

COUNTY OF MONTGOMERY, PENNSYLVANIA
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2015



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

COUNTY OF MONTGOMERY, PENNSYLVANIA

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COUNTY OF MONTGOMERY, PENNSYLVANIA
OFFICIALS OF THE COUNTY OF MONTGOMERY
DECEMBER 31, 2015

EFFECTIVE JANUARY 2016

COUNTY COMMISSIONERS

Joshua D. Shapiro, Esq., Chair

Dr. Valerie Arkoosh, Vice Chair

Joseph C. Gale, Commissioner

ROW OFFICERS

Clerk of Courts:	Ann Thornburg Weiss, Esq.
Controller:	Karen Sanchez, Esq.
Coroner:	Dr. Michael Milbourne, MD
District Attorney:	Kevin R. Steele, Esq.
Jury Commissioners:	Merry Woods Joanne K. Olszewski
Prothonotary:	Mark Levy
Recorder of Deeds:	Jeanne Sorg
Register of Wills:	D. Bruce Hanes, Esq.
Sheriff:	Sean Kilkenny, Esq.
Treasurer:	Jason E. Salus

ADMINISTRATION

Chief Operating Officer:	Lauren M. Lambrugo
Chief Financial Officer:	Dean Dortone
Solicitor:	Raymond McGarry, Esq.

FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Board of Commissioners
County of Montgomery, Pennsylvania
Norristown, Pennsylvania

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 the County of Montgomery, Pennsylvania as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County of Montgomery's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County of Montgomery's 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 discretely presented component units, Montgomery County Community College and Valley Forge Convention and Visitors Bureau, Ltd., which collectively represent 82% of total assets and 91% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Montgomery County Community College and Valley Forge Convention and Visitors Bureau, Ltd., 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

To the Honorable Board of Commissioners
County of Montgomery, Pennsylvania
Norristown, Pennsylvania

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 report of the 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 of Montgomery as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 8 through 18, the budgetary comparison information on pages 88 through 90 and the County pension information on pages 91 to 93 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 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 of Montgomery's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Board of Commissioners
County of Montgomery, Pennsylvania
Norristown, Pennsylvania

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

Maillie LLP

Oaks, Pennsylvania
September 9, 2016

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

INTRODUCTION

Management's Discussion and Analysis (MD&A) includes an introduction to the basic financial statements for governments and an analytical overview of Montgomery County's financial activities for the year ended December 31, 2015. It is best understood if read in conjunction with the Letter of Transmittal, the basic financial statements, and the supplementary information.

MD&A focuses on the current year's activities and the resulting changes in the County's financial position. Currently known facts, which may have a significant impact on the County's financial position now and in the foreseeable future, are also discussed.

The required elements of general purpose external financial reporting are:

- Management's Discussion and Analysis
- Basic Financial Statements
 - *Government-Wide Financial Statements*
 - *Fund Financial Statements*
 - *Notes to the Basic Financial Statements*
- Required Supplementary Information (other than MD&A)

FINANCIAL HIGHLIGHTS

The following financial highlights are described in more detail in the analysis sections of the MD&A:

- The General Fund reported a fund balance of \$40.9 million, increased from \$40.1 million in 2014, reflecting a \$0.8 million operating gain in 2015
- Government-wide revenues in 2015 decreased \$35.0 million over 2014 revenues, and 2015 expenses increased \$9.1 million from 2014.
- Government-wide net position (assets minus liabilities) at the end of the year was \$(139.2) million; a decrease of \$7.7 million from 2014.
- Government-wide outstanding General Obligation Bonds and Notes Payable were \$362.0 million; a decrease of \$23.1 million from 2014.
- The net position held in trust for pension benefits as of December 31, 2015, was \$479.7 million, a decrease of \$25.9 million from 2014.

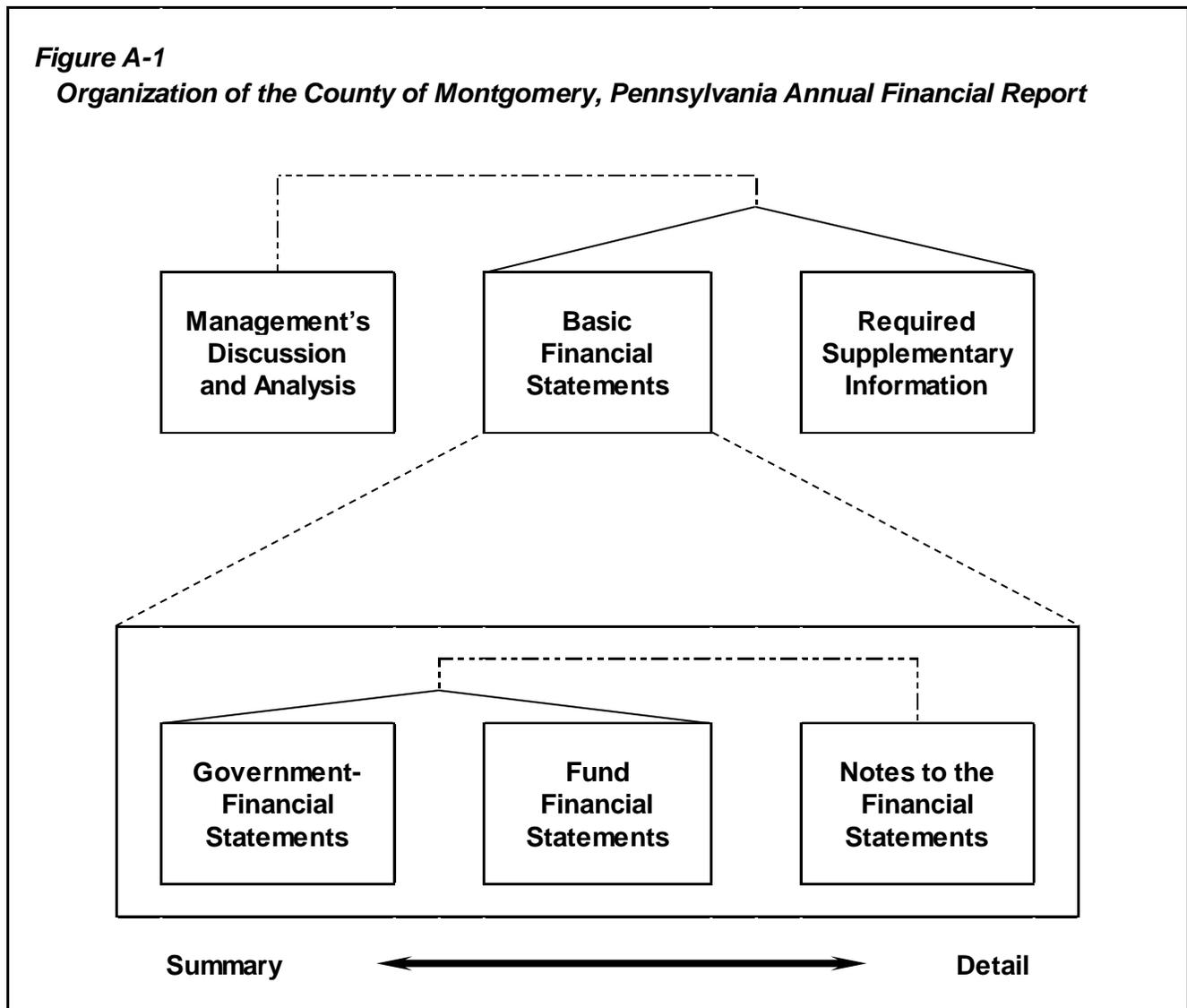
COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

OVERVIEW OF THE FINANCIAL REPORT

The County's reporting entity is comprised of the primary government and its component units. Component units are legally separate organizations for which the County is financially accountable or for which there is a significant relationship.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Government-Wide Financial Statements

The government-wide financial statements provide information on governmental activities excluding fiduciary activities in a manner similar to the private sector. The statements are prepared using the accrual basis of accounting. Revenues and expenses are taken into account when earned or incurred regardless of when cash is received or paid, for example, uncollected taxes and earned but unused compensated absences.

Governmental activities are reported in a separate column for the primary government. The government-wide financial statements also include segregated information for entities known as component units. Component units are legally separate units for which the County has financial accountability. In 2015, the County had five component units--Montgomery County Community College, Valley Forge Convention and Visitors Bureau, Ltd., Montgomery County-Norristown Public Library, Redevelopment Authority of the County of Montgomery and Montgomery County Transportation Authority.

The Statement of Net Position reports assets and liabilities, both current and noncurrent, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as one indicator of whether the County's financial position is improving or deteriorating. Additionally, nonfinancial factors, such as changes in the real estate tax base or the condition of County facilities, should be considered to assess the overall financial condition of the County.

The Statement of Activities shows the extent to which program revenues offset the expenses of governmental activities. This is intended to summarize and simplify users' analysis of the cost of various governmental services and/or subsidy to activities. The statement also reports the change in net assets as a result of the fiscal year's revenues and expenses. The governmental activities included in the statement reflect the County's basic services, including general administration, judicial administration, corrections, public safety, recreation, adult welfare, child welfare, general welfare, community development, roads and bridges services and interest on long-term debt.

Fund Financial Statements

A fund is a separate fiscal and accounting entity that is used to segregate sources and uses of funding for specific purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the County are divided into three categories--governmental, proprietary and fiduciary. Each category is reported using the measurement focus and basis of accounting required for that category. 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.

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide Statement of Activities. However, unlike the government-wide statements, the Governmental Funds statements focus on current sources and uses of expendable resources and on the balance of expendable resources available at the end of the year.

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Governmental Funds information helps the reader to 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 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 will reflect bond proceeds as other financing sources and capital outlays and bond and note principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in the government-wide statements, among other reconciling items.

The County maintains seventeen individual Governmental Funds. Information is presented separately for the General Fund, the Health Choices Fund and the 2013 Series Capital Bond Fund. These three funds have been identified as major funds based on minimum criteria set forth in Governmental Accounting Standards Board Statement No. 34 (GASB 34). Financial data for the remaining Governmental Funds is combined into a single, aggregated presentation labeled "Nonmajor Governmental Funds." Individual fund financial information for each of these nonmajor Governmental Funds is provided in the form of combining statements in the Supplementary Information section of the report.

Proprietary Funds. Proprietary Funds are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. The County maintains one type of Proprietary Fund that uses the accrual basis of accounting--internal service. Three Internal Service Funds, presented in a single, aggregated column in the Proprietary Fund statements, are used to account for, on a cost reimbursement basis, the provision of employee benefits, worker's compensation benefits and self-insurance to County departments. Although both the fund and government-wide financial statements provide a long-term and short-term focus, reconciliation is still required. This is due to the fact that the excess income or loss for Internal Service Funds has been redistributed to customers in the government-wide statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The County is responsible for ensuring that the assets of these funds are used for their intended purposes. The County is the trustee, or fiduciary, for the Employees' Retirement Fund, Farmland Preservation Fund and Affordable Housing Fund. Fiduciary activities are reported in a manner similar to Proprietary Funds in a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary Funds are excluded from the government-wide statements because the assets of these funds are not available to support the County's programs.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes immediately follow the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, the financial section includes Required Supplementary Information (RSI) and other supplementary information. These statements and schedules can be found immediately following the notes to the financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The County's net position at December 31, 2015 and 2014, is presented below:

Summary of Statements of Net Position (in Millions of Dollars)
December 31, 2015 and 2014

	Governmental Activities		
	2015	2014	Variance
ASSETS			
Current and other assets	\$ 141.8	\$ 168.7	\$ (26.9)
Capital assets	250.3	251.6	(1.3)
TOTAL ASSETS	<u>392.1</u>	<u>420.3</u>	<u>(28.2)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	38.6	-	38.6
Derivative instrument, swap assets	10.8	0.6	10.2
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>49.4</u>	<u>0.6</u>	<u>48.8</u>
LIABILITIES			
Current and other liabilities	45.0	30.6	14.4
Long-term liabilities	534.3	518.0	16.3
TOTAL LIABILITIES	<u>579.3</u>	<u>548.6</u>	<u>30.7</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	-	2.3	(2.3)
Deferred amounts, swaps	1.3	1.4	(0.1)
	<u>1.3</u>	<u>3.7</u>	<u>(2.4)</u>
NET POSITION			
Net investment in capital assets	(124.7)	(122.7)	(2.0)
Restricted	14.4	80.7	(66)
Unrestricted	<u>(28.8)</u>	<u>(89.4)</u>	<u>61</u>
TOTAL NET POSITION	<u>\$ (139.1)</u>	<u>\$ (131.4)</u>	<u>\$ (7.7)</u>

For more detailed information, see the statement of net position.

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

The following table presents the County's change in net position for the years ended December 31, 2015 and 2014:

Changes in Net Position (in Millions of Dollars)
Years Ended December 31, 2015 and 2014

	Governmental Activities		
	2015	2014	Variance
REVENUES			
Program revenues			
Charges for services	\$ 61.8	\$ 63.5	\$ (1.7)
Operating grants and contributions	256.1	272.1	(16.0)
Capital grants and contributions	10.5	11.2	(0.7)
General revenues			
Taxes	185.1	184.1	1.0
Other	1.5	19.1	(17.6)
TOTAL REVENUES	<u>515.0</u>	<u>550.0</u>	<u>(35.0)</u>
EXPENSES			
General administration	43.2	34.6	8.6
Judicial administration	68.3	77.4	(9.1)
Corrections	68.9	64.6	4.3
Public safety	11.9	19.7	(7.8)
History, cultural arts, recreation	8.1	6.9	1.2
Adult welfare	18.0	30.4	(12.4)
Child welfare	54.9	52.2	2.7
General welfare	184.1	171.5	12.6
Community development and housing	2.5	12.1	(9.6)
Roads, bridges, construction and reconstruction	27.3	18.3	9.0
Interest on long-term debt	16.2	18.6	(2.4)
Transfers	19.3	21.8	(2.5)
TOTAL EXPENSES	<u>522.7</u>	<u>528.1</u>	<u>(5.4)</u>
CHANGE IN NET POSITION	<u>\$ (7.7)</u>	<u>\$ 21.9</u>	<u>\$ (29.6)</u>

For more detailed information, see the statement of activities.

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Activities Net Position

Total governmental activities net position was \$(139.2) million, a decrease of \$7.7 million from prior years. Net position is a measure of the difference between all assets and all liabilities regardless of their potential relevance for near-term financing decisions. Net investment in capital assets was \$(124.8) million at the end of the year.

Resources that are subject to various external restrictions on how they may be used in support of programs and services totaled \$14.4 million at the end of the year, a decrease of \$32.6 million from the prior year.

Unrestricted governmental net position amounts to \$(28.8) million. Unrestricted net position is net position remaining after removing "net investment in capital assets" and "net position, restricted." Overall, net position decreased by \$7.7 million from the prior year. Cash and investments at year-end decreased by \$44.4 million from the prior year and receivables and prepaid expenditures, in the aggregate, increased by \$27.9 million from the prior year. Liabilities increased by \$31.4 million from the prior year.

Governmental Activities Revenues

Revenues for the County's governmental activities were \$515.0 million for the year ended December 31, 2015.

Operating grants and contributions are the largest source of governmental activities revenues. The 2015 total of \$256.1 million is 49.7% of revenues, a decrease of \$16.0 million from 2014. Human services received \$185.9 million or 72.0% of the total revenues, a decrease of \$53.8 million from the prior year. Included in human services is Health Choices, which is 64.7% of the total and is designated a major fund for financial reporting. Health Choices received \$120.3 million in operating grants.

Taxes comprise the next largest revenue source at \$185.1 million, or 35.9% of governmental revenues. For budget year 2015, the real estate tax was 3.152 mills per \$1,000 of assessed property.

Charges for services amounted to 12.0% of governmental activities funding sources. Charges for services include fees, fines, licenses, permits and commissions for certain fees collected by County Row Officers on behalf of the Commonwealth of Pennsylvania. Charges for services were \$61.8 million, a decrease of \$1.7 million from the prior year.

The combination of investment earnings and miscellaneous income amounted to \$0.9 million a decrease of \$4.5 million from 2014.

Capital grants and contributions totaled \$10.5 million and were used for energy improvements for county buildings, parks and recreations and roads and bridges programs.

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Government Activities Expenses

Expenses for governmental activities totaled \$503.4 million, a decrease of \$2.9 million from 2014.

Human services programs, with cost totaling \$257.0 million, comprised 51.1% of governmental activities expense, an increase of \$2.9 million from 2014. The majority of the funding received for Human Services is passed through to providers of services.

Judicial government is comprised of the Court of Common Pleas, the minor judiciary, child support enforcement, and row offices that provide services to the courts. Expenses were \$68.3 million, or 13.57% of the total, a decrease of \$9.1 million from the prior year.

Correctional expenses were \$68.9 million or 13.7% of the total, an increase of \$4.3 million from the prior year. Corrections programs include costs for the prison, adult probation and juvenile probation services.

General government expenses for the administration of County government were \$43.2 million and represent 8.6% of the total, an increase of \$8.6 million from last year.

Public safety includes emergency management, operations of the enhanced 9-1-1 communications center, hazardous materials response and emergency medical services. Expenses totaled \$11.9 million or 2.4% of the total, a decrease of \$7.8 million from the previous year.

Culture and recreation expenses which include parks and recreational activities, as well as historic sites totaled \$8.1 million or 1.2% of total expenses, an increase of \$1.2 million from 2014.

The balance of program expenses, \$46.0 million, were for community development, roads and bridges reconstruction and interest on long-term debt, a decrease of \$3.0 million from 2014.

Net Cost of Governmental Activities

Total expenses for 2015 were \$503.4 million. Those who benefited paid \$61.8 million in charges for governmental services. Intergovernmental operating and capital grants subsidized \$266.6 million for certain programs. Net cost of services provided was \$175.0 million, an increase of \$15.5 million from 2014.

FUNDS FINANCIAL ANALYSIS

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

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Governmental Funds

The accounting focus of the County's Governmental Funds is to provide information on near term inflows, outflows and balances of expendable resources. Such information is valuable in assessing the County's financing requirements. For the year ended December 31, 2015, Montgomery County Governmental Funds reported combined ending fund balances of \$93.3 million, a decrease of \$28.0 million from 2014. In particular, unassigned fund balances serve as a useful measure of a government's net resources available for spending at the end of the year. Unassigned fund balances increased \$5.4 million from \$31.9 million to \$37.3 million.

General Fund. The General Fund is the primary operating fund of the County. At the end of 2015, the total General Fund balance was \$40.1 million, an increase of \$0.1 million from the prior year.

Health Choices Fund. The Managed Behavioral Healthcare Special Revenue Fund has a restricted fund balance of \$35.5 million at year-end, a decrease of \$3.0 million from the prior year. Revenues increased from \$113.4 million in 2014 to \$119.8 million in 2015, an increase of \$6.4 million. Expenditures increased from \$108.2 million to \$122.8 million.

