	110	107	106	117	118	114	114	114	116
State's Attorney	121	122	119	122	129	132	136	140	143	147
Executive Branch:										
Agriculture	-	-	-	-	-	-	-	-	4	4
Board of Elections	47	46	44	40	31	31	51	55	55	56
Commission for Women	11	10	6	-	-	-	-	-	-	-
Community Engagement (2)	-	-	-	24	22	22	22	22	23	23
County Attorney	43	39	37	34	42	43	43	44	43	45
County Executive	50	47	32	26	28	31	32	33	34	37
Ethics Commission	3	2	-	2	3	3	3	3	3	3
Finance	116	108	103	107	114	125	126	126	122	125
General Services	194	199	179	178	184	183	191	162	164	171
Human Resources	59	58	44	49	60	67	66	67	68	70
Human Rights	22	19	15	8	8	8	9	9	9	9
Intergovernmental Relations	5	5	5	5	5	5	5	5	5	5
Management and Budget	30	29	25	25	28	28	29	30	29	32
Procurement (5)	-	-	-	-	-	-	-	33	35	35
Public Information	9	8	42	42	43	42	43	43	42	45
Regional Services Centers	34	29	17	-	-	-	-	-	-	-
Technology Services	146	138	107	102	104	110	110	147	159	168
Urban Districts	58	58	50	52	55	55	58	58	59	59
Non-Departmental Accounts	3	3	3	2	2	4	4	4	4	4
Public Safety:										
Consumer Protection	21	19	15	15	16	17	17	17	16	17
Correction and Rehabilitation	622	599	555	557	512	518	526	527	538	538
Emergency Management and Homeland Security	10	9	10	11	11	12	14	15	15	15
Fire and Rescue	1,351	1,349	1,267	1,240	1,254	1,282	1,287	1,299	1,303	1,287
Police	1,819	1,789	1,720	1,724	1,744	1,767	1,843	1,868	1,888	1,950
Sheriff	183	176	169	166	178	185	183	183	190	190
Transportation:										
Fleet Management	205	202	194	206	205	205	204	204	204	204
Transit Services	871	831	789	831	814	816	836	836	842	874
Other (3)	315	346	305	258	258	273	275	279	283	283
Health and Human Services	1,613	1,577	1,462	1,484	1,559	1,569	1,589	1,594	1,619	1,649
Culture and Recreation:										
Cable TV	17	19	26	27	30	31	31	31	31	32
Public Libraries	426	388	299	273	314	350	385	389	386	395
Recreation	451	422	365	343	375	398	414	417	441	465
Community Development and Housing:										
Economic Development	46	41	32	26	29	31	34	33	1	1
Housing and Community Affairs	73	67	59	58	66	73	77	80	84	97
Environmental Protection	51	52	51	84	91	93	97	102	105	108
Business-Type Activities:										
Community Use of Public Facilities	27	25	22	26	27	27	27	28	29	30
Liquor Control	344	337	313	323	324	339	337	427	432	438
Parking Lot Districts	50	51	46	48	49	49	50	49	49	49
Permitting Services	218	197	173	178	198	201	207	213	244	244
Solid Waste Activities	159	105	99	103	103	102	103	103	106	105
Total FTEs	10,038	9,734	8,999	9,000	9,231	9,447	9,682	9,899	10,031	10,236

NOTES:

Amounts represent budgeted workyears or FTEs rounded to nearest whole workyear.