Proprietary Funds

The County maintains three governmental-type Internal Service Proprietary Funds: Medical Self-Insurance Fund, Worker's Compensation Fund and General Liability and Property Damage Fund. Governmental activity Internal Service Funds are reported in the aggregate in the fund financial statements. In the government-wide statements, these costs are allocated to governmental activities.

Internal Service Funds. Net position of the Internal Service Funds as of December 31, 2015, was \$3.1 million, a decrease of \$3.0 million from the prior year. In 2015, the Medical Self-Insurance Fund had \$30.3 million in claims, a decrease of 3.2% from the prior year; the Worker's Compensation Fund had \$1.1 million in claims, an increase of \$0.9 million from the prior year; and the General Liability and Property Damage Fund had \$0.4 million in claims, which is the same as the prior year.

General Fund Budgetary Highlights

The budgetary process starts with the preparation of requested budgets for the upcoming year being submitted by each of the County's departments and agencies. After the requests are reviewed by the Finance and Chief Operating Officers, a final budget is presented near the end of the year, at which time the public is notified that the budget is available for inspection. After the inspection period and one public hearing, but prior to year-end, the Commissioners adopt the final budget.

After the budget is adopted, no department or agency may exceed its allocations without the approval of the Commissioners, who may not grant such approval if funds are not available.

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Montgomery County's investment in capital assets as of December 31, 2015, amounted to \$250.3 million, net of accumulated depreciation.

Figure A-2
Capital Assets (Net of Depreciation, in Millions of Dollars)

	Governmental Activities	
	2015	2014
Land	\$ 19.8	\$ 19.8
Construction in progress	28.5	21.3
Artifacts	17.7	17.7
Land improvements	30.6	30.6
Buildings and improvements	198.6	198.3
Equipment and furniture	66.8	65.1
Infrastructure	60.9	60.9
Accumulated depreciation	<u>(172.6)</u>	<u>(162.1)</u>
TOTAL	<u>\$ 250.3</u>	<u>\$ 251.6</u>

Long-Term Debt

The Commonwealth of Pennsylvania Local Government Unit Debt Act governs the amount of general obligation bonded indebtedness the County can incur. Under this Act, the County can legally incur non-electoral debt equal to 300% of its borrowing base. The borrowing base is calculated as one third of total revenues for the past three years minus certain statutory deductions.

As of December 31, 2015, the County has outstanding debt of \$362.0 million or approximately 30.4% of the maximum \$1,190.6 billion as permitted by law. This amount represents 6.5% of the total assessed taxable property value as of the end of the year. Total debt decreased \$23.1 million from the prior year. Additional detailed information on the County's long-term debt can be found in Note F of the Notes to the Financial Statements.

Figure A-3
Outstanding Long-Term Debt (in Millions of Dollars)

	Governmental Activities	
	2015	2014
General Obligation Bonds	<u>\$ 328.7</u>	<u>\$ 348.1</u>
General Obligation Notes	<u>\$ 33.3</u>	<u>\$ 37.0</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Derivative Instruments

As of December 31, 2015, the County had three derivative instruments. The fair value of the three derivative instruments as of December 31, 2015, was \$(11.1) million, a decrease of \$0.7 million from the prior year. As of December 31, 2015, the County had a pay-fixed interest rate swap, a basis swap and a swaption.

Additional detailed information on the County's derivative instruments can be found in Note G of the Notes to the Financial Statements.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, customers and creditors with a general overview of Montgomery County's finances and to demonstrate the County's accountability for the money it receives. Questions regarding this report or requests for additional financial information should be directed to Karen Sanchez, Esq., Controller, One Montgomery Plaza, Suite 508, PO Box 311, Norristown, PA, 19404-0311, or visit the County's website at www.montcopa.org.

COUNTY OF MONTGOMERY, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Primary Government <u>Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and cash equivalents (Note B)	\$ 82,009,980	\$ 37,012,094
Investments (Note B)	561,370	26,700,570
Accounts receivable	586,635	4,081,184
Taxes receivable, net	4,323,762	-
Notes receivable	80,717	16,123,033
Interest receivable on investments	-	73,026
Due from other governmental units	44,988,656	1,997,629
Due from combined Expendable Trust and Agency Funds	7,057,232	-
Prepaid expenses and other assets	2,158,655	2,602,336
Inventory	-	52,358
Deposit with bond trustee	-	33,137,210
Equipment lease acquisition escrow fund	-	534,824
Capital assets (Note D)		
Nondepreciable		
Land	19,757,648	1,607,467
Construction in progress	28,568,031	5,894,880
Artifacts	17,695,165	4,191
Depreciable		
Land improvements, net	22,121,047	2,977,796
Buildings and improvements, net	112,921,163	97,454,079
Leasehold improvements, net	-	169,735
Equipment and furniture, net	9,555,049	7,718,239
Infrastructure, net	39,710,045	71,937
TOTAL CAPITAL ASSETS	<u>250,328,148</u>	<u>115,898,324</u>
TOTAL ASSETS	<u>392,095,155</u>	<u>238,212,588</u>
DEFERRED OUTFLOWS OF RESOURCES		
Tenant rent receivable	-	34,470
Loss on bond refunding	-	766,453
Pension	38,634,360	400,193
Derivative instrument, swap assets	10,797,515	-
Lease incentive receivable	-	373,121
Program grants and contracts	-	117,500
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>49,431,875</u>	<u>1,691,737</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES FORWARD	<u>\$ 441,527,030</u>	<u>\$ 239,904,325</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Primary Government <u>Governmental Activities</u>	<u>Component Units</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
TOTAL FORWARDED	\$ <u>441,527,030</u>	\$ <u>239,904,325</u>
LIABILITIES		
Accounts payable and accrued expenses	36,370,334	13,394,611
Unearned revenues	5,681	2,905,779
Due to other governmental units	-	2,044,125
Due to combined Expendable Trust and Agency Funds	6,288,065	-
Accrued interest	2,391,027	-
Long-term liabilities (Note F)		
Portion due or payable within one year		
Bonds and notes payable	23,485,000	5,005,989
Capital lease obligation	-	351,517
Portion due or payable after one year		
Bonds and notes payable	357,386,495	112,990,841
Capital lease obligation	-	5,016,261
Derivative instrument, swap liabilities	11,076,616	-
Settlements payable	500,000	-
Net pension liability	129,182,218	3,483,044
Accrued other postemployment benefits	-	11,836,746
Compensated absences	12,663,080	172,053
TOTAL LIABILITIES	<u>579,348,516</u>	<u>157,200,966</u>
DEFERRED INFLOWS OF RESOURCES		
Incremental tax revenues	-	974,010
Program grants and contracts	-	5,870,828
Unavailable revenues, state aid	-	4,990
Related to pensions	-	558,289
Deferred amounts, swaps	1,342,240	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,342,240</u>	<u>7,408,117</u>
NET POSITION		
Net investment in capital assets	(124,788,457)	50,193,573
Restricted for		
Special revenue	11,692,566	-
Capital projects	2,696,414	-
Other purposes	-	13,317,374
Unrestricted	<u>(28,764,249)</u>	<u>11,784,295</u>
TOTAL NET POSITION	<u>\$ (139,163,726)</u>	<u>\$ 75,295,242</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Activities	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General administration	\$ 43,146,278	\$ 16,273,445	\$ 1,555,012
Judicial administration	68,313,836	22,008,661	6,064,509
Corrections	68,935,071	4,928,848	5,895,708
Public safety	11,900,892	12,546,442	461,668
History, cultural arts, recreation	8,097,991	269,445	787,088
Adult welfare	18,017,835	2,545,555	10,456,425
Child welfare	54,902,177	580,257	43,011,362
General welfare	184,109,975	2,619,157	175,001,131
Community development and housing	2,471,145	21,457	11,310,028
Roads and bridges, construction and reconstruction	27,266,219	-	1,542,611
Interest on long-term debt	16,152,895	-	-
	<u>\$ 503,314,314</u>	<u>\$ 61,793,267</u>	<u>\$ 256,085,542</u>
TOTAL PRIMARY GOVERNMENT			
COMPONENT UNITS			
Montgomery County Community College	\$ 102,594,557	\$ 40,187,466	\$ -
Valley Forge Convention and Visitors Bureau, Ltd.	4,419,895	226,805	-
Montgomery County-Norristown Public Library	5,123,873	92,128	39,914
Redevelopment Authority of the County of Montgomery	3,934,356	715,984	2,221,360
Montgomery County Transportation Authority	4,418,726	-	4,418,726
	<u>\$ 120,491,407</u>	<u>\$ 41,222,383</u>	<u>\$ 6,680,000</u>
TOTAL COMPONENT UNITS			
GENERAL REVENUES			
Taxes			
Real estate taxes, net			
Room occupancy tax			
Local appropriations			
State appropriations			
Federal appropriations			
Grants and contributions not restricted to specific programs			
Investment income			
Net increase in fair value of investments, swaps			
Miscellaneous			
TRANSFERS (Note K)			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET POSITION			
NET POSITION AT BEGINNING OF YEAR, restated**			
NET POSITION AT END OF YEAR			

See accompanying notes to the basic financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
\$ 3,070	\$ (25,314,751)	
-	(40,240,666)	
-	(58,110,515)	
10,841	1,118,059	
376,000	(6,665,458)	
-	(5,015,855)	
-	(11,310,558)	
2,500,000	(3,989,687)	
-	8,860,340	
7,598,375	(18,125,233)	
-	(16,152,895)	
<u>\$ 10,488,286</u>	<u>(174,947,219)</u>	
\$ 10,235,742		\$ (52,171,349)
-		(4,193,090)
-		(4,991,831)
-		(997,012)
-		-
<u>\$ 10,235,742</u>		<u>(62,353,282)</u>
	185,096,994	-
	-	4,025,973
	-	78,040
	-	23,445,130
	-	17,879,013
	297,049	-
	213,194	969,506
	567,893	-
	362,975	1,806,057
	<u>(19,332,094)</u>	<u>16,529,288</u>
	<u>167,206,011</u>	<u>64,733,007</u>
	(7,741,208)	2,379,725
	<u>(131,422,518)</u>	<u>72,915,517</u> **
	<u>\$ (139,163,726)</u>	<u>\$ 75,295,242</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>General Fund</u>	<u>Health Choices Fund</u>
ASSETS		
Cash and cash equivalents (Note B)	\$ 16,563,523	\$ 36,267,955
Investments (Note B)	8,049	-
Accounts receivable	264,526	-
Taxes receivable, net	4,323,762	-
Notes receivable	80,717	-
Due from		
Other funds (Note K)	2,748,032	21,970
Other governmental units	44,988,656	-
Prepaid expenditures and other assets	<u>1,579,655</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 70,556,920</u>	<u>\$ 36,289,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$ 24,292,545	\$ 472,976
Due to other funds (Note K)	2,746,276	351,249
Unearned revenue	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>27,038,821</u>	<u>824,225</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue, property taxes	<u>2,667,821</u>	<u>-</u>
FUND BALANCES		
Nonspendable, prepaid expenses and other assets	1,579,655	-
Restricted for special programs	-	35,465,700
Restricted		
Reported in Nonmajor Special Revenue Funds	-	-
Reported in Nonmajor Capital Project Funds	-	-
Assigned, capital projects	-	-
Unassigned	<u>39,270,623</u>	<u>-</u>
TOTAL FUND BALANCES	<u>40,850,278</u>	<u>35,465,700</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 70,556,920</u>	<u>\$ 36,289,925</u>

See accompanying notes to the basic financial statements.

2013 Series Capital Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,754,890	\$ 20,790,541	\$ 79,376,909
-	504,277	512,326
-	322,109	586,635
-	-	4,323,762
-	-	80,717
134,910	92,327	2,997,239
-	-	44,988,656
-	-	1,579,655
<u>\$ 5,889,800</u>	<u>\$ 21,709,254</u>	<u>\$ 134,445,899</u>
\$ 5,741,352	\$ 1,675,633	\$ 32,182,506
-	3,185,541	6,283,066
-	5,681	5,681
<u>5,741,352</u>	<u>4,866,855</u>	<u>38,471,253</u>
-	-	2,667,821
-	-	1,579,655
-	-	35,465,700
-	11,692,566	11,692,566
148,448	2,547,966	2,696,414
-	4,616,244	4,616,244
-	(2,014,377)	37,256,246
<u>148,448</u>	<u>16,842,399</u>	<u>93,306,825</u>
<u>\$ 5,889,800</u>	<u>\$ 21,709,254</u>	<u>\$ 134,445,899</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>93,306,825</u>
Total net assets reported for governmental activities in the statement of net position is different because:	
Internal Service Funds are used by management to charge the cost of insurance services to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities on the statement of net position.	<u>3,128,280</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land	19,757,648
Construction in progress	28,568,031
Artifacts	17,695,165
Land improvements, net of \$8,487,192 accumulated depreciation	22,121,047
Buildings and improvements, net of \$85,663,737 accumulated depreciation	112,921,163
Equipment and furniture, net of \$57,285,237 accumulated depreciation	9,555,049
Infrastructure, net of \$21,206,164 accumulated depreciation	<u>39,710,045</u>
TOTAL CAPITAL ASSETS (Note D)	<u>250,328,148</u>
Property taxes and notes receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.	<u>2,667,821</u>
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	<u>38,634,361</u>
Derivative instruments used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets and liabilities consist of:	
Derivative instrument, rate swap	10,797,515
Derivative instruments, swap liabilities	<u>(1,342,240)</u>
TOTAL DERIVATIVE INSTRUMENTS (Note G)	<u>9,455,275</u>
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2015, are:	
Accrued interest	(2,391,027)
Bonds and notes payable (Note F)	(380,871,495)
Deferred amounts, swaps	(11,076,616)
Settlements payable (Note F)	(500,000)
Net pension liability (Note F)	(129,182,218)
Compensated absences (Note F)	<u>(12,663,080)</u>
TOTAL LONG-TERM LIABILITIES	<u>(536,684,436)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(139,163,726)</u></u>

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Health Choices Fund</u>
REVENUES		
Real estate taxes, net		
Current year	\$ 179,087,092	\$ -
Prior years and liened taxes	6,307,315	-
TOTAL TAXES	<u>185,394,407</u>	<u>-</u>
Grants and entitlements (Note H)	130,024,959	119,715,861
Parkhouse Providence Pointe	-	-
Departmental earnings	44,637,356	-
District justices	2,823,513	-
Investment income	170,724	35,409
Fines and forfeits	297,049	-
Other	12,580,016	-
	<u>375,928,024</u>	<u>119,751,270</u>
EXPENDITURES		
General administration	31,682,109	-
Judicial administration	64,168,770	-
Corrections	63,004,580	-
Public safety	4,595,524	-
History, cultural arts, recreation	4,784,455	-
Adult welfare	19,213,583	-
Child welfare	54,636,563	-
General welfare	60,372,140	120,344,330
Community development and housing	-	-
Mass transportation	4,281,050	-
Roads and bridges, construction and reconstruction	-	-
Insurance	2,238,383	-
Debt service	38,384,591	-
Operational costs	-	-
Capital improvements	-	-
Other	8,747,705	2,476,420
TOTAL EXPENDITURES	<u>356,109,453</u>	<u>122,820,750</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARD	\$ <u>19,818,571</u>	\$ <u>(3,069,480)</u>

2013 Series Capital Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 179,087,092
-	-	6,307,315
-	-	185,394,407
6,231,586	17,180,282	273,152,688
-	-	-
-	-	44,637,356
-	-	2,823,513
-	7,061	213,194
-	-	297,049
510,841	6,249,781	19,340,638
<u>6,742,427</u>	<u>23,437,124</u>	<u>525,858,845</u>
-	-	31,682,109
-	5,255,156	69,423,926
-	-	63,004,580
-	720,381	5,315,905
-	-	4,784,455
-	-	19,213,583
-	-	54,636,563
-	-	180,716,470
-	8,846,096	8,846,096
-	-	4,281,050
-	1,910,266	1,910,266
-	-	2,238,383
-	-	38,384,591
-	510,984	510,984
34,932,703	3,692,779	38,625,482
-	-	11,224,125
<u>34,932,703</u>	<u>20,935,662</u>	<u>534,798,568</u>
\$ <u>(28,190,276)</u>	\$ <u>2,501,462</u>	\$ <u>(8,939,723)</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Health Choices Fund</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARDED	\$ 19,818,571	\$ (3,069,480)
OTHER FINANCING SOURCES (USES)		
Operating transfers in (Note K)	224,910	-
Operating transfers to component units (Note K)	(19,557,004)	-
Refunding bonds issued	26,910,000	-
Premium on refunding bonds issued	3,259,865	-
Payment to refunded bond escrow agent	(29,856,143)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(19,018,372)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	800,199	(3,069,480)
FUND BALANCES AT BEGINNING OF YEAR	<u>40,050,079</u>	<u>38,535,180</u>
FUND BALANCES AT END OF YEAR	<u>\$ 40,850,278</u>	<u>\$ 35,465,700</u>

See accompanying notes to the basic financial statements.

<u>2013 Series Capital Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ <u>(28,190,276)</u>	\$ <u>2,501,462</u>	\$ <u>(8,939,723)</u>
-	-	224,910
-	-	(19,557,004)
-	-	26,910,000
-	-	3,259,865
<u>-</u>	<u>-</u>	<u>(29,856,143)</u>
<u>-</u>	<u>-</u>	<u>(19,018,372)</u>
(28,190,276)	2,501,462	(27,958,095)
<u>28,338,724</u>	<u>14,340,937</u>	<u>121,264,920</u>
\$ <u><u>148,448</u></u>	\$ <u><u>16,842,399</u></u>	\$ <u><u>93,306,825</u></u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (27,958,095)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$10,512,546) exceeds capital outlays (\$9,279,250) in the current period (Note D).

(1,233,296)

Bond proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the statement of net position (Note F).

Debt issued	(26,910,000)
Original issue premium	(3,259,865)
Payment refund bond escrow	27,755,000
Principal repayments	<u>22,255,000</u>

Property taxes collected after year-end are not considered available revenues in the Governmental Funds. Unearned revenues decreased by this amount during the year.

(297,415)

Internal Service Funds are consolidated with the governmental activities, and the net loss in the funds is eliminated by increasing expenditures.

(2,948,847)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. This adjustment combines the net changes of long-term obligations (Note F) and derivative instruments (Note G):

Accrued interest on bonds	185,170
Deferred amounts, premiums	1,892,669
Deferred amounts, swaps	84,264
Derivative instruments and deferred outflows and inflows	483,629
Compensated absences	1,849,980
COMBINED ADJUSTMENT	<u>4,495,712</u>

Governmental Funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

360,598

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (7,741,208)

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2015

	<u>Internal Service Funds</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,633,071
Investments	49,044
Prepaid expenses	579,000
Due from other funds	4,059,993
TOTAL ASSETS	<u><u>7,321,108</u></u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	2,588,965
Due to other funds	5,000
Reserve for claims	1,598,863
TOTAL LIABILITIES	<u><u>4,192,828</u></u>
NET POSITION	
Unrestricted	\$ <u><u>3,128,280</u></u>

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 28,885,655
OPERATING EXPENSES	
Claims	<u>31,881,510</u>
OPERATING LOSS	<u>(2,995,855)</u>
NONOPERATING REVENUES	
Other income	41,527
Investment income	<u>5,481</u>
TOTAL NONOPERATING REVENUES	<u>47,008</u>
CHANGE IN NET POSITION	(2,948,847)
NET POSITION AT BEGINNING OF YEAR	<u>6,077,127</u>
NET POSITION AT END OF YEAR	<u>\$ 3,128,280</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Charges for services	\$ 28,885,655
Payments to suppliers	(31,433,365)
NET CASH USED BY OPERATING ACTIVITIES	<u>(2,547,710)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances to other funds, net	<u>(2,161,956)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments, net	(13)
Other income	41,527
Investment income	5,481
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>46,995</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,662,671)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,295,742</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,633,071</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (2,995,855)
Adjustments to reconcile operating loss to net cash used by operating activities	
Increase in	
Accounts payable and accrued expenses	228,891
Reserve for claims	<u>219,254</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (2,547,710)</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2015

	Employees' Retirement Trust Fund	Combined Expendable Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS				
Cash and cash equivalents	\$ 2,010,895	\$ 6,787,046	\$ 34,684,803	\$ 43,482,744
Investments	477,668,307	3,621,118	1,420	481,290,845
Due from other funds	-	1,105,686	335,793	1,441,479
Delinquent taxes receivable, net of allowance for uncollectibles of \$1,683,439	-	-	9,539,486	9,539,486
Accounts receivable	-	-	7,777	7,777
TOTAL ASSETS	<u>479,679,202</u>	<u>11,513,850</u>	<u>\$ 44,569,279</u>	<u>535,762,331</u>
LIABILITIES				
Accounts payable	742,887	3,890,992	\$ 21,749,808	26,383,687
Due to				
Other funds	-	168,889	2,041,757	2,210,646
Other governmental units	-	-	20,777,714	20,777,714
TOTAL LIABILITIES	<u>742,887</u>	<u>4,059,881</u>	<u>\$ 44,569,279</u>	<u>49,372,047</u>
NET POSITION				
Held in trust for				
Farmland Preservation Escrow Fund	-	364,825		364,825
Affordable Housing Fund	-	2,468,149		2,468,149
Pension benefits	478,936,315	-		478,936,315
Correctional Facility Welfare Fund	-	1,643,382		1,643,382
Other	-	2,977,613		2,977,613
TOTAL NET POSITION	<u>\$ 478,936,315</u>	<u>\$ 7,453,969</u>		<u>\$ 486,390,284</u>

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EMPLOYEES' RETIREMENT TRUST FUND
YEAR ENDED DECEMBER 31, 2015

ADDITIONS

Contributions

County	\$ 3,604,230
Members' contributions	6,887,076
TOTAL CONTRIBUTIONS	<u>10,491,306</u>

Investment income

Interest, including amortization of bond discounts/premiums	3,526
Dividends	12,327,521
TOTAL INVESTMENT INCOME	<u>12,331,047</u>
Investment expense	(378,481)
Net depreciation in fair value of investments	<u>(10,867,024)</u>
INVESTMENT INCOME, net	<u>1,085,542</u>

TOTAL ADDITIONS	<u>11,576,848</u>
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DEDUCTIONS

Benefit payments to retired plan participants	34,507,748
Benefit payments to designated beneficiaries	1,344,271
Refund of contributions and interest	1,642,803
Administrative expenses	270,443
TOTAL DEDUCTIONS	<u>37,765,265</u>

CHANGE IN NET POSITION	(26,188,417)
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NET POSITION AT BEGINNING OF YEAR	<u>505,124,732</u>
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NET POSITION AT END OF YEAR	<u>\$ 478,936,315</u>
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See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
COMBINED EXPENDABLE TRUST FUNDS
YEAR ENDED DECEMBER 31, 2015

ADDITIONS	
Grants and entitlements	\$ 1,107,672
Investment income	3,095
Commissary operations	3,088,753
Other	<u>2,176,663</u>
TOTAL ADDITIONS	<u>6,376,183</u>
DEDUCTIONS	
Grant expenditures	3,623,056
Farmland preservation	54,971
Commissary operations	1,727,555
Other	<u>4,513,803</u>
TOTAL DEDUCTIONS	<u>9,919,385</u>
DEFICIENCY OF ADDITIONS OVER DEDUCTIONS	(3,543,202)
OTHER FINANCING SOURCES	
Operating transfers	<u>2,539,473</u>
CHANGE IN NET POSITION	(1,003,729)
NET POSITION AT BEGINNING OF YEAR	<u>8,457,698</u>
NET POSITION AT END OF YEAR	<u><u>\$ 7,453,969</u></u>

See accompanying notes to the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2015 OR JUNE 30, 2015

	June 30, 2015*	
	Montgomery County Community College	Valley Forge Convention and Visitors Bureau, Ltd.
ASSETS		
Cash and cash equivalents	\$ 29,374,737	\$ 1,343,580
Investments	25,554,530	-
Accounts receivable, net of allowance for uncollectible accounts (\$1,000,000 for Montgomery County Community College)	2,754,572	843,683
Notes and loans receivable	-	-
Interest receivable on investments	73,026	-
Due from other governmental units	388,718	-
Prepaid expenses and other assets	1,535,975	339,574
Inventory	52,358	-
Deposits with bond trustee	33,137,210	-
Equipment lease acquisition escrow fund	534,824	-
Capitalized software costs	-	101,682
Capital assets, net of accumulated depreciation	103,506,178	18,849
TOTAL ASSETS	196,912,128	2,647,368
DEFERRED OUTFLOWS OF RESOURCES		
Tenant rent receivable	-	-
Loss on bond refunding	766,453	-
Pension	400,193	-
Program grants and contracts	-	-
Lease incentive receivable	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,166,646	-
LIABILITIES		
Accounts payable and accrued expenses	12,729,819	239,559
Unearned revenues	2,806,057	99,722
Due to other governmental units	-	-
Long-term liabilities (Note F)		
Portion due or payable within one year		
Bonds and notes payable	4,353,888	-
Capital lease obligation	351,517	-
Portion due or payable after one year		
Bonds and notes payable	77,646,991	-
Capital lease obligation	5,016,261	-
Net pension liability	3,483,044	-
Accrued postemployment benefits	11,836,746	-
Compensated absences	-	-
TOTAL LIABILITIES	118,224,323	339,281
DEFERRED INFLOWS OF RESOURCES		
Incremental tax revenues	-	-
Program grants and contracts	-	-
Pension	558,289	-
Unavailable revenues, state aid	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	558,289	-
NET POSITION		
Net investment in capital assets	49,806,958	-
Restricted for other purposes	3,500,000	-
Unrestricted	25,989,204	2,308,087
TOTAL NET POSITION	\$ 79,296,162	\$ 2,308,087

*The following component units are reported at June 30, 2015. Valley Forge Convention and Visitors Bureau, Ltd. has not implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. For the purposes of presentation, deferred inflows and outflows of resources will not be presented and net assets will be referred to as net position.

See accompanying notes to the basic financial statements.

December 31, 2015			
Montgomery County- Norristown Public Library	Redevelopment Authority of the County of Montgomery	Montgomery County Transportation Authority	Total Component Units
\$ 1,777,283	\$ 3,763,522	\$ 752,972	\$ 37,012,094
-	1,146,040	-	26,700,570
291,582	191,347	-	4,081,184
-	16,123,033	-	16,123,033
-	-	-	73,026
-	-	1,608,911	1,997,629
50,118	676,669	-	2,602,336
-	-	-	52,358
-	-	-	33,137,210
-	-	-	534,824
-	-	-	101,682
917,887	11,353,728	-	115,796,642
<u>3,036,870</u>	<u>33,254,339</u>	<u>2,361,883</u>	<u>238,212,588</u>
-	34,470	-	34,470
-	-	-	766,453
-	-	-	400,193
-	117,500	-	117,500
-	373,121	-	373,121
-	<u>525,091</u>	-	<u>1,691,737</u>
9,677	415,556	-	13,394,611
-	-	-	2,905,779
-	-	2,044,125	2,044,125
-	652,101	-	5,005,989
-	-	-	351,517
-	35,343,850	-	112,990,841
-	-	-	5,016,261
-	-	-	3,483,044
-	-	-	11,836,746
172,053	-	-	172,053
<u>181,730</u>	<u>36,411,507</u>	<u>2,044,125</u>	<u>157,200,966</u>
-	974,010	-	974,010
-	5,870,828	-	5,870,828
-	-	-	558,289
4,990	-	-	4,990
<u>4,990</u>	<u>6,844,838</u>	-	<u>7,408,117</u>
917,887	(531,272)	-	50,193,573
87,271	9,412,345	317,758	13,317,374
1,844,992	(18,357,988)	-	11,784,295
<u>\$ 2,850,150</u>	<u>\$ (9,476,915)</u>	<u>\$ 317,758</u>	<u>\$ 75,295,242</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEARS ENDED DECEMBER 31, 2015 OR JUNE 30, 2015

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS				
Montgomery County Community College				
Governmental activities	\$ 101,555,153	\$ 39,114,187	\$ -	\$ 10,235,742
Business-type activities	1,039,404	1,073,279	-	-
TOTAL COMMUNITY COLLEGE	102,594,557	40,187,466	-	10,235,742
Valley Forge Convention and Visitors Bureau, Ltd.	4,419,895	226,805	-	-
Montgomery County-Norristown Public Library	5,123,873	92,128	39,914	-
Redevelopment Authority of the County of Montgomery	3,934,356	715,984	2,221,360	-
Montgomery County Transportation Authority	4,418,726	-	4,418,726	-
TOTAL COMPONENT UNITS	\$ 120,491,407	\$ 41,222,383	\$ 6,680,000	\$ 10,235,742
GENERAL REVENUES				
Room occupancy tax				
Local appropriations				
State appropriations				
Federal appropriations				
Earnings on investments				
Miscellaneous				
TRANSFERS (Note K)				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, restated**				
NET POSITION AT END OF YEAR				

*The following component units are reported at June 30, 2015. Valley Forge Convention and Visitors Bureau, Ltd. has not implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. For the purposes of presentation, deferred inflows and outflows of resources will not be presented and net assets will be referred to as net position.

**Restated - See Montgomery County Community College June 30, 2015 audited financial statement.

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

June 30, 2015*		December 31, 2015			
Montgomery County Community College	Valley Forge Convention and Visitors Bureau, Ltd.	Montgomery County- Norristown Public Library	Redevelopment Authority of the County of Montgomery	Montgomery County Transportation Authority	Totals
\$ (52,205,224)	\$ -	\$ -	\$ -	\$ -	\$ (52,205,224)
33,875	-	-	-	-	33,875
<u>(52,171,349)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,171,349)</u>
-	(4,193,090)	-	-	-	(4,193,090)
-	-	(4,991,831)	-	-	(4,991,831)
-	-	-	(997,012)	-	(997,012)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(52,171,349)</u>	<u>(4,193,090)</u>	<u>(4,991,831)</u>	<u>(997,012)</u>	<u>-</u>	<u>(62,353,282)</u>
-	4,025,973	-	-	-	4,025,973
-	-	78,040	-	-	78,040
21,793,663	-	1,651,467	-	-	23,445,130
17,879,013	-	-	-	-	17,879,013
792,098	665	31,818	143,274	1,651	969,506
1,750,787	-	29,910	-	25,360	1,806,057
13,316,581	-	3,212,707	-	-	16,529,288
<u>55,532,142</u>	<u>4,026,638</u>	<u>5,003,942</u>	<u>143,274</u>	<u>27,011</u>	<u>64,733,007</u>
3,360,793	(166,452)	12,111	(853,738)	27,011	2,379,725
<u>75,935,369</u> **	<u>2,474,539</u>	<u>2,838,039</u>	<u>(8,623,177)</u>	<u>290,747</u>	<u>72,915,517</u>
<u>\$ 79,296,162</u>	<u>\$ 2,308,087</u>	<u>\$ 2,850,150</u>	<u>\$ (9,476,915)</u>	<u>\$ 317,758</u>	<u>\$ 75,295,242</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Montgomery, Pennsylvania (the "County") is located in Southeastern Pennsylvania, to the west of the City of Philadelphia. The County was founded in 1784 and operates under an elected, three-member Board of Commissioners. The County provides services in many areas to its 819,264 residents, including various general governmental services, public safety, health and welfare and community enrichment programs.

The financial statements of the County of Montgomery include the accounts of all County operations. The County's major operations include administrative and judicial general government, corrections, civil defense and health and welfare. In addition, the County owns and operates the Montgomery County Correctional Facility.

Reporting Entity

As required by generally accepted accounting principles, the financial statements present the County of Montgomery (the primary government) and its component units. The component units (discussed below) are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Consistent with the guidance contained in GASB Statement No. 61, the criteria used by the County to evaluate the possible inclusion of related entities (authorities, boards, councils and similar entities) within its reporting entity are: legally separate, financial accountability, misleading to exclude and the nature and significance of other considerations.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and component units by meeting the financial accountability criterion for which there is a fiscal dependence or board appointment and financial benefit or burden relationship or the ability to impose will. Specific information on the nature of the component units and a description of how the aforementioned criteria have been considered in determining whether to include such units in the County's financial statements are provided in the following paragraphs.

Discretely Presented Component Units

The component units presented in the government-wide financial statements include the financial data of the County's component units. They are reported in separate columns to emphasize that they are legally separate from the County.

Montgomery County Community College (the "Community College") was established under the Community College Act of 1963. It provides two-year collegiate experience for citizens within the local area who would benefit from higher education. The County real estate tax levy includes millage for the purpose of providing annual appropriations to the Community College.

Valley Forge Convention and Visitors Bureau, Ltd. (the "Bureau") was organized in 1972 by the County to promote convention services and tourism in the County. The County levies a room tax, which is used to provide annual funding to the Bureau.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Montgomery County-Norristown Public Library (the "Library") was established to promote library service in the County. The County annually provides significant operating and capital appropriations to the Library. The County owns the Library's facilities. Upon dissolution of the Library system, all assets would be distributed to the County.

Redevelopment Authority of the County of Montgomery (the "Authority") was incorporated under the Urban Redevelopment Law of the Commonwealth of Pennsylvania, Act No. 385, passed May 24, 1945. The Commissioners of the County appoint the Authority's five-member Board of Directors. Additionally, the County has guaranteed the variable rate demand Parking Revenue Bonds, Series of 2007, and the HUD Section 108 Loan. The County also agreed to assist in subsidizing the operation of the parking garage beginning in June 2008.

Montgomery County Transportation Authority (the "Transportation Authority") was organized for the purpose of addressing transportation improvement issues throughout Montgomery County, Pennsylvania.

Complete financial statements for the individual component units can be obtained from their respective administrative offices. The financial statements of the Montgomery County Development Corporation, the Montgomery County-Norristown Public Library, the Redevelopment Authority of the County of Montgomery and the Montgomery County Transportation Authority are for the year ended December 31, 2015. The financial statements of the Montgomery County Community College and the Valley Forge Convention and Visitors Bureau, Ltd. are for the year ended June 30, 2015.

Administrative Offices

Montgomery County Community College
Blue Bell, PA 19422

Valley Forge Convention and Visitors Bureau, Ltd.
Plymouth Meeting, PA 19462

Montgomery County-Norristown Public Library
Norristown, PA 19401

Redevelopment Authority of the County of Montgomery
Norristown, PA 19401

Law Library of Montgomery County
Norristown, PA 19404

Montgomery County Transportation Authority
Norristown, PA 19404

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

The Board of Commissioners is also responsible for appointing all or some of the members of the boards of other organizations. In some instances, the County's accountability for these organizations does not extend beyond making the appointments. The Board of Commissioners appoints board members of the following:

Advisory Committee on History and Cultural Arts
Advisory Council on Aging and Adult Services
Agricultural Land Preservation Board
Airport Authority
Blue Cross/Blue Shield Board of Directors
Blue Cross/Blue Shield Consumer Advisory Committee
Board of Assessment Appeals
Board of Health
Children and Youth Advisory Committee
Commission of Women and Families
Community Action Development Commission
Community College Board of Trustees
Community Revitalization Board
Convention and Visitors Bureau Advisory Board
County Seat Economic Revitalization Committee
Delaware Valley Regional Finance Authority
Development Corporation
Drug and Alcohol Planning Council
Emergency Medical Services Advisory Council
Fire Advisory Board
Higher Education and Health Authority
Housing Authority
Housing Development Corporation
Housing Review Board
Industrial Development Authority
Local Emergency Planning Committee
Mental Health Mental Retardation Board
Montgomery County-Norristown Public Library
Nine-One-One Advisory Committee
Open Space Board
Park Board
Planning Commission
Prison Board
SEPTA Board of Directors
SEPTA Citizen's Advisory Committee
Soil Conservation District
TRANSNET - Suburban Transit Network, Inc.
Workforce Investment Board & Youth Council
Youth Center Board of Managers

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The basic financial statements of the County are comprised of the following:

- Government-wide financial statements,
- Fund financial statements and
- Notes to the basic financial statements.

Government-Wide Financial Statements - Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental activities of the primary government as well as its discretely presented component units. Governmental activities normally are supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Funds and Agency Funds financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Program revenues include charges for services, special assessments and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as expenditures.

For the most part, the effect of interfund activity has been eliminated from these statements. Activity between component units and the primary government is generally reported as external transactions. The balances of the Internal Service Funds are reported as governmental activities on the statement of net position. The County has not adopted a formal policy regarding whether to apply restricted resources or unrestricted resources when an expense is incurred for purposes that both restricted and unrestricted net position are available.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees, fines and 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 instead as general revenues.

Fund Financial Statements - In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The fund statements are presented on a current financial resource and modified accrual basis of accounting. Since the Governmental Funds statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after the end of the year. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County's Fiduciary Funds are presented in the fund financial statements by type (pension, expendable trust and agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Proprietary Funds' operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The accrual basis of accounting is used by Internal Service Funds and the Employees' Retirement Trust Fund. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

The County reports the following funds in 2015:

Governmental Funds - Governmental Funds are those through which most governmental functions of the County are financed. The County's expendable, available financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds wherein the measurement focus is on changes in financial position rather than on net income.

Descriptions of the County's Governmental Funds are presented below.