- (1) Represents County government FTEs only, and excludes component units. Therefore, no FTEs are listed for Education function, which relates to component units MCPS and MC.
- (2) Community Engagement Cluster created in FY12 by consolidating the staffing of the Regional Services Centers, the Gilchrist Center and the Commission for Women.
- (3) Excludes programs presented under business-type activities.
- (4) Effective FY13, FTE is used as a measure rather than workyear. Years FY09 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (1)
Governmental Activities:										
General Government:										
Number of Procurement Office actions (2)	7,709	7,188	6,610	6,750	7,711 (6)	8,396	7,556	8,429 (6)	7,564 (6)	7,860
Number of property tax bills processed (5)	361,237	361,963	362,971	364,050	365,495	366,847	367,708	371,446	371,866	376,553
Number of payments issued	154,416	137,856	117,831	111,211	112,507	129,973	121,311	121,366	125,764	128,866
Investment portfolio return (5)	1.71 %	0.22 %	0.10 %	0.02 %	0.16 %	0.15 %	0.18 %	0.39 %	0.71 %	1.34 %
Public Safety:										
Fire and Rescue:										
Number of responses to incidents	105,736	107,527	109,153	109,597	108,996	109,496	115,366	116,915	120,990 (6)	123,544
Number of fire Fatalities	1	1	2	4	2	4	4	3	9	1
Permitting:										
Number of inspections completed	24,663	20,994	13,139 (7)	7,353	6,036	11,644	13,929	16,439	17,405 (6)	14,579
Police:										
Number of arrests	13,286	13,150	13,567	13,216	12,511	13,153	16,518	20,045	16,707	18,853
Number of traffic citations (calendar years)	93,796	82,119	65,439	55,710	53,540	107,040	106,944	105,607 (6)	100,867	81,202
Number of warrants served	9,052	7,823	7,542	9,598	12,623	8,297	9,763	8,109	7,779	7,318
Transportation (3):										
Lane-miles of streets resurfaced	250	377	258	332	442	311	436	405	303 (6)	181
Number of passengers transported	29,627,000	27,895,138	26,719,517	27,240,110	26,603,242	26,391,551	25,972,313	24,512,705	22,984,194 (6)	21,594,040
Health and Human Services:										
Number of applicants approved for the Home Energy Program	8,077	9,681	9,438	8,778	7,308	7,951	7,440	7,822	7,468 (6)	7,129
Number of individuals served through the Crisis Center	59,966	60,150	50,083	47,075	48,312	45,749 (6)	45,906	47,191	46,202	44,684
Number of licensed and registered child care slots in the County	35,501	35,403	36,426	38,722	39,806	38,506	39,501	40,292	41,768	44,761
Number of in-home aide service hours for seniors and people with disabilities	182,761	156,634	122,991	101,905	90,000	94,012	110,848	105,000	110,185	92,860
Culture and Recreation:										
Library:										
Number of items circulated	11,836,563	12,105,851	10,137,952	9,403,471	9,303,918	9,770,776	10,035,027	10,478,360	10,172,487	10,003,823
Recreation:										
Number of community center visits/contacts	1,760,336	1,315,022	1,299,619	1,320,664	1,178,398	1,127,742	985,527	955,160	1,634,333	1,108,071
Number of visits to County pools	2,230,406	2,232,902	2,234,904	2,246,874	2,255,874	2,553,202	2,696,608	1,570,434 (6)	2,482,362	1,467,626 (1)
Number of persons registered for camps and classes	51,785	66,029	51,648	53,746	55,044	55,829	65,762	76,285	85,835	105,011
Community Development and Housing:										
Housing and Community Affairs:										
Number of housing rental licenses issued	85,285	86,267	89,286	91,555	92,527	96,185	98,525	100,379	101,810	103,841
Number of housing code enforcement cases	7,547	7,282	7,186	6,988	6,597	6,998	7,633	8,250	7,917	8,352
Environment:										
Number of sediment control inspections performed for development sites	17,859	17,666	13,472	12,206	12,839	16,287	18,741	19,109	18,259	17,488
Education:										
Average number of pupils registered pre-K through 12 (4)	139,276	141,777	144,064	146,497	148,779	151,298 (6)	153,852	156,447	159,010	161,470
College students - credit and non-credit (4)	59,479	60,698	60,970	63,837	62,417	59,389	56,228	56,001	55,243	54,335
Business-Type Activities:										
Land development plans approved	3,302	3,432	4,066	4,967	4,517	5,112	5,161	6,048	6,013	6,055
Refuse collected (tons)	81,704	83,826	85,628	86,512	69,568 (6)	71,407	73,996	71,767	69,988 (6)	72,337
Waste processed at the Resource Recovery Facility (tons)	540,407	535,980	575,000	540,644	546,644	577,787	591,687	620,505	518,687 (6)	575,162
Number of cases sold from the Department of Liquor Control retail stores	979,464	1,014,804	1,096,702	1,093,554	1,094,530	1,155,544	1,131,073 (6)	1,163,437 (6)	1,139,836	1,104,006
Number of wholesale liquor cases sold to private liquor stores	4,092,765	4,104,740	4,142,590	4,104,574	4,068,430	4,174,541	4,079,000	4,138,371 (6)	4,068,797	3,951,139

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.

Source: County departments.

MONTGOMERY COUNTY, MARYLAND
 OPERATING INFORMATION
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Table 26

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General Government:										
Number of conference centers	1	1	1	1	1	1	1	1	1	1
Landfills	3	3	3	3	3	3	3	3	3	3
Public Safety:										
Police stations	6	6	6	6	6	6	6	6	6	6
Police satellites	8	8	8	4	4	3	3	3	3	3
Police vehicles	1,410	1,369	1,327	1,363	1,341	1,345	1,467	1,486	1,509	1,526
Fire stations	35	35	36	36	37	37	37	37	37	37
Fire apparatus	498	518	452	464	451	461	447	493	497	502
Transportation:										
Streets (miles)	2,611	2,621	2,621	2,623	2,627	2,631	2,634	2,640	2,661	2,663
Ride On buses	480	462	390	410	412	422	379	403	389	414
Administrative vehicles	806	785	757	734	738	761	764	869	885	876
Fire vehicles	134	122	121	120	115	116	113	94	96	91
Heavy equipment	482	456	454	460	463	482	420	423	481	491
Streetlights	66,752	66,903	66,962	67,211	67,781	67,931	67,969	68,350	68,675	68,770
Traffic signals	779	791	800	814	823	829	836	848	854	867
Culture and Recreation:										
Libraries	22	22	22	22	22	22	22	22	22	22
Volumes in library collection	3,168,551	2,809,010	2,660,221	2,564,280	2,500,705	2,834,652	2,060,370	1,993,001	2,235,689	2,447,236
Swimming pools	14	13	13	13	13	13	13	13	13	13
Community Development and Housing:										
Number of low income housing units	102	101	101	101	101	101	101	101	101	101
Environment:										
Storm drains (miles)	864	874	874	875	877	881	883	888	893	895
Education:										
Elementary, Middle and High School buildings	199	200	200	200	202	202	203	204	205	206
College buildings	44	46	48	48	49	49	49	49	51	51
Business-Type Activities:										
Parking spaces in parking lot districts	21,169	21,185	21,173	20,470	19,989	19,984	20,970	20,754	20,482	20,425
Parking garages/lots	41	41	41	40	40	42	42	41	40	40

NOTES:

* Data relates to primary government only, except for education data which relates to MCPS and MC.

* Some numbers for PFY have been restated

* Sources: Various County departments, MCPS, and MC.

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* POEB = Pension and Other Employee Benefits

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