General Fund - The General Fund, which is the principal fund of the County, accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the County, other than activities of the Proprietary Funds, are financed through revenues of the General Fund. The General Fund is always considered a major fund for Governmental Funds reporting purposes.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The following are used to account for those financial activities:

- The *Health Choices Fund* was established in 1997 for the purpose of providing Medicaid managed care services to Medicaid beneficiaries through qualified behavioral health providers and practitioners. The fund receives its funding from the Department of Public Welfare through the Department of Health and Human Services.
- The *Emergency Communications Fund* was established in 1995 to account for the administrative and operating costs of the 911 emergency system. All monies collected for operating the system are deposited into this fund, and expenditures are paid from this fund.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The *Liquid Fuels Tax Fund* is used to account for revenue allocated to counties by the Commonwealth of Pennsylvania (the "Commonwealth"), grants awarded to the County by other governmental units, or transfers from the County General Fund for the purpose of construction, reconstruction, maintenance and repair of County roads and bridges.
- The *Title IV-D Fund* was established in 1975 to account for the reimbursement of County costs incurred in the administration of the child support enforcement program. Funds are received based on a cooperative agreement between the County and the Commonwealth that includes both incentive payments for certain services and partial reimbursement for expenditures. Receipts are deposited into a separate restricted Title IV-D Fund bank account and then transferred into the General Fund operating account to cover Domestic Relations costs paid from the General Fund. The County maintains fiduciary responsibility over the funds remaining in the restricted Title IV-D Fund bank account.
- The *Recycling Fund* was established in 1995 to account for the administrative and operating costs of the County's recycling program. Costs related to recycling are paid directly from this fund.
- The County's Housing and Community Development Department maintains its accounts independently of the County's books and records in the *Housing and Community Development Fund*. The Department reimburses the County for departmental costs, as well as other overhead costs. The Department is funded by the Community Development Block Grant, Commonwealth grants and other federal funds.
- The County's *Economic and Workforce Development Fund* maintains its accounts independently of the County's books and records. The fund reimburses the County for departmental costs, as well as other overhead costs, and is funded through federal grants under the Work Investment Act, Commonwealth grants and private contributions.
- The *Records Improvement Fund* was established in 1998 for a comprehensive records management plan based on the goal of standardizing and equalizing the capabilities of all County offices consistent with their need to receive, manage and provide information to the public.
- The *Capital Shale Fund* was established in 2013 to account for revenue allocated to counties by the Commonwealth of Pennsylvania collected from fees on Marcellus Shale gas drillers. The funds are for the purpose of construction, reconstruction, maintenance and repair of County roads and bridges.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Health Choices Fund is considered a major fund for Governmental Funds reporting purposes.

Capital Projects Funds - The Capital Projects Funds account for the financial resources used for the acquisition and capital construction of major capital facilities (other than those financed by Proprietary Funds). The County's Capital Projects Funds are as follows:

- The *Capital Reserve Fund* is used to account for funds transferred from the General Fund and grants received to be used for the acquisition and maintenance of major capital facilities and projects.
- The *2010 Series A and B Open Space Bond Funds* were established to account for the proceeds of the 2010 Series A and B General Obligation Issues. Proceeds will be used to provide funds necessary to finance: (1) the costs of open space preservation under the County's Open Space Program and (2) the payment of a portion of the costs of issuing the bonds.
- The *2013 Series Capital Bond Fund* was established to account for the proceeds of the 2013 Series General Obligation Bond Issue. Proceeds will be used to provide funds necessary to finance: (1) a portion of the capital projects constituting the County's Capital Plan and (2) the payment of a portion of the costs of issuing the bonds.

The 2013 Series Capital Bond Fund is considered a major fund for Governmental Funds reporting purposes.

Proprietary Funds - Proprietary Funds account for the County's ongoing activities that are similar to those found in the private sector. The measurement focus is on determination of net income. Descriptions of the County's Proprietary Funds are presented below.

- *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 County or to other governments on a cost reimbursement basis.
 - The Workers' Compensation Fund accounts for the activity in the account established by the County to fund the liabilities incurred as a result of workplace injuries.
 - The General Liability and Property Damage Fund accounts for the activity in the account established by the County to fund the liabilities incurred as a result of property damage claims.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Medical Self-Insurance Fund accounts for the activity in the account established by the County to fund the liability incurred as a result of employee medical, prescription drug and vision expense claims.

The Internal Service Funds are included in governmental activities for government-wide reporting purposes.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations and other governmental units or funds. These include the Employees' Retirement Trust Fund, Expendable Trust Funds and Agency Funds. The Employees' Retirement Trust Fund and the Expendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds because capital maintenance is critical. Agency Funds are custodial in nature and do not involve measurement of results of operations. Fiduciary Funds are not included in the government-wide financial statements.

- The *Employees' Retirement Trust Fund* presents the financial operations of the Montgomery County Employees' Retirement System. The Employees' Retirement Trust Fund accounts for County and employees' retirement plan contributions and investment earnings on excess funds to provide for the payment of retirement benefits to its members.
- The *Expendable Trust Funds* are used to account for principal trust amounts received and related investment earnings. Both the principal and earnings may be expended. The County's Expendable Trust Funds include the following:
 - The Farmland Preservation Escrow Fund is used to account for monies required to be held in escrow pursuant to the Commonwealth of Pennsylvania's Agricultural Security Area Act (Act 149, 1981-43).
 - The Affordable Housing Fund is an expendable trust fund used to account for monies accumulated under the Commonwealth of Pennsylvania Optional County Affordable Housing Funds (Act 1992-137).
 - The Human Services Center Cafeteria Fund was used to account for cafeteria operations at the Human Services Center. The cafeteria closed in October 2009.
 - The District Attorney Drug and Law Enforcement Funds are expendable trust funds under the sole management of the district attorney and are used to account for funds seized and forfeited in connection with the Controlled Substances Forfeitures Act (Act 1988-79) (Drug Fund) and other illegal activities (Law Enforcement Fund).

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Correctional Facility Welfare Fund is used to account for the commissary operations at the Correctional Facility.
- The Juvenile Probation Department Fund is used to account for court-ordered restitution payments received from juveniles and the subsequent distribution to victims.

Agency Funds are used to account for assets held by the County's Row Offices or by various County departments and social service agencies, as agent for individuals, private organizations, other governmental units and/or other funds. During the year, the County maintained 17 such funds. They are grouped into the following classes for descriptive purposes.

The following funds are used to account for fees, fines and taxes collected and the distribution to other governmental units:

- Clerk of Courts
- Prothonotary
- Recorder of Deeds
- Sheriff
- Register of Wills and Clerk of Orphans' Court
- Tax Claim Bureau Fund
- Tax Paid in Protest Fund
- Coroner
- District Attorney Bad Check Program

The following funds are used to account for amounts collected and distributed by County social services agencies:

- Correctional Facility - Inmate and Work Release Funds
- Human Services Center - Resident Account Fund
- Domestic Relations Office - Support Clearing Account
- Dependent/Guardian Fund

The following funds are used to account for amounts collected and held awaiting necessary legal requirements for distribution:

- Treasurer
- Miscellaneous Escrow*
- Room Occupancy Tax*

*These funds, which are held by the County pending distribution, are not County funds and are not included in the County's assets or liabilities.

The *Payroll Clearing Fund* is used to account for monies transferred from other funds for the payment of payroll expenses and applicable withholdings.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value.

Cash Equivalents

The funds in the financial statements consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Compensated Absences

County employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for all accumulated vacation days. In June 2012, the County altered its sick leave payment policy. Upon retirement or termination, employees with more than 20 years of service are reimbursed 100% for accumulated sick leave up to a maximum of 60 days and 25% for amounts over 60 days up to the amount accumulated as of June 30, 2012. Unused sick leave earned is not eligible for reimbursement unless at the time of separation or retirement the June 30 sick leave balance is lower than the balance on June 30, 2012. The cost of accumulated vacation and sick leave is recorded at current rates of compensation as a liability in the government-wide statements.

Self-Insurance

The County establishes claims liabilities for its employee medical, workers' compensation and property damage self-insurance programs, which are accounted for in Internal Service Funds. The liability is based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the claims involved. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for liabilities such as workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and assets in the government-wide financial statements to the extent the County's capitalization threshold of \$5,000 is met.

To the extent the County's capitalization threshold of \$5,000 is met, capital outlays are recorded as fixed assets and depreciated over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Years</u>
Land improvements	10-40
Infrastructure	10-50
Buildings	40
Building improvements	20
Leasehold improvements	10
Equipment and furniture	3-20

All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are valued at their estimated fair market value on the date of donation.

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any gain or loss is included in the results of operations.

Deferred Outflows/Inflows of Resources

The County previously adopted a new accounting guidance, implementing GASB Statement No. 68, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County only has two items that qualify for reporting in this category. Accordingly, the item, *derivative instrument, swap assets*, is reported only on the statement of net position. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. The item, *deferred amounts swaps*, is reported only in the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Infrastructure

The County will depreciate its infrastructure over the assets' estimated useful life using the straight-line method of depreciation. County infrastructure consists of 75.7 miles of roads and 105 bridges.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting periods. Actual results could differ from those estimates.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds Balance Reserves

The County records reservations for portions of Governmental Funds balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods.

Fund Balance - Governmental Funds

The County previously adopted a fund balance policy to reflect the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for Governmental Funds. The County's fund balance policy establishes the objective to strive to maintain an *unassigned fund balance* in the General Fund of not less than two months (two-twelfths) of the subsequent year's General Fund budgeted expenditures. Included in the *unassigned fund balance* will be a working capital reserve. Whereas, ten percent (10%) of the subsequent year's General Fund budgeted expenditures will be assigned as working capital.

GASB Statement No. 54 distinguishes fund balance classification between amounts that are considered nonspendable and spendable amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the nonspendable and followed by the spendable classifications with binding constraints, fund balance amounts will be reported in the following classifications:

- ***Nonspendable*** - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventory or prepaid amounts. The principal amount of a permanent fund is an example of an amount that is legally or contractually required to remain intact.
- ***Restricted*** - Amounts with constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The County's restrictions are as follows:
 - **Health Choices** - Represents amount restricted for Medicaid managed care services to Medicaid beneficiaries.
 - **Liquid Fuels** - Represents amount restricted by the Commonwealth of Pennsylvania for the purpose of construction, reconstruction, maintenance and repair of County roads and bridges.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Title IV-D** - Represents amount restricted for Domestic Relations Title IV-D incentive program.
- **Housing and Community Development** - Represents amount restricted for the Community Development Block Grant program, Commonwealth grants and other federal funds.
- **Recycling** – Represents amounts restricted for the County’s recycling program
- **Economic and Workforce Development** - Represents amount restricted for Work Investment Act program, Commonwealth grants and private contributions.
- **Records Improvement** - Represents amount restricted for the County’s comprehensive records management plan to provide better access to the public.
- **Capital Shale Fund** - Represents funds from Marcellus Shale fees provided by the Commonwealth of Pennsylvania restricted for construction and maintenance of County roads and bridges.
- **2010 Series A Open Space Bond Fund** - Represents amount from the 2010 General Obligation Bond Issue for open space purchases and improvements.
- **2010 Series B Open Space Bond Fund** - Represents amount from the 2010 Build America Bond Issue for open space purchases and improvements.
- **2013 Series Capital Bond Fund** - Represents amounts from the 2013 General Obligation Issue for capital projects.
- **Committed** - Amounts established by formal action by the Board of Commissioners. Once committed, it cannot be used for any other purpose unless changed by County policy or action (e.g., future anticipated costs). The formal action should occur prior to the end of the reporting period, but the amount subject to the constraint, if any, may be determined in the subsequent period. The County Commissioners have not taken any action to commit fund balance.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned** - Amounts are constrained by the County's intent to use for specific purposes but are neither restricted nor committed. Intent should be expressed by the Board of Commissioners. The County's assignments are as follows:
 - **Capital Reserve** - To fund future capital projects.
- **Unassigned** - Amounts available for consumption or not restricted in any manner.

Should the County experience an excess of expenditures over revenues for a given calendar year, fund balance will be consumed in the following order:

- **Restricted Fund Balance** - To the extent that the expenditures related to the restriction contributed to the excess of expenditures over revenues.
- **Committed Fund Balance** - To the extent that the expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the Board of Commissioners, committed fund balance will not be reduced by more than the amount designated in the plan.
- **Assigned Fund Balance** - To the extent that expenditures related to the assignment contributed to the excess of expenditures over revenues.
- **Unassigned Fund Balance** - For any remaining excess of expenditures over revenues.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of Governmental and Proprietary Funds resources into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania Government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes.

In addition to the investments authorized for Governmental and Proprietary Funds, Fiduciary Fund investments also may be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the County adheres to state statutes and prudent business practice. Deposits and investments of the Governmental Funds are maintained in demand deposits or savings accounts, certificates of deposit and repurchase agreements.

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned to it. The County has a formal deposit agreement with each bank for custodial credit risk. As of December 31, 2015, the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation insured \$3,103,447 of the County's \$130,004,325 bank balances. The remaining bank balances of \$126,900,878 were exposed to custodial credit risk, which is collateralized in accordance with the requirements of United States Treasury Circular No. 92, Section 1964(c) and the Pennsylvania Second Class County Code and by Act 72 of the General Assembly of the Commonwealth of Pennsylvania approved on August 6, 1971, as amended, provided, however, that it is further specifically understood and agreed that such pledged securities shall at all times, whether or not deposited on a pooled basis, have an aggregate market value (exclusive of interest) at least equal to the principal aggregate amount of said deposits. The bank will pledge additional securities as collateral for public deposits of the County, as necessary. These deposits have a carrying amount of \$125,441,424.

The County Code, Section 1706, governs the types of investments that are allowable for operating funds. In addition, the County has formally adopted an investment policy that places additional restrictions on the investment of operating funds.

Investments

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The County has clearly defined restrictions by institution, asset class and minimum credit rating to minimize the risk of loss due to credit risk.

All debt securities held by the primary government are rated AAA by Standard and Poor's.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities in the possession of an outside entity. The County has a policy of holding investment securities in a segregated account with its primary banking institution whenever possible.

Concentration of Credit Risk - The County places limits both by asset class and by institution to limit its concentration of credit risk.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has adopted a policy of holding all investments to maturity. Accordingly, any change in fair value due to changing market interest rates is temporary. This policy does not apply to the Employees' Retirement Trust Fund.

Cash and investments as of December 31, 2015, are classified in the accompanying financial statements as follows:

PRIMARY GOVERNMENT		
Statement of net position		\$ 82,571,350
Fiduciary Funds		<u>524,773,589</u>
TOTAL PRIMARY GOVERNMENT		<u>607,344,939</u>
COMPONENT UNITS		
Statement of net position		<u>63,712,664</u>
TOTAL CASH AND INVESTMENTS		<u>\$ 671,057,603</u>

Cash and investments as of December 31, 2015, consist of the following:

	<u>Primary Government</u>	<u>Component Units</u>
Cash on hand	\$ 51,300	\$ 20
Deposits with financial institutions	125,441,424	37,012,074
Investments	<u>481,852,215</u>	<u>26,700,570</u>
	<u>\$ 607,344,939</u>	<u>\$ 63,712,664</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

The County had the following investments and maturities at December 31, 2015:

Primary Government Investment Type	Fair Value	Investment Maturities		
		No Maturity	Less Than 1 Year	1 to 5 Years
GOVERNMENTAL ACTIVITIES				
State investment pools	\$ 58,452	\$ 58,452	\$ -	\$ -
Money market funds	502,919	502,919	-	-
TOTAL GOVERNMENTAL ACTIVITIES	561,371	561,371	-	-
EMPLOYEES' RETIREMENT TRUST FUND				
Mutual funds	466,553,881	466,553,881	-	-
Pooled, common and collective funds	4,400,000	4,400,000	-	-
Venture capital and private equity	6,714,426	6,714,426	-	-
TOTAL EMPLOYEES' RETIREMENT TRUST FUND	477,668,307	477,668,307	-	-
OTHER TRUST AND AGENCY FUNDS				
State investment pools	1,113,476	1,113,476	-	-
Money market funds	2,509,061	2,509,061	-	-
TOTAL OTHER TRUST AND AGENCY FUNDS	3,622,537	3,622,537	-	-
TOTAL INVESTMENTS	\$ 481,852,215	\$ 481,852,215	\$ -	\$ -

NOTE C - REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property as of January 1 and are levied on March 1. Independently elected tax collectors bill these taxes, except for municipalities that have elected to have the taxes collected by the County Treasurer. Taxes collected within 60 days are given a 2% discount. Amounts paid after 120 days are assessed a 10% penalty. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 30+ mills on every dollar of the assessed value of property for general County purposes. For 2015, County real estate taxes were levied at the rate of 3.152 mills on every dollar of assessed value of real estate for general and debt service purposes. Assessed values are established by the County Assessment Board and are based on the market value of the property.

Taxes receivable are recorded at December 31, 2015, net of an allowance for uncollectible taxes of \$1,683,439.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 19,757,648	\$ -	\$ -	\$ 19,757,648
Construction in progress	21,345,428	7,222,603	-	28,568,031
Artifacts	<u>17,695,165</u>	<u>-</u>	<u>-</u>	<u>17,695,165</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>58,798,241</u>	<u>7,222,603</u>	<u>-</u>	<u>66,020,844</u>
Capital assets being depreciated				
Land improvements	30,608,239	-	-	30,608,239
Buildings and improvements	198,280,206	304,694	-	198,584,900
Equipment and furniture	65,088,335	1,751,953	-	66,840,288
Infrastructure	<u>60,916,209</u>	<u>-</u>	<u>-</u>	<u>60,916,209</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>354,892,989</u>	<u>2,056,647</u>	<u>-</u>	<u>356,949,636</u>
Accumulated depreciation				
Land improvements	(7,777,766)	(709,426)	-	(8,487,192)
Buildings and improvements	(80,400,927)	(5,262,810)	-	(85,663,737)
Equipment and furniture	(54,579,821)	(2,705,418)	-	(57,285,239)
Infrastructure	<u>(19,371,272)</u>	<u>(1,834,892)</u>	<u>-</u>	<u>(21,206,164)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(162,129,786)</u>	<u>(10,512,546)</u>	<u>-</u>	<u>(172,642,332)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>192,763,203</u>	<u>(8,455,899)</u>	<u>-</u>	<u>184,307,304</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	 <u>\$ 251,561,444</u>	 <u>\$ (1,233,296)</u>	 <u>\$ -</u>	 <u>\$ 250,328,148</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - CAPITAL ASSETS (Continued)

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

General administration	\$ 3,057,959
Judicial administration	253,366
Corrections	2,516,538
Public safety	1,995,600
History, cultural arts, recreation	1,066,462
Child welfare	32,457
General welfare	49,319
Public works	<u>1,540,845</u>
	<u>\$ 10,512,546</u>

Discretely Presented Component Units

Capital asset activity of the discretely presented component units follows.

Montgomery County Community College

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 1,607,467	\$ -	\$ -	\$ 1,607,467
Works of art	4,191	-	-	4,191
Construction in progress	<u>2,093,575</u>	<u>3,801,305</u>	<u>-</u>	<u>5,894,880</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>3,705,233</u>	<u>3,801,305</u>	<u>-</u>	<u>7,506,538</u>
CAPITAL ASSETS BEING DEPRECIATED				
Building	67,137,043	-	-	67,137,043
Building improvements	49,455,858	-	74,616	49,530,474
Leasehold improvements	226,819	-	-	226,819
Land improvements	8,807,801	325,750	(216,420)	8,917,131
Equipment	19,436,926	501,559	(528,249)	19,410,236
Infrastructure	<u>92,033</u>	<u>-</u>	<u>-</u>	<u>92,033</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	145,156,480	827,309	(670,053)	145,313,736
Accumulated depreciation	<u>(45,002,237)</u>	<u>(5,016,804)</u>	<u>704,945</u>	<u>(49,314,096)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>100,154,243</u>	<u>(4,189,495)</u>	<u>34,892</u>	<u>95,999,640</u>
CAPITAL ASSETS, net	<u>\$ 103,859,476</u>	<u>\$ (388,190)</u>	<u>\$ 34,892</u>	<u>\$ 103,506,178</u>

Depreciation expense for the Community College was \$5,016,804.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - CAPITAL ASSETS (Continued)

Valley Forge Convention and Visitors Bureau, Ltd.

	Beginning Balance	Increase	Decrease	Ending Balance
CAPITAL ASSETS BEING DEPRECIATED				
Transportation equipment	\$ 7,375	\$ -	\$ -	\$ 7,375
Office equipment	93,854	-	-	93,854
Accumulated depreciation	<u>(52,680)</u>	<u>(29,700)</u>	<u>-</u>	<u>(82,380)</u>
CAPITAL ASSETS, net	<u>\$ 48,549</u>	<u>\$ (29,700)</u>	<u>\$ -</u>	<u>\$ 18,849</u>

Depreciation expense for the Bureau was \$29,700.

Montgomery County-Norristown Public Library

	Beginning Balance	Increase	Decrease	Ending Balance
CAPITAL ASSETS BEING DEPRECIATED				
Books and collections	\$ 6,853,254	\$ 355,064	\$ -	\$ 7,208,318
Improvements	492,477	-	-	492,477
Furniture and equipment	113,867	-	-	113,867
Computer equipment	199,733	4,531	-	204,264
Vehicles	<u>754,629</u>	<u>-</u>	<u>-</u>	<u>754,629</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	8,413,960	359,595	-	8,773,555
Accumulated depreciation	<u>(7,438,327)</u>	<u>(417,341)</u>	<u>-</u>	<u>(7,855,668)</u>
CAPITAL ASSETS, net	<u>\$ 975,633</u>	<u>\$ (57,746)</u>	<u>\$ -</u>	<u>\$ 917,887</u>

Depreciation expense for the Library was \$417,341.

Redevelopment Authority of the County of Montgomery

	Beginning Balance	Increase	Decrease	Ending Balance
CAPITAL ASSETS BEING DEPRECIATED				
Building and improvements	\$ 14,078,474	\$ -	\$ -	\$ 14,078,474
Furniture and fixtures	51,715	-	-	51,715
Computer equipment	38,292	-	-	38,292
Office equipment	<u>3,403</u>	<u>-</u>	<u>-</u>	<u>3,403</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	14,171,884	-	-	14,171,884
Accumulated depreciation	<u>(2,454,331)</u>	<u>(363,825)</u>	<u>-</u>	<u>(2,818,156)</u>
CAPITAL ASSETS, net	<u>\$ 11,717,553</u>	<u>\$ (363,825)</u>	<u>\$ -</u>	<u>\$ 11,353,728</u>

Depreciation expense for the Authority was \$363,825.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - DUE FROM OTHER GOVERNMENTS AND ACCOUNTS RECEIVABLE

Amounts due from other governments are primarily grants receivable from the Commonwealth of Pennsylvania at December 31, 2015.

Prepaid Expenses

The amounts recorded represent payments made for insurance, rent and other goods and services in the current fiscal year but not expensed as of December 31, 2015.

Notes Receivable

Notes receivable remain from an Infrastructure Loan Program that the County provided for several years to its municipalities. Loans with a term of ten years or less were interest free. Loans with a term longer than ten years (with a maximum of 20 years) have an interest rate of one half of the rate the County must pay to borrow funds. Payments on the loans must be made at least annually.

Notes receivable are recorded in the financial statements at present value using a discount rate of 5% to 6%, which approximates the interest rate paid on the bond issues used to fund the Infrastructure Loan Program. Because the funds are not currently available for use by the County, the present value of the notes receivable is recorded as unearned revenue. The gross amount of the notes receivable at December 31, 2015, is \$110,775. The present value of the notes receivable at December 31, 2015, is \$80,717.

Annual payments for 20-year loans are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2016	\$ 68,155
2017	<u>12,562</u>
	<u>\$ 80,717</u>

The program has been discontinued.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM OBLIGATIONS

Changes in the primary government long-term obligations for the year ended December 31, 2015, are as follows:

	January 1, 2015	Increases	Decreases	December 31, 2015	Current Portion
BONDS AND NOTES PAYABLE					
General Obligations Bonds	\$ 348,065,000	\$ 26,910,000	\$ (46,290,000)	\$ 328,685,000	\$ 19,670,000
General Obligation Notes	36,970,000	-	(3,720,000)	33,250,000	3,815,000
Deferred amounts, premiums	<u>17,569,299</u>	<u>3,259,865</u>	<u>(1,892,669)</u>	<u>18,936,495</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE	<u>402,604,299</u>	<u>30,169,865</u>	<u>(51,902,669)</u>	<u>380,871,495</u>	<u>23,485,000</u>
OTHER LONG-TERM LIABILITIES					
Deferred amounts, swaps	1,426,504	-	(84,264)	1,342,240	-
Settlements payable	500,000	-	-	500,000	-
Net pension liability	88,592,434	40,589,784	-	129,182,218	-
Compensated absences	<u>14,513,060</u>	<u>-</u>	<u>(1,849,980)</u>	<u>12,663,080</u>	<u>-</u>
TOTAL OTHER LONG-TERM LIABILITIES	<u>105,031,998</u>	<u>40,589,784</u>	<u>(1,934,244)</u>	<u>143,687,538</u>	<u>-</u>
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 507,636,297</u>	<u>\$ 70,759,649</u>	<u>\$ (53,836,913)</u>	<u>\$ 524,559,033</u>	<u>\$ 23,485,000</u>

The General Fund has been used to liquidate other long-term liabilities in prior years.

General Obligation Debt

Bonds and notes payable at December 31, 2015, are comprised of the following individual issues:

Description	Interest Rates	Final Maturity Date	Amount Outstanding
Series A 2004 General Obligation Bonds	Variable	2024	\$ 51,600,000
Series A 2006 General Obligation Bonds	4.00% to 5.00%	2020	22,460,000
Series B 2006 General Obligation Bonds	4.00% to 5.25%	2025	22,815,000
Series D 2006 General Obligation Bonds	5.00% to 5.20%	2016	335,000
Series 2008 General Obligation Bonds	3.00% to 5.25%	2019	14,095,000
Series A 2009 General Obligation Bonds	2.00% to 5.00%	2032	35,055,000
Series C 2009 General Obligation Note	2.25% to 5.00%	2024	29,380,000
Series D 2009 General Obligation Note	1.50% to 3.20%	2018	3,870,000
2010 Series A General Obligation Bonds	1.00% to 2.50%	2017	1,730,000
2010 Series B General Obligation Bonds	4.25% to 6.03%	2039	28,755,000
2010 Series C General Obligation Bonds	2.70% to 5.40%	2030	47,870,000
2011 Series A General Obligation Bonds	2.50% to 5.00%	2022	22,105,000
2013 Series General Obligation Bonds	1.50% to 5.00%	2033	54,955,000
2015 Series General Obligation Bonds			<u>26,910,000</u>
			361,935,000
Current portion			<u>(23,485,000)</u>
			<u>\$ 338,450,000</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM OBLIGATIONS (Continued)

The County has pledged its full faith, credit and taxing power for the repayment of the above obligations.

Maturities for all general obligation debt for the next five years and five-year increments thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 23,485,000	\$ 15,543,691	\$ 39,028,691
2017	24,415,000	14,637,306	39,052,306
2018	25,460,000	13,615,401	39,075,401
2019	26,830,000	12,421,689	39,251,689
2020	27,970,000	11,307,214	39,277,214
2021 to 2025	139,975,000	38,186,163	178,161,163
2026 to 2030	67,805,000	16,259,486	84,064,486
2031 to 2035	18,890,000	4,054,295	22,944,295
2036 to 2039	7,105,000	1,091,732	8,196,732
	<u>\$ 361,935,000</u>	<u>\$ 127,116,977</u>	<u>\$ 489,051,977</u>

Interest Rate Management Plan

In accordance with the requirements under Act 2003-23 amending the Local Government Unit Debt Act, the County entered into an Interest Rate Management Plan. The plan shall cover all Qualified Interest Rate Management Agreements including, but not limited to, interest rate swaps, caps, floors, swaptions and similar derivative instruments.

Advance Refunding

The County issued \$26,910,000 of General Obligation Bonds, Series A of 2015, to advance refund the County's General Obligation Bonds, Series C of 2006, and to pay the costs of issuing the bonds. The advance refunding was undertaken to reduce total debt service payments over the life of the bonds. The refunding resulted in an estimated economic gain of \$2,232,943 for the County.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM OBLIGATIONS (Continued)

Discretely Presented Component Units Long-Term Debt

Long-term debt payable at December 31, 2015, is comprised of the following individual issues:

Montgomery County Community College - Long-term debt consists of the following at June 30, 2015:

<u>Description</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Long-Term Debt</u>
College Revenue Bonds			
Series of 2008	3.00% to 5.00%	2028	\$ 28,470,000
Series of 2013	2.00% to 5.00%		50,000,000
Bond premiums			<u>3,530,879</u>
			82,000,879
Current portion			<u>(4,353,888)</u>
			<u>\$ 77,646,991</u>

Future minimum principal payments required under long-term debt are as follows:

<u>Fiscal Year Ending June 30,</u>	
2016	\$ 4,115,000
2017	4,250,000
2018	4,430,000
2019	4,640,000
2020	4,865,000
2021 to 2025	28,110,000
2026 to 2030	16,680,000
2031 to 2035	8,120,000
2036 to 2039	<u>3,260,000</u>
	<u>\$ 78,470,000</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM OBLIGATIONS (Continued)

Long-term liability changes are summarized below:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
Long-term debt	\$ 86,199,767	\$ -	\$ (4,198,888)	\$ 82,000,879	\$ 4,353,888
Capital lease obligation	4,622,935	1,045,006	(300,163)	5,367,778	351,517
Compensated absences	10,033,277	3,539,880	(1,736,411)	11,836,746	-
Net pension liability	-	3,483,044	-	3,483,044	-
	<u>\$ 100,855,979</u>	<u>\$ 8,067,930</u>	<u>\$ (6,235,462)</u>	<u>\$ 102,688,447</u>	<u>\$ 4,705,405</u>

For the year ended June 30, 2015, the Community College incurred interest expense of \$2,428,751, of which nothing was capitalized.

Montgomery County-Norristown Public Library - Long-term liability changes are summarized below:

	Beginning Balance January 1, 2015	Additions	Reductions	Ending Balance December 31, 2015
Compensated absences	\$ 186,447	\$ -	\$ (14,394)	\$ 172,053

Redevelopment Authority of the County of Montgomery - Long-term debt consists of the following at December 31, 2015:

Description	Interest Rates	Final Maturity Date	Long-Term Debt
Bonds payable			
Parking Revenue Bonds, Series of 2007	Variable	2037	\$ 11,885,000
Loans payable			
High Street Corporate Center TIF	12.25%	2023	283,852
Ardmore Crossing TIF	6.50%	2026	162,944
Whitemarsh TIF			
Angus Tract	3.11%	2024	2,793,946
Sheep Tract	6.50%	2025	1,933,000
401 Dekalb TIF	6.31%	2028	465,958
HUD Section 108 loans			
Studio Centre, Municipality of Norristown	Variable	2030	5,000,000
Studio Centre, County of Montgomery	Variable	2030	9,086,000
Ambler Boiler House	Variable	2031	3,185,000
PENNVEST, Washington Street acquisition	1%	2027	<u>1,200,251</u>
			35,995,951
Current portion			<u>(652,101)</u>
			<u>\$ 35,343,850</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - LONG-TERM OBLIGATIONS (Continued)

Future minimum principal payments required under long-term debt are as follows:

Fiscal Year Ending December 31,	
2016	\$ 652,101
2017	1,105,328
2018	2,210,025
2019	2,252,263
2020	2,296,056
2021 to 2025	11,931,359
2026 to 2030	10,104,335
2031 to 2035	3,809,484
2036 to 2039	<u>1,635,000</u>
	<u>\$ 35,995,951</u>

Long-term liability changes are summarized below:

	Beginning Balance January 1, 2015	Additions	Reductions	Ending Balance December 31, 2015	Current Portion
Bonds and loans payable	\$ <u>37,041,640</u>	\$ <u>-</u>	\$ <u>(1,045,689)</u>	\$ <u>35,995,951</u>	\$ <u>652,101</u>

Other Long-Term Obligations

To settle a lawsuit concerning control of methane generated by landfills, the County agreed to pay a total of \$1,750,000 in three equal installments of \$583,333. The final installment was paid during 1995. The County also agreed to pay 100% annually of its reasonable, necessary and cost-effective operation, maintenance and remediation costs for 18 years, with the first payment made on December 31, 1994. The discount rate used by the County for the payment stream was 5% for 2011. The estimated liability for environmental cleanup and continued operation was paid off during 2011. In addition, \$500,000 is reserved for general liability claims at December 31, 2015.

The County has Internal Service Fund reserves for outstanding workers' compensation lawsuits that aggregate approximately \$1,600,000 as of December 31, 2015.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DERIVATIVE INSTRUMENTS

The County is party to contracts for various derivative instruments as discussed below. At December 31, 2015, the County has the following derivative instruments outstanding:

Type	Objective	Fair Market Value of Derivative at December 31, 2015 Positive (Negative)
HEDGING DERIVATIVES		
2004 Pay-Fixed Interest Rate Swap	Hedge changes in cash flows on 2004 Series A Note	\$ (6,576,834)
2007 Swaption (At-the-Money Swap Component)	Hedge changes in cash flows on 2006 Series A Note and resultant 2016 Series Variable Rate Bond	<u>(4,220,681)</u>
		<u>\$ (10,797,515)</u>
INVESTMENT DERIVATIVES		
2007 Basis Swap (No. 1)	Hedge changes in cash flows on 2006 Series A Note	<u>\$ (279,101)</u>

The fair value balances and notional amounts of the County's derivative instruments outstanding at December 31, 2015, classified by type, and the changes in fair value of such derivative instruments for the year are as follows:

	Changes in Fair Value	
	Classification	Amount
HEDGING DERIVATIVES		
2004 Pay-Fixed Interest Rate Swap	Deferred inflow	\$ (632,916)
2007 Swaption (At-the-Money Swap Component)	Deferred inflow	<u>971,183</u>
		<u>\$ 338,267</u>
INVESTMENT DERIVATIVES		
2006 Constant Maturity Swap	Investment revenue	\$ (584,417)
2007 Basis Swap (No. 1)	Investment revenue	350,773
2007 Basis Swap (No. 2)	Investment revenue	717,274
2007 Swaption (Time Value Component)	Investment revenue	<u>971,183</u>
		<u>\$ 1,454,813</u>

Notional Amount as of December 31, 2015	Note Outstanding at December 31, 2015	Effective Date	Termination Date	Terms
\$ 51,600,000	\$ 51,600,000	August 18, 2004	August 15, 2024	Pay 3.637%; receive variable rate equal to 61% of 30-day LIBOR plus 0.29%
21,890,000	21,890,000	March 1, 2014	October 15, 2031	Pay 4.803%; receive variable rate equal to weekly SIFMA Swap Index plus 0.25%
22,460,000	22,460,000	March 1, 2014	October 15, 2031	Pay variable rate equal to weekly SIFMA Swap Index; receive variable rate equal to 67% of 30-day LIBOR plus 0.115%

Fair Value at December 31, 2015

Classification	Amount	Notional Amount
Debt	\$ (6,576,834)	\$ 51,600,000
Debt	<u>(4,220,681)</u>	21,890,000
	<u>\$ (10,797,515)</u>	
Asset	\$ -	\$ -
Debt	(279,101)	22,460,000
Debt	-	-
Debt	-	-
	<u>\$ (279,101)</u>	

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DERIVATIVE INSTRUMENTS (Continued)

2004 Interest Rate Swap

On July 15, 2004, in connection with the issuance of the General Obligation Bonds, Series A of 2004, the County entered into an interest rate swap transaction (the "Swap") with Wells Fargo Bank National Association. The Swap was executed under authorization of Act 2003-23, which updated the Pennsylvania Local Government Debt Act to permit local government units in Pennsylvania to enter into interest rate management agreements. The effective date of the Swap was August 18, 2004. The executed transaction is a 20-year amortizing floating-to-fixed interest rate swap. In connection with this agreement, the County paid a swap advisory fee (\$78,000) and a special counsel fee (\$40,000). The Swap's initial notional amount was \$60,000,000. Beginning in 2004, the notional value of the Swap and the associated debt declined. Under the Swap agreement, the County pays the counterparty a fixed rate of 3.637% and receives a variable rate computed at 61% of the one-month LIBOR plus .29%. The maturity date of the Swap is August 15, 2024.

As of December 31, 2015, the counterparty was rated Aa2 by Moody's, AA- by Standard & Poor's and AA- by Fitch.

Basis Risk - The County's variable rate bond interest payments are equivalent to the amounts received under its Swap agreement. However, the interest rate on its bonds payable shall not exceed 3.637% per year. If a change occurs that results in the variable rate received exceeding the maximum variable rate on the bonds payable of 3.637%, there may be a cost savings.

2007 Basis Swap (No. 1)

On June 7, 2007, in connection with the issuance of the General Obligation Bonds, Series A of 2006, the County entered into an interest rate swap transaction (the "Swap") with PNC Bank, National Association. The Swap was executed under authorization of Act 2003-23, which updated the Pennsylvania Local Government Debt Act to permit local government units in Pennsylvania to enter into interest rate management agreements. The effective date of the Swap was March 1, 2014. The executed transaction is a 23-year amortizing floating-to-fixed interest rate swap.

The County received an up-front payment in the amount of \$529,438 as a result of entering into the Swap, creating an expected present value debt service savings for the County. This payment was net of a swap advisory fee (\$30,000) and a special counsel fee (\$21,000). The Swap's initial notional amount was \$33,070,000. Beginning in 2007, the notional value of the Swap and the associated debt declined. Under the Swap agreement, the County pays the counterparty the weekly Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index rate and receives a variable rate computed at 67% of the one-month LIBOR plus .115%. The maturity date of the Swap is October 15, 2031.

As of December 31, 2015, the counterparty was rated A2 by Moody's, A by Standard & Poor's and A+ by Fitch.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DERIVATIVE INSTRUMENTS (Continued)

Basis Risk - The County's basis risk is the temporary risk of a shortfall between the rate paid (SIFMA) and the rate received on the Swap. This could result in a rate paid that is higher than the rate received in which the County makes net payments to the counterparty.

2007 Swaption

On November 28, 2007, the County entered into a floating-to-fixed rate swaption with PNC Bank, National Association (PNC) in connection with its outstanding General Obligation Bonds, Series A of 2006 (the "2006A Bonds"). It is expected that the County will issue bonds or notes on October 15, 2031 (the initial optional redemption date of the 2006A Bonds), with approximately the same principal amortization schedule as the 2006A Bonds, thus creating a "synthetic fixed rate" liability. The effective date of the 2007 Swaption was November 28, 2007. PNC possesses a one-time option to enter the 2007 Swaption. If PNC does not exercise the option, the 2007 Swaption will not become effective, and the County may not issue the variable rate bonds. The 2007 Swaption, if exercised, is being structured such that the principal schedule and maturity date will match the 2006A Bonds and the resultant General Obligation Bonds, Series of 2016. The County received an up-front payment in the amount of \$792,500 from PNC as a result of entering into the 2007 Swaption, creating an expected present value debt service savings for the County. This payment was net of a swap advisory fee (\$35,000) and a special counsel fee (\$50,000). The 2007 Swaption's initial notional amount is \$24,925,000.

Beginning in 2016, the notional value of the 2007 Swaption and the associated debt will decline. Under the 2007 Swaption agreement, the County pays the counterparty a fixed rate of 4.803% and receives the weekly Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index rate plus .25%. The maturity date of the 2007 Swaption is October 15, 2031.

As of December 31, 2015, the counterparty was rated A2 by Moody's, A by Standard & Poor's and A+ by Fitch.

Basis Risk - The County's variable rate bond interest payments are equivalent to the amounts received under its 2007 Swaption agreement. However, the interest rate on its bonds payable shall not exceed 5% per year. If a change occurs that results in the variable rate received exceeding the maximum variable rate on the bonds payable of 5%, there may be a cost savings.

Fair Market Value Determination

A derivative is a financial instrument whose economic value will change over time. The economic value may be positive or negative, depending on interest rate movements after the initial trade date.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DERIVATIVE INSTRUMENTS (Continued)

The fair values of the 2004 Interest Rate Swap and the 2007 Basis Swap (No.1) were estimated by comparing the fixed rate set at the inception of the transaction and the “swap replacement rate,” which represents the market rate for an offsetting interest rate swap with the same notional amount and final maturity date. The market value was then determined by calculating the present value interest differential between the contractual swap and the replacement swap.

The 2007 Swaption’s fair values were estimated by comparing the fixed rate set at the inception of the transaction and the “swaption replacement rate,” which represents the market rate for an offsetting interest rate swaption with the same notional amount and final maturity date. The market value was then determined by calculating the present value interest differential between the contractual swaption and the replacement swaption.

Evaluation of Effectiveness and Recording of Derivative

The County evaluated the hedge effectiveness for the hedging derivatives described previously under the methods as defined by GASB Statement No. 53. The 2004 Interest Rate Swap for the 2004 Series Note was determined to be effective under the regression analysis method. The 2007 Swaption At-the-Money Swap Component was also determined to be effective under the regression analysis method. The regression analysis method measures the relationship between the fair value or cash flows of the potential hedging derivative and the hedgeable item. In order for the interest rate swap to be effective, certain statistical criteria must be met to demonstrate that the changes in cash flows or fair values of the potential hedging derivative substantially offset the changes in cash flows or fair values of the hedgeable item.

The derivatives described above were determined to be effective. The fair market value of the 2004 Interest Rate Swap was a negative \$(6,576,834) as of December 31, 2015. Therefore, pursuant to GASB Statement No. 53, the instrument was recorded in the government-wide statement of net position as a liability and a corresponding deferred outflow was recorded. The fair market value of the 2007 Swaption At-the-Money Swap Component was a negative \$(4,220,681) as of December 31, 2015. Therefore, pursuant to GASB Statement No. 53, the instrument was recorded in the government-wide statement of net position as a liability and a corresponding deferred outflow was recorded.

Risks Associated With Hedging and Investment Swaps

Credit Risk - The County is not exposed to credit risk on the remaining hedging and investment derivatives since the derivatives have a negative value and therefore are a liability. However, should interest rates change and the net fair market value of the interest rate hedge swap become positive, the County would be subject to credit risk in the amount of the net fair market value.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DERIVATIVE INSTRUMENTS (Continued)

Interest Rate Risk - As of December 31, 2015, the County is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap and its pay-variable, receive-variable swaps; as the basis for the interest rate received, either the SIFMA or LIBOR index, decreases, the County's net payment on the swap increases.

Termination Risk - The County or the counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the agreement. If, at the time of termination, the derivative instrument has a negative fair value, the County would be liable to the counterparty for a payment equal to the derivative instrument's fair value.

NOTE H - COMMITMENTS

Leases

Primary Government - At December 31, 2015, the County's aggregate annual rental commitments under noncancelable operating leases having an initial or remaining term of more than one year are as follows:

Fiscal Year Ending <u>December 31,</u>	
2016	\$ 3,925,204
2017	3,927,150
2018	3,635,275
2019	3,012,222
2020	2,910,680
2021-2025	13,416,519
2026-2029	<u>6,589,973</u>
	<u>\$ 37,417,023</u>

Lease expense was \$5,059,996 in 2015.

Construction Commitments - At the end of 2015, there was approximately \$2.9 million of contractually committed construction contracts signed in 2015 for various repair projects. Through August 31, 2016, the County has signed contracts of approximately \$10.4 million for additional construction projects.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - COMMITMENTS (Continued)

Discretely Presented Component Units

Montgomery County Community College - The Community College has certain equipment under noncancelable operating leases. The Community College also leases computer equipment, which is classified as capital leases. These leases expire at various dates through 2031.

Computer equipment included in capital assets at June 30, 2015, is as follows:

Computer equipment	\$ 772,816
Energy savings equipment	4,075,045
Culinary arts equipment	635,034
Accumulated depreciation	<u>(1,070,256)</u>
	<u>\$ 4,412,639</u>

Future minimum lease payments for capital leases and operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2016	\$ 504,437	\$ 885,438
2017	438,250	812,766
2018	476,447	830,171
2019	488,267	833,652
2020	499,938	833,652
2021 to 2025	2,555,943	4,216,877
2026 to 2030	1,554,378	4,285,258
2031 to 2035	<u>-</u>	<u>4,385,954</u>
	TOTAL MINIMUM LEASE PAYMENTS	\$ <u>17,083,768</u>
	Amount representing interest	<u>(1,149,882)</u>
	PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	5,367,778
	Current obligations	<u>(351,517)</u>
	<u>\$ 5,016,261</u>	

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - COMMITMENTS (Continued)

Valley Forge Convention and Visitors Bureau, Ltd. - The Bureau has entered into a ten-year operating lease expiring in March 2020. The Bureau received rent abatement for the first six months until April 2009. At that time, the annual charge of \$22.50 per square foot commenced for the 9,645 square feet occupied. Each year thereafter, the square footage charge will increase in \$.50 increments.

Future minimum lease payments for the operating lease are as follows:

Fiscal Year Ending <u>June 30,</u>	
2016	\$ 278,651
2017	279,700
2018	280,748
2019	<u>214,587</u>
	<u>\$ 1,053,686</u>

Rental expense was \$232,425 in 2015.

Montgomery County-Norristown Public Library - The Library leases copy machines and a postage machine in its operations. These leases have been recorded as operating leases, and, accordingly, all rents are charged to expense as incurred.

Future minimum lease payments for the operating leases are as follows:

Fiscal Year Ending <u>December 31,</u>	
2016	\$ 10,981
2017	8,161
2018	2,521
2019	<u>1,470</u>
	<u>\$ 23,133</u>

Rental expense was \$11,717 in 2015.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - COMMITMENTS (Continued)

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Guarantee Agreement

In June 2007, the Redevelopment Authority of the County of Montgomery issued Series 2007 Variable Rate Demand County Guaranteed Parking Revenue Bonds (the "Series 2007 Bonds") in the amount of \$11,885,000. The proceeds of the Series 2007 Bonds will be used to provide funds for the acquisition of various parcels of land in the Municipality of Norristown (Montgomery County, Pennsylvania), the demolition of existing structures thereon and the construction of a multi-level public parking garage. The County has entered into a County Guaranty between the County and RBC Capital Markets, pursuant to which the County unconditionally guarantees the payment of the Series 2007 Bonds.

In addition, the County is guarantor for approximately \$18.4 million of HUD Section 108 loans issued to the Redevelopment Authority of the County of Montgomery.

NOTE I - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Method Used to Value Investments - Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

Plan Description

Plan Administration - The Employees' Retirement Board administers the Montgomery County Employees Pension Plan--a single-employer defined benefit pension plan that covers all full-time salaried employees of the County. The plan is regulated according to the County Pension Law Act 96 of 1971, as amended. The Board consists of five members consisting of the three County elected commissioners, the elected County Controller and the County elected Treasurer.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE I - DEFINED BENEFIT PENSION PLAN (Continued)

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	2,137
Inactive plan members entitled to but not yet receiving benefits	455
Active plan members	<u>2,552</u>
	<u><u>5,144</u></u>

Benefits Provided – The Montgomery County Employees Pension Plan provides retirement, disability and death benefits. Retirement benefits for plan members are calculated as a percent of the member’s highest three-year average salary times the member’s years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after five years of service if disabled while in service and unable to continue as a County employee. Disability retirement benefits are equal to 25% of highest average salary at time of retirement. Death benefits for a member who dies with ten years of service prior to retirement is the total present value of member’s retirement paid in a lump sum. A plan member who leaves County service with less than five years of service may withdraw his or her contributions, plus any accumulated interest.

Contributions - An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2015 measurement period, the active member contribution rate was 5.0% of annual pay, and the County average contribution rate was 2.91% of annual payroll.

Investments

Investment Policy - The plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	35%
International equity	20%
Fixed income	35%
Real estate	10%
Cash	<u>0%</u>
	<u><u>100%</u></u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (Continued)

Concentrations - More than 5% of the County's investments are in mutual funds. These investments are 100% of the plan's total investments.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 0.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the County

The components of the net pension liability of the County at December 31, 2015, were as follows:

Total pension liability	\$ 608,861,662
Plan fiduciary net position	<u>479,679,444</u>
NET PENSION LIABILITY	<u>\$ 129,182,218</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>78.78%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan % investment expenses, including inflation

Mortality rates were based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for Males and Females with no projected improvement.

The actuarial assumptions used in the December 31, 2015 measurement period were based on past experience under the plan and reasonable future expectations, which represent our best estimate of anticipated experience under the plan.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on 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 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.4 to 6.4%
International equity	5.5 to 6.5%
Fixed income	1.3 to 3.3%
Real estate	4.25 to 5.5%
Cash	0.0 to 1.0%

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan members' contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the County, calculated using the discount rate of 7.5%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability	\$ <u>170,719,921</u>	\$ <u>129,182,218</u>	\$ <u>74,027,474</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2015, the County reported a liability of \$129,182,218 for the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2015, the County recognized pension expense of \$13,168,135. At December 31, 2015, the County reported deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 3,088,991
Net difference between projected and actual earnings on plan investments	<u>35,545,369</u>
	<u>\$ 38,634,360</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	
2016	\$ 7,623,906
2017	7,623,906
2018	7,623,906
2019	7,623,906
Thereafter	514,831

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
BALANCES AS OF DECEMBER 31, 2014	\$ <u>594,196,450</u>	\$ <u>505,604,016</u>	\$ <u>88,592,434</u>
Changes for the year			
Service cost	5,476,226	-	5,476,226
Interest	43,594,814	-	43,594,814
Changes of benefit terms	-	-	-
Differences between expected and actual experience	3,088,991	-	3,088,991
Changes of assumptions	-	-	-
Contributions			
Employer	-	3,588,805	(3,588,805)
Member	-	6,902,496	(6,902,496)
Net investment income	-	1,369,072	(1,369,072)
Benefit payments, including refunds of member contributions	(37,494,819)	(37,494,819)	-
Plan administrative expenses (excluding investment advisory fees)	-	(313,251)	313,251
Other changes	-	<u>23,125</u>	<u>(23,125)</u>
NET CHANGES	<u>14,665,212</u>	<u>(25,924,572)</u>	<u>40,589,784</u>
 BALANCES AS OF DECEMBER 31, 2015	 \$ <u><u>608,861,662</u></u>	 \$ <u><u>479,679,444</u></u>	 \$ <u><u>129,182,218</u></u>

Discretely Presented Component Units

Montgomery County Community College - Employees of the Community College are required to enroll in one of three available retirement plans immediately upon employment. The Pennsylvania State Employees' Retirement System (SERS) and the Public School Employees' Retirement System (PSERS) each administer a cost-sharing, multiple-employer defined benefit plan. The Teachers Insurance and Annuity Association/College Retirement and Equity Fund (TIAA/CREF) administers a multiple-employer defined contribution plan.

The SERS was established by the Commonwealth to provide pension benefits for employees of state government and certain other organizations. The SERS provides retirement, death and disability benefits. Participants in the SERS may receive retirement benefits after satisfying age and length of service requirements. The retirement benefit is calculated using a formula based on class of service, years of credited service, salary and age. Employer and employee contribution rates are established by statute. Employees who participate in the SERS, dependent upon membership class, are required to make a contribution equal to 5.00% or 9.30% of their gross pay. Participating employer contributions for the SERS are based upon an actuarially determined percentage of gross pay that is necessary to provide the SERS with assets sufficient to meet the benefits to be paid to members.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (Continued)

The Community College contribution rate at June 30, 2015, was 17.18% of gross pay. According to the Commonwealth Retirement Code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate. The contribution to the SERS for the year ended June 30, 2015, was \$209,352.

The PSERS was established under the provisions of P. L. 1043, No. 343 to provide allowances and other benefits, including death, disability and health care benefits, to members. Participants in the PSERS may receive monthly retirement benefits after satisfying age and length of service requirements. PSERS' basic formula to calculate retirement benefits is based on a pension multiplier, credited years of service and final average salary. The contribution policy is set by the Pennsylvania Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. PSERS has four membership classes, Class T-C, Class T-D, Class T-E and Class T-F. The membership class, in part, determines member contribution rate as well as hire date. The membership class rates range from 5.25% to 10.3%. The contributions required of the employer and the Commonwealth are based upon an actuarial valuation using the "entry age normal" method computed as a percentage of the total compensation of all active members during the period for which the amount is determined. The Community College and Commonwealth contribution rates at June 30, 2015, were 20.5% each. The contribution to the PSERS for the year ended June 30, 2015, was \$121,176.

The TIAA/CREF is an option to employees who wish to participate in a program whose benefits depend solely on amounts contributed plus investment earnings. Employer and employee contribution rates are established by statute. Each employee who elects to participate in this plan is required to make contributions equal to 5.00% of total annual compensation. The Community College contribution rate at June 30, 2015, was 11% of each enrolled employee's total annual compensation. Beyond that salary-based contribution, the Community College bears no responsibility for any liabilities, funded or unfunded, of the TIAA/CREF. Contributions are immediately and fully vested. The contribution to the TIAA/CREF for the year ended June 30, 2015, was \$8,767,469, which consisted of \$3,891,323 from the Community College and \$4,876,146 from employees.

Valley Forge Convention and Visitors Bureau, Ltd. - The Bureau offers a retirement plan to its employees who are at least 21 years of age.

Participants in the plan can contribute from 1% to 15% of their base compensation. Bureau contributions are discretionary and may equal a dollar-for-dollar match up to 5% of the participant's base salary. The plan is administered by the Great West Life and Annuity Insurance Company. The Bureau contribution for the year ended June 30, 2015, was \$57,469.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (Continued)

Montgomery County-Norristown Public Library - The Library has a defined contribution pension plan for its employees who have completed two years of service. Prior to September 2009, the Library was obligated to contribute 2.75% of salary to the plan for each participating employee. Effective September 2009, the Library will only make annual discretionary contributions, as funding permits. The total number of plan members is 23 and all members are considered general employees. The total contributions to the pension plan by employees for the year ended December 31, 2015, was \$117,849.

The Library has also established a supplemental retirement annuity plan, which is funded solely through employee contributions.

NOTE J - SELF-INSURANCE PROGRAM

In January 1996, the County established Internal Service Funds to account for and finance risk of loss due to employee claims for workers' compensation and property damage claims. Under the Workers' Compensation Program, the Workers' Compensation Fund provides coverage up to a maximum of \$1,000,000 for each individual worker's compensation occurrence. Under the Property Damage Program, the Property Damage Fund provides coverage up to a maximum of \$100,000 for each individual property damage occurrence. The County purchases commercial insurance for claims in excess of coverage provided by the Funds. Settled claims have not exceeded this commercial coverage in the last three years of self-insurance.

All County employees, except elected officials, are covered by the Workers' Compensation Fund. Funds from the General Fund are transferred to the Workers' Compensation Fund based on estimates of the amounts needed to pay prior and current year claims.

Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

Changes in the Workers' Compensation Fund's claims liability (net of excess insurance) for the year ended December 31, 2015, were:

	Workers' Compensation Fund
	<u> </u>
BEGINNING OF YEAR LIABILITY	\$ 1,379,609
Current year changes in estimate	1,124,602
Claim payments (cash basis)	<u>(905,348)</u>
 END OF YEAR LIABILITY	 \$ <u><u>1,598,863</u></u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - SELF-INSURANCE PROGRAM (Continued)

The County established the Medical Self-Insurance Fund (the "Medical Fund") on January 1, 2010, to provide resources to pay the medical, prescription and vision claims of employees and their dependents. The County pays an average of 89% of the employee's coverage cost. The employee's portion of the coverage cost is withheld from the employee and transferred to the Medical Fund each pay period. Interfund charges are treated as charges for services paid from the other County funds to the Medical Fund.

Included in this Medical Fund are the County's self-funded Personal Choice PPO Plan, self-funded Keystone 10 HMO Plan and self-funded Keystone C3F3 HMO Plan.

The HMO Plan and the PPO Plan (In Network) cover each participant for claim payments on an unlimited basis. The PPO Plan (Out-of-Network) covers claims not to exceed \$1,000,000 during the participant's lifetime. Specific medical and prescription drug claims in the plans exceeding \$300,000 are covered through a private insurance carrier up to the \$5,000,000 lifetime per participant limit.

A liability of \$2,588,965 for the estimated cost of claims incurred prior but paid subsequent to December 31, 2015, has been accrued and is included in the governmental activities on the statement of net position.

NOTE K - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables, payables and transfers of the primary government were comprised of the following amounts on an individual fund basis at December 31, 2015:

	Due from Other Funds	Due to Other Funds	Transfers	
			In	Out
General Fund	\$ 2,748,032	\$ 2,746,276	\$ 224,910	\$ -
Health Choices Fund	21,970	351,249	-	-
2013 Series Capital Bond Fund	134,910	-	-	-
Nonmajor Governmental Funds	92,327	3,185,540	-	-
Proprietary Funds	4,059,993	5,000	-	-
Fiduciary Type Trust and Agency Funds	1,441,479	2,210,646	-	224,910
	<u>\$ 8,498,711</u>	<u>\$ 8,498,711</u>	<u>\$ 224,910</u>	<u>\$ 224,910</u>

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE K - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Component Units - Transactions

Interfund transfers in/out of the component units and the primary government were as follows:

	Transfers	
	In	Out
PRIMARY GOVERNMENT		
Montgomery County-Norristown Public Library	\$ -	\$ 2,396,415
Montgomery County Community College	-	17,160,589
	<u>\$ -</u>	<u>\$ 19,557,004</u>
COMPONENT UNITS		
Montgomery County-Norristown Public Library	\$ 2,396,415	\$ -
Montgomery County Community College	18,011,658	-
	<u>\$ 20,408,073</u>	<u>\$ -</u>

The difference of \$851,069 resulted from the Community College reporting as of June 30, 2015.

NOTE L - COMPONENT UNITS

Significant accounting policies for the component units included in the accompanying financial statements are described on the following pages.

Montgomery County Community College

Basis of Accounting - The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The Community College applies only the Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989, except those that conflict with GASB pronouncements.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE L - COMPONENT UNITS (Continued)

Capital Assets - Capital assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Building	50
Leasehold improvements	20
Equipment and library	5-10

Compensated Absences - The Community College records a liability for vacation earned and records an annual provision for unused sick days earned by employees but not yet paid.

Montgomery County-Norristown Public Library

Basis of Presentation - The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments that have implemented GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999.

Basis of Accounting - The Library's basic financial statements include both government-wide and fund financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Capital Assets - Capital assets are defined as assets with an initial, individual cost of \$1,000 or more and an estimated useful life greater than one year. Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Books and collections	3-10
Computers	5
Furniture and fixtures	7
Building improvements	7
Vehicles and bookmobile	5-10

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE L - COMPONENT UNITS (Continued)

Compensated Absences - Employees of the Library are entitled to paid vacation depending on job classification, length of service and other factors. The Library has accrued \$172,053 of compensated absences at December 31, 2015.

Montgomery County Development Corporation

Basis of Accounting - The Development Corporation uses the accrual basis of accounting.

Capital Assets - Capital assets are capitalized at cost. It is the Development Corporation's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Furniture and fixtures are being depreciated over estimated useful lives of five years using the straight-line method.

Valley Forge Convention and Visitors Bureau, Ltd.

Basis of Accounting - The Bureau uses the accrual basis of accounting.

Redevelopment Authority of the County of Montgomery

Basis of Accounting - The 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.

Capital Assets - Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

	<u>Years</u>
Building improvements	40
Furniture and fixtures	5-7
Computer equipment	5
Office equipment	5
Norristown "mixed use facility"	5-40

Maintenance and repairs of capital assets are expensed when incurred.

Montgomery County Transportation Authority

Basis of Presentation - The financial statements of the Transportation Authority are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. GASB Statement No. 34 requires additional supplemental information as part of the basic financial statements.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE M - LITIGATION

The County is a party to a number of lawsuits that have arisen in the course of business. It is the opinion of management, as advised by legal counsel, that the aggregate amount of potential claims resulting from actions against the County would not materially affect the financial position of the County at December 31, 2015.

NOTE N - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Primary Government

The County does not provide postretirement benefits other than pension benefits (Note I).

Discretely Presented Component Units

Montgomery County Community College

Plan Description - The Community College sponsors a postretirement plan for benefits other than pensions. Benefits provided from the plan include retiree medical, prescription drugs, dental and life insurance. Eligible Community College retirees may continue health care coverage through the Community College. However, the Community College's contribution depends on an employee's hire date, age and service at retirement. The plan is a single-employer plan administered by the Community College. The Community College pays premiums for medical, prescription drugs, dental and life insurance on behalf of eligible retirees at age 62 for life, if hired prior to January 1, 1999. For employees hired subsequent to January 1, 1999, the Community College pays premiums for medical prescription drugs, dental and life insurance at age 62. When the retiree becomes eligible for Medicare, the retiree is responsible for the full cost.

Funding Policy - The contribution of plan members and the Community College are established and may be amended by the Community College's Board of Trustees. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid to fund the health care benefits provided to current retirees. The Community College paid premiums of approximately \$2,160,959 and \$1,636,792 for the fiscal years ending June 30, 2015 and 2014, respectively. Total retiree contributions made by plan members were \$424,549 and \$408,481 for the fiscal years ending June 30, 2015 and 2014, respectively.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE N - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation - The Community College's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funds that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Community College's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Community College's net OPEB obligation:

Annual required contribution (ARC)	\$ 3,474,129
Interest on net OPEB obligation	451,497
Adjustment to annual required contribution	<u>(385,747)</u>
ANNUAL OPEB COST	3,539,879
Contributions made	<u>1,736,410</u>
INCREASE IN NET OPEB OBLIGATION	1,803,469
Net OPEB obligation at July 1, 2014	<u>10,033,277</u>
 NET OPEB OBLIGATION AT JUNE 30, 2015	 <u>\$ 11,836,746</u>

The Community College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,803,469	51.0%	\$ 11,836,746
2014	2,993,124	41.0%	10,033,277
2013	3,394,119	34.0%	8,268,464

Funded Status and Funding Progress - The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 62,028,509
Actuarial value of plan assets	<u>-</u>
UNFUNDED ACTUARIAL ACCRUED LIABILITY	<u>\$ 62,028,509</u>

Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$32,259,682
UAAL as a percentage of covered payroll.....	192%

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE N - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - The calculations are based on the type of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5% discount rate and an annual health care costs trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5% after five years. The unfunded actuarial accrued liability is being amortized using a 30-year amortization level percentage of compensation.

NOTE O - SUBSEQUENT EVENTS

2016 New Money Bond Issue

In February 2016, the County issued 2016 Series A General Obligation Bonds in the amount of \$55,000,000. The proceeds of the bonds will be used to fund the County 2016-2017 Capital Improvement Program.

Emergency Radio Project

During the year ended December 31, 2015, Montgomery County established the Emergency Radio Project (the "Project"). Under the terms of the Project, the County has entered into a bulk purchasing agreement with Motorola Solutions, Inc. with respect to emergency radio equipment and services. The County has, in turn, made available to municipalities within the County, the ability to purchase, from Motorola, emergency radio equipment at a discount and has further agreed to provide interest free loans to municipalities, from funds borrowed by the County from the Delaware Regional Valley Finance Authority ("DelVal"), that wish to participate in the Project. The financing for the equipment closed in 2016.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MONTGOMERY, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Original and Final Budget	Actual (GAAP Basis)	Adjustments	Actual (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
REVENUES					
Real estate taxes, net					
Current year	\$ 179,683,032	\$ 179,087,092	\$ (44,978)	\$ 179,042,114	\$ (640,918)
Prior years and liened taxes	4,500,000	6,307,315	-	6,307,315	1,807,315
TOTAL TAXES	184,183,032	185,394,407	(44,978)	185,349,429	1,166,397
Grants and entitlements (Note H)	136,401,692	130,024,959	6,447,460	136,472,419	70,727
Geriatric Center	200,000	-	-	-	(200,000)
Departmental earnings	44,826,948	44,637,356	1,918,527	46,555,883	1,728,935
District justices	3,000,000	2,823,513	-	2,823,513	(176,487)
Investment income	150,000	170,724	-	170,724	20,724
Fines and forfeits	-	297,049	18,116	315,165	315,165
Other	2,403,417	12,580,016	317,844	12,897,860	10,494,443
TOTAL REVENUES	371,165,089	375,928,024	8,656,969	384,584,993	13,419,904
EXPENDITURES					
General administration	36,545,639	31,682,109	668,342	32,350,451	4,195,188
Judicial administration	65,546,631	64,168,770	1,341,138	65,509,908	36,723
Corrections	60,467,224	63,004,580	625,965	63,630,545	(3,163,321)
Public safety	4,299,759	4,595,524	45,654	4,641,178	(341,419)
History, cultural arts, recreation	-	4,784,455	108,812	4,893,267	(4,893,267)
Adult welfare	20,194,869	19,213,583	182,218	19,395,801	799,068
Child welfare	52,499,927	54,636,563	1,915,436	56,551,999	(4,052,072)
General welfare	67,284,231	60,372,140	(1,304,731)	59,067,409	8,216,822
Mass transportation	4,281,050	4,281,050	-	4,281,050	-
Community College	17,160,589	-	17,160,589	17,160,589	-
Insurance	1,600,000	2,238,383	756,960	2,995,343	(1,395,343)
Debt service	38,815,704	38,384,591	6,000	38,390,591	425,113
Other	1,850,007	8,747,705	17,092	8,764,797	(6,914,790)
TOTAL EXPENDITURES	370,545,630	356,109,453	21,523,475	377,632,928	(7,087,298)
EXCESS OF REVENUES OVER EXPENDITURES	619,459	19,818,571	(12,866,506)	6,952,065	6,332,606
OTHER FINANCING SOURCES (USES)					
Operating transfers in (Note K)	-	-	-	-	-
Operating transfers out (Note K)	(600,000)	224,910	224,910	449,820	1,049,820
Operating transfers to component units (Note K)	-	(19,557,004)	16,864,459	(2,692,545)	(2,692,545)
Proceeds from sale of capital assets	5,500,000	-	-	-	(5,500,000)
Refunding bonds issued	-	26,910,000	-	26,910,000	26,910,000
Premium on refunding bonds issued	-	3,259,865	-	-	-
Payment to refunding bond escrow agent	-	(29,856,143)	-	(29,856,143)	(29,856,143)
TOTAL OTHER FINANCING SOURCES (USES)	4,900,000	(19,018,372)	17,089,369	(5,188,868)	(10,088,868)
NET CHANGE IN FUND BALANCE	\$ 5,519,459	800,199	\$ 4,222,863	\$ 1,763,197	\$ (3,756,262)
FUND BALANCE AT BEGINNING OF YEAR		40,050,079			
FUND BALANCE AT END OF YEAR		<u>\$ 40,850,278</u>			

See accompanying notes to the required supplementary information.

COUNTY OF MONTGOMERY, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
HEALTH CHOICES FUND (SPECIAL REVENUE FUND)
YEAR ENDED DECEMBER 31, 2015

	<u>Original and Final Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Adjustments</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES					
Grants and entitlements (Note H)	\$ 128,294,356	\$ 119,715,861	\$ -	\$ 119,715,861	\$ (8,578,495)
Investment income	-	35,409	-	35,409	35,409
Other	-	-	-	-	-
TOTAL REVENUES	128,294,356	119,751,270	-	119,751,270	(8,543,086)
EXPENDITURES					
General welfare	103,039,510	120,344,330	-	120,344,330	(17,304,820)
Other	-	2,476,420	-	2,476,420	(2,476,420)
TOTAL EXPENDITURES	103,039,510	122,820,750	-	122,820,750	(19,781,240)
NET CHANGE IN FUND BALANCE	\$ 25,254,846	(3,069,480)	\$ -	\$ (3,069,480)	\$ (28,324,326)
FUND BALANCE AT BEGINNING OF YEAR		38,535,180			
FUND BALANCE AT END OF YEAR		\$ 35,465,700			

See accompanying notes to the required supplementary information.

COUNTY OF MONTGOMERY, PENNSYLVANIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2015

NOTE A - BUDGETARY ACCOUNTING

In accordance with provisions of Section 1981 of Public Law No. 723 of the Commonwealth, as amended, commonly known as the County Code, the County prepares and adopts a budget on or before December 31 for the following year. The budget, as authorized by the Board of Commissioners, presents appropriations of the General Fund, Health Choices Fund, Emergency Communications Fund, Liquid Fuels Tax Fund and Recycling Fund for the year on a cash basis. The budget does not include appropriations for amounts that will be expended in payment of obligations incurred under appropriations in the prior year's budget or for amounts that will be expended for certain social services and reimbursed by the federal government and the Commonwealth. The Title IV-D Fund, Housing and Community Development Fund, Economic and Workforce Development Fund and Records Improvement Fund are not subject to budgetary controls. In general, the County maintains budgetary control by major expenditure classification (salaries, fringe benefits, materials and supplies, purchased services, capital outlay and insurance). Budgetary transfers and/or additional appropriations from additional revenues received or from unexpended funds appropriated but not spent in prior years, etc., must be approved by the County Commissioners. Expenditures cannot legally exceed the appropriations at the budgetary control levels described above. Appropriations which are not expended lapse at the end of the fiscal year.

Neither receipts nor disbursements made from the General Fund to other governmental operations are budgeted. This practice results in actual receipts and disbursements of the General Fund being in excess of budgeted receipts and disbursements.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2015, expenditures exceeded appropriations in the General Fund in the corrections, adult welfare, mass transportation, Community College, debt service and other expenditures categories. In the Health Choices Fund of the Special Revenue Funds, expenditures exceeded appropriations in the general welfare category. These excess expenditures were funded by greater than anticipated revenues or excess fund balance.

COUNTY OF MONTGOMERY, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION
LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 5,476,226	\$ 6,567,329
Interest	43,594,814	42,950,035
Differences between expected and actual experience	3,088,991	(589,203)
Benefit payments	<u>(37,494,819)</u>	<u>(40,923,212)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	14,665,212	8,004,949
Total pension liability - beginning	<u>594,196,450</u>	<u>586,191,501</u>
TOTAL PENSION LIABILITY - ENDING (A)	<u><u>\$ 608,861,662</u></u>	<u><u>\$ 594,196,450</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions-employer	\$ 3,588,805	\$ 3,777,950
Contributions-member	6,902,496	7,506,732
Net investment income	1,369,072	38,440,594
Benefit payments, including refunds of member contributions	(37,494,819)	(40,923,212)
Administrative expense	(313,251)	(324,399)
Other	<u>23,125</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(25,924,572)	8,477,665
Plan fiduciary net position - beginning	<u>505,604,016</u>	<u>497,126,351</u>
PLAN FIDUCIARY NET POSITION - ENDING (B)	<u><u>\$ 479,679,444</u></u>	<u><u>\$ 505,604,016</u></u>
COUNTY'S NET PENSION LIABILITY - ENDING (A)-(B)	<u><u>\$ 129,182,218</u></u>	<u><u>\$ 88,592,434</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u><u>78.78%</u></u>	<u><u>85.09%</u></u>
COVERED-EMPLOYEE PAYROLL	<u><u>\$ 123,413,778</u></u>	<u><u>\$ 147,264,187</u></u>
COUNTY'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>104.67%</u></u>	<u><u>60.16%</u></u>

Note: GASB 67 requires this information be presented for 10 years; however, information is available for 2014 and 2015 only.

COUNTY OF MONTGOMERY, PENNSYLVANIA
SCHEDULE OF COUNTY CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 9,689,879	\$ 10,736,127
Contributions in relation to the actuarially determined contribution	<u>3,588,805</u>	<u>3,777,950</u>
Contribution deficiency (excess)	<u>\$ 6,101,074</u>	<u>\$ 6,958,177</u>
Covered-employee payroll	<u>\$ 123,413,778</u>	<u>\$ 147,264,187</u>
Contribution as a percentage of covered-employee payroll	<u>2.91%</u>	<u>2.57%</u>

Notes to Schedule

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	28 years
Asset valuation method	Fair-Market value
Inflation	3.0%
Salary increases	3.5% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

Note: GASB 67 requires this information be presented for 10 years; however, information is available for 2014 and 2015 only.

COUNTY OF MONTGOMERY, PENNSYLVANIA

SCHEDULE OF PENSION PLAN

INVESTMENT RETURNS

LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	0.04%	Not provided

Note: GASB 67 requires this information be presented for 10 years; however, information is available for 2014 and 2015 only.

SUPPLEMENTARY INFORMATION SECTION

COUNTY OF MONTGOMERY, PENNSYLVANIA

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 13,330,804	\$ 7,459,737	\$ 20,790,541
Investments	3,560	500,717	504,277
Accounts receivable	322,109	-	322,109
Due from			
Other funds	<u>92,327</u>	<u>-</u>	<u>92,327</u>
TOTAL ASSETS	<u>\$ 13,748,800</u>	<u>\$ 7,960,454</u>	<u>\$ 21,709,254</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,648,131	\$ 27,502	\$ 1,675,633
Accrued payroll	-	-	-
Due to other funds	2,422,480	763,061	3,185,541
Unearned revenue	-	5,681	5,681
TOTAL LIABILITIES	<u>4,070,611</u>	<u>796,244</u>	<u>4,866,855</u>
FUND BALANCES			
Nonspendable, prepaid expenses	-	-	-
Restricted			
Special revenue	11,692,566	-	11,692,566
Capital projects	-	2,547,966	2,547,966
Assigned, capital projects	-	4,616,244	4,616,244
Unassigned	<u>(2,014,377)</u>	<u>-</u>	<u>(2,014,377)</u>
TOTAL FUND BALANCES	<u>9,678,189</u>	<u>7,164,210</u>	<u>16,842,399</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,748,800</u>	<u>\$ 7,960,454</u>	<u>\$ 21,709,254</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Grants and entitlements	\$ 16,804,282	\$ 376,000	\$ 17,180,282
Investment income	3,991	3,070	7,061
Other	<u>2,786,356</u>	<u>3,463,425</u>	<u>6,249,781</u>
TOTAL REVENUES	<u>19,594,629</u>	<u>3,842,495</u>	<u>23,437,124</u>
EXPENDITURES			
Judicial administration	5,255,156	-	5,255,156
Public safety	720,381	-	720,381
Community development and housing	8,846,096	-	8,846,096
Roads and bridges, construction and reconstruction	1,910,266	-	1,910,266
Employee benefits	-	-	-
Operational costs	510,984	-	510,984
Recycling costs	-	-	-
Capital improvements	-	3,692,779	3,692,779
TOTAL EXPENDITURES	<u>17,242,883</u>	<u>3,692,779</u>	<u>20,935,662</u>
NET CHANGE IN FUND BALANCES	2,351,746	149,716	2,501,462
FUND BALANCES AT BEGINNING OF YEAR	<u>7,326,443</u>	<u>7,014,494</u>	<u>14,340,937</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,678,189</u>	<u>\$ 7,164,210</u>	<u>\$ 16,842,399</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2015

	Emergency Communications Fund	Liquid Fuels Tax Fund	Title IV-D Fund
ASSETS			
Cash and cash equivalents	\$ 43,740	\$ 1,081,786	\$ 878,659
Investments	2,202	1,358	-
Accounts receivable	322,109	-	-
Due from Other funds	-	-	-
TOTAL ASSETS	<u>\$ 368,051</u>	<u>\$ 1,083,144</u>	<u>\$ 878,659</u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable and accrued expenses	\$ -	\$ 174,386	\$ 878,298
Due to other funds	2,382,428	36,156	360
TOTAL LIABILITIES	<u>2,382,428</u>	<u>210,542</u>	<u>878,658</u>
FUND BALANCES (DEFICIT)			
Restricted	-	872,602	1
Unassigned	(2,014,377)	-	-
TOTAL FUND BALANCES (DEFICIT)	<u>(2,014,377)</u>	<u>872,602</u>	<u>1</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 368,051</u>	<u>\$ 1,083,144</u>	<u>\$ 878,659</u>

<u>Recycling Fund</u>	<u>Housing and Community Development Fund</u>	<u>Economic and Workforce Development Fund</u>	<u>Records Improvement Fund</u>	<u>Capital Shale Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 2,552,777	\$ 2,869,969	\$ 200	\$ 1,327,245	\$ 4,576,428	\$ 13,330,804
-	-	-	-	-	3,560
-	-	-	-	-	322,109
<u>-</u>	<u>76,107</u>	<u>-</u>	<u>16,220</u>	<u>-</u>	<u>92,327</u>
<u>\$ 2,552,777</u>	<u>\$ 2,946,076</u>	<u>\$ 200</u>	<u>\$ 1,343,465</u>	<u>\$ 4,576,428</u>	<u>\$ 13,748,800</u>
\$ -	\$ 530,438	\$ -	\$ 64,806	\$ 203	\$ 1,648,131
-	-	-	-	3,536	2,422,480
<u>-</u>	<u>530,438</u>	<u>-</u>	<u>64,806</u>	<u>3,739</u>	<u>4,070,611</u>
2,552,777	2,415,638	200	1,278,659	4,572,689	11,692,566
-	-	-	-	-	(2,014,377)
<u>2,552,777</u>	<u>2,415,638</u>	<u>200</u>	<u>1,278,659</u>	<u>4,572,689</u>	<u>9,678,189</u>
<u>\$ 2,552,777</u>	<u>\$ 2,946,076</u>	<u>\$ 200</u>	<u>\$ 1,343,465</u>	<u>\$ 4,576,428</u>	<u>\$ 13,748,800</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2015

	Emergency Communications Fund	Liquid Fuels Tax Fund	Title IV-D Fund
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Grants and entitlements	\$ -	\$ 1,919,125	\$ 5,255,156
Investment income	-	-	-
Other	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>-</u>	<u>1,919,125</u>	<u>5,255,156</u>
EXPENDITURES			
Judicial administration	-	-	5,255,156
Public safety	720,381	-	-
Community development and housing	-	-	-
Roads and bridges, construction and reconstruction	-	1,713,202	-
Operational costs	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>720,381</u>	<u>1,713,202</u>	<u>5,255,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(720,381)	205,923	-
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>(1,293,996)</u>	<u>666,679</u>	<u>1</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ (2,014,377)</u>	<u>\$ 872,602</u>	<u>\$ 1</u>

<u>Recycling Fund</u>	<u>Housing and Community Development Fund</u>	<u>Economic and Workforce Development Fund</u>	<u>Records Improvement Fund</u>	<u>Capital Shale Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 4,259,325	\$ 4,066,230	\$ -	\$ 1,304,446	\$ 16,804,282
-	-	-	3,991	-	3,991
<u>2,552,777</u>	<u>31,803</u>	<u>-</u>	<u>201,776</u>	<u>-</u>	<u>2,786,356</u>
<u>2,552,777</u>	<u>4,291,128</u>	<u>4,066,230</u>	<u>205,767</u>	<u>1,304,446</u>	<u>19,594,629</u>
-	-	-	-	-	5,255,156
-	-	-	-	-	720,381
-	4,779,866	4,066,230	-	-	8,846,096
-	-	-	-	197,064	1,910,266
-	-	-	510,984	-	510,984
<u>-</u>	<u>4,779,866</u>	<u>4,066,230</u>	<u>510,984</u>	<u>197,064</u>	<u>17,242,883</u>
2,552,777	(488,738)	-	(305,217)	1,107,382	2,351,746
<u>-</u>	<u>2,904,376</u>	<u>200</u>	<u>1,583,876</u>	<u>3,465,307</u>	<u>7,326,443</u>
<u>\$ 2,552,777</u>	<u>\$ 2,415,638</u>	<u>\$ 200</u>	<u>\$ 1,278,659</u>	<u>\$ 4,572,689</u>	<u>\$ 9,678,189</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

DECEMBER 31, 2015

	<u>Capital Reserve Fund</u>	<u>2010 Series A Open Space Bond Fund</u>	<u>2010 Series B Open Space Bond Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,648,134	\$ 1,839,884	\$ 971,719	\$ 7,459,737
Investments	<u>500,717</u>	<u>-</u>	<u>-</u>	<u>500,717</u>
TOTAL ASSETS	<u>\$ 5,148,851</u>	<u>\$ 1,839,884</u>	<u>\$ 971,719</u>	<u>\$ 7,960,454</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 27,502	\$ -	\$ -	\$ 27,502
Due to other funds	499,424	-	263,637	763,061
Unearned revenue	<u>5,681</u>	<u>-</u>	<u>-</u>	<u>5,681</u>
TOTAL LIABILITIES	<u>532,607</u>	<u>-</u>	<u>263,637</u>	<u>796,244</u>
FUND BALANCES				
Restricted	-	1,839,884	708,082	2,547,966
Assigned, capital projects	<u>4,616,244</u>	<u>-</u>	<u>-</u>	<u>4,616,244</u>
TOTAL FUND BALANCES	<u>4,616,244</u>	<u>1,839,884</u>	<u>708,082</u>	<u>7,164,210</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,148,851</u>	<u>\$ 1,839,884</u>	<u>\$ 971,719</u>	<u>\$ 7,960,454</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED DECEMBER 31, 2015

	Capital Reserve Fund	2010 Series A Open Space Bond Fund	2010 Series B Open Space Bond Fund	Total Nonmajor Capital Projects Funds
REVENUES				
Grants and entitlements	\$ -	\$ -	\$ 376,000	\$ 376,000
Investment income	-	1,236	1,834	3,070
Other	<u>3,463,425</u>	<u>-</u>	<u>-</u>	<u>3,463,425</u>
TOTAL REVENUES	<u>3,463,425</u>	<u>1,236</u>	<u>377,834</u>	<u>3,842,495</u>
EXPENDITURES				
Capital improvements	<u>702,430</u>	<u>-</u>	<u>2,990,349</u>	<u>3,692,779</u>
NET CHANGE IN FUND BALANCES	2,760,995	1,236	(2,612,515)	149,716
FUND BALANCES AT BEGINNING OF YEAR	<u>1,855,249</u>	<u>1,838,648</u>	<u>3,320,597</u>	<u>7,014,494</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,616,244</u>	<u>\$ 1,839,884</u>	<u>\$ 708,082</u>	<u>\$ 7,164,210</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA

COMBINING SCHEDULE OF NET POSITION

INTERNAL SERVICE FUNDS

DECEMBER 31, 2015

	<u>Workers'</u> <u>Compensation</u> <u>Fund</u>	<u>General</u> <u>Liability and</u> <u>Property</u> <u>Damage</u> <u>Fund</u>	<u>Medical</u> <u>Self-</u> <u>Insurance</u> <u>Fund</u>	<u>Total</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,642,419	\$ 159,703	\$ 830,949	\$ 2,633,071
Investments	-	49,044	-	49,044
Prepaid expenses	-	-	579,000	579,000
Due from other funds	-	-	4,059,993	4,059,993
TOTAL ASSETS	<u>1,642,419</u>	<u>208,747</u>	<u>5,469,942</u>	<u>7,321,108</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	-	-	2,588,965	2,588,965
Due to other funds	-	5,000	-	5,000
Reserve for claims	1,598,863	-	-	1,598,863
TOTAL LIABILITIES	<u>1,598,863</u>	<u>5,000</u>	<u>2,588,965</u>	<u>4,192,828</u>
NET POSITION				
Unrestricted	<u>\$ 43,556</u>	<u>\$ 203,747</u>	<u>\$ 2,880,977</u>	<u>\$ 3,128,280</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2015

	Workers' Compensation Fund	General Liability and Property Damage Fund	Medical Self- Insurance Fund	Total Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 297,100	\$ 250,000	\$ 28,338,555	\$ 28,885,655
OPERATING EXPENSES				
Claims	<u>1,124,602</u>	<u>401,464</u>	<u>30,355,444</u>	<u>31,881,510</u>
OPERATING LOSS	<u>(827,502)</u>	<u>(151,464)</u>	<u>(2,016,889)</u>	<u>(2,995,855)</u>
NONOPERATING REVENUES				
Other income	41,527	-	-	41,527
Investment income	<u>2,945</u>	<u>13</u>	<u>2,523</u>	<u>5,481</u>
TOTAL NONOPERATING REVENUES	<u>44,472</u>	<u>13</u>	<u>2,523</u>	<u>47,008</u>
CHANGE IN NET POSITION	(783,030)	(151,451)	(2,014,366)	(2,948,847)
NET POSITION AT BEGINNING OF YEAR	<u>826,586</u>	<u>355,198</u>	<u>4,895,343</u>	<u>6,077,127</u>
NET POSITION AT END OF YEAR	<u>\$ 43,556</u>	<u>\$ 203,747</u>	<u>\$ 2,880,977</u>	<u>\$ 3,128,280</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015

	Clerk of Courts	Prothonotary	Recorder of Deeds	Sheriff	Treasurer	Register of Wills and Clerk of Orphans' Court	Correctional Facility - Inmate and Work Release Funds
ASSETS							
Cash and cash equivalents	\$ 3,931,262	\$ 6,467,809	\$ 10,830,001	\$ 4,763,050	\$ 501,367	\$ 886,589	\$ 732,517
Investments	-	-	-	-	1,420	-	-
Due from other funds	-	-	-	-	-	-	-
Delinquent taxes receivable, net of allowance for uncollectibles of \$1,683,439	-	-	-	-	-	-	-
Accounts receivable	-	7,777	-	-	-	-	-
TOTAL ASSETS	\$ 3,931,262	\$ 6,475,586	\$ 10,830,001	\$ 4,763,050	\$ 502,787	\$ 886,589	\$ 732,517
LIABILITIES							
Accounts payable	\$ 3,225,333	\$ 6,113,653	\$ 2,296,841	\$ 4,464,830	\$ 408,641	\$ 671,543	\$ 732,517
Due to							
Other funds	452,189	318,562	878,324	195,302	-	197,380	-
Other governmental units	253,740	43,371	7,654,836	102,918	94,146	17,666	-
TOTAL LIABILITIES	\$ 3,931,262	\$ 6,475,586	\$ 10,830,001	\$ 4,763,050	\$ 502,787	\$ 886,589	\$ 732,517

Human Services Center - Resident Account Fund	Domestic Relations Office - Support Clearing Account	Payroll Clearing Fund	Tax Claim Bureau Fund	Tax Paid in Protest Fund	Dependent/Guardian Fund	Coroner	District Attorney Bad Check Program	Total Agency Funds
\$ 66,164	\$ 1,270,617	\$ 81,262	\$ 3,071,551	\$ 1,734,352	\$ 50,550	\$ 296,398	\$ 1,314	\$ 34,684,803
-	-	-	-	-	-	-	-	1,420
-	-	-	-	335,793	-	-	-	335,793
-	-	-	9,539,486	-	-	-	-	9,539,486
-	-	-	-	-	-	-	-	7,777
<u>\$ 66,164</u>	<u>\$ 1,270,617</u>	<u>\$ 81,262</u>	<u>\$ 12,611,037</u>	<u>\$ 2,070,145</u>	<u>\$ 50,550</u>	<u>\$ 296,398</u>	<u>\$ 1,314</u>	<u>\$ 44,569,279</u>
\$ 66,164	\$ 1,270,617	\$ 81,262	\$ -	\$ 2,070,145	\$ 50,550	\$ 296,398	\$ 1,314	\$ 21,749,808
-	-	-	-	-	-	-	-	2,041,757
-	-	-	12,611,037	-	-	-	-	20,777,714
<u>\$ 66,164</u>	<u>\$ 1,270,617</u>	<u>\$ 81,262</u>	<u>\$ 12,611,037</u>	<u>\$ 2,070,145</u>	<u>\$ 50,550</u>	<u>\$ 296,398</u>	<u>\$ 1,314</u>	<u>\$ 44,569,279</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
CLERK OF COURTS				
ASSETS, cash and cash equivalents	\$ 3,555,098	\$ 13,448,640	\$ 13,072,476	\$ 3,931,262
LIABILITIES				
Accounts payable	\$ 2,926,320	\$ 5,975,636	\$ 5,676,623	\$ 3,225,333
Due to other funds	413,146	5,268,529	5,229,486	452,189
Due to other governmental units	215,632	2,812,045	2,773,937	253,740
TOTAL LIABILITIES	\$ 3,555,098	\$ 14,056,210	\$ 13,680,046	\$ 3,931,262
PROTHONOTARY				
ASSETS				
Cash and cash equivalents	\$ 6,455,745	\$ 14,439,111	\$ 14,427,047	\$ 6,467,809
Accounts receivable	4,634	82,169	79,026	7,777
TOTAL ASSETS	\$ 6,460,379	\$ 14,521,280	\$ 14,506,073	\$ 6,475,586
LIABILITIES				
Accounts payable	\$ 6,117,895	\$ 8,525,419	\$ 8,529,661	\$ 6,113,653
Due to other funds	302,181	4,040,368	4,023,987	318,562
Due to other governmental units	40,303	531,084	528,016	43,371
TOTAL LIABILITIES	\$ 6,460,379	\$ 13,096,871	\$ 13,081,664	\$ 6,475,586
RECORDER OF DEEDS				
ASSETS, cash and cash equivalents	\$ 8,387,240	\$ 129,506,430	\$ 127,063,669	\$ 10,830,001
LIABILITIES				
Accounts payable	\$ 2,590,164	\$ 923,708	\$ 1,217,031	\$ 2,296,841
Due to other funds	772,612	9,514,043	9,408,331	878,324
Due to other governmental units	5,024,464	119,316,406	116,686,034	7,654,836
TOTAL LIABILITIES	\$ 8,387,240	\$ 129,754,157	\$ 127,311,396	\$ 10,830,001
SHERIFF				
ASSETS, cash and cash equivalents	\$ 4,095,858	\$ 29,718,446	\$ 29,051,254	\$ 4,763,050
LIABILITIES				
Accounts payable	\$ 3,795,187	\$ 61,337,588	\$ 60,667,945	\$ 4,464,830
Due to other funds	199,709	2,948,923	2,953,330	195,302
Due to other governmental units	100,962	314,741	312,785	102,918
TOTAL LIABILITIES	\$ 4,095,858	\$ 64,601,252	\$ 63,934,060	\$ 4,763,050

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
TREASURER				
ASSETS				
Cash and cash equivalents	\$ 365,455	\$ 5,056,687	\$ 4,920,775	\$ 501,367
Investments	101,412	17,171	117,163	1,420
TOTAL ASSETS	\$ 466,867	\$ 5,073,858	\$ 5,037,938	\$ 502,787
LIABILITIES				
Accounts payable	\$ 355,566	\$ 4,956,679	\$ 4,903,604	\$ 408,641
Due to other governmental units	111,301	117,179	134,334	94,146
TOTAL LIABILITIES	\$ 466,867	\$ 5,073,858	\$ 5,037,938	\$ 502,787
REGISTER OF WILLS AND CLERK OF ORPHANS' COURT				
ASSETS, cash and cash equivalents	\$ 815,763	\$ 2,696,710	\$ 2,625,884	\$ 886,589
LIABILITIES				
Accounts payable	\$ 574,837	\$ 170,680	\$ 73,974	\$ 671,543
Due to other funds	224,281	2,337,562	2,364,463	197,380
Due to other governmental units	16,645	250,286	249,265	17,666
TOTAL LIABILITIES	\$ 815,763	\$ 2,758,528	\$ 2,687,702	\$ 886,589
CORRECTIONAL FACILITY - INMATE AND WORK RELEASE FUNDS				
ASSETS, cash and cash equivalents	\$ 458,232	\$ 6,189,538	\$ 5,915,253	\$ 732,517
LIABILITIES, accounts payable	\$ 458,232	\$ 6,189,538	\$ 5,915,253	\$ 732,517
HUMAN SERVICES CENTER - RESIDENT ACCOUNT FUND				
ASSETS, cash and cash equivalents	\$ 119,116	\$ 377,453	\$ 430,405	\$ 66,164
LIABILITIES, accounts payable	\$ 119,116	\$ 377,453	\$ 430,405	\$ 66,164

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
DOMESTIC RELATIONS OFFICE - SUPPORT CLEARING ACCOUNT				
ASSETS, cash and cash equivalents	\$ <u>1,233,507</u>	\$ <u>6,605,658</u>	\$ <u>6,568,548</u>	\$ <u>1,270,617</u>
LIABILITIES, accounts payable	\$ <u>1,233,507</u>	\$ <u>6,605,658</u>	\$ <u>6,568,548</u>	\$ <u>1,270,617</u>
PAYROLL CLEARING FUND				
ASSETS				
Cash and cash equivalents	\$ <u>200,152</u>	\$ <u>142,619,147</u>	\$ <u>142,738,037</u>	\$ <u>81,262</u>
LIABILITIES				
Accounts payable	\$ 81,347	\$ 14,273,807	\$ 14,273,892	\$ 81,262
Due to other funds	<u>118,805</u>	<u>-</u>	<u>118,805</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>200,152</u>	\$ <u>14,273,807</u>	\$ <u>14,392,697</u>	\$ <u>81,262</u>
TAX CLAIM BUREAU FUND				
ASSETS				
Cash and cash equivalents	\$ 4,399,746	\$ -	\$ 1,328,195	\$ 3,071,551
Delinquent taxes receivable, net	<u>12,913,765</u>	<u>35,468,364</u>	<u>38,842,643</u>	<u>9,539,486</u>
TOTAL ASSETS	\$ <u>17,313,511</u>	\$ <u>35,468,364</u>	\$ <u>40,170,838</u>	\$ <u>12,611,037</u>
LIABILITIES				
Due to other funds	\$ 16,319	\$ -	\$ 16,319	\$ -
Due to other governmental units	<u>17,297,192</u>	<u>35,468,364</u>	<u>40,154,519</u>	<u>12,611,037</u>
TOTAL LIABILITIES	\$ <u>17,313,511</u>	\$ <u>35,468,364</u>	\$ <u>40,170,838</u>	\$ <u>12,611,037</u>
TAX PAID IN PROTEST FUND				
ASSETS				
Cash and cash equivalents	\$ 1,729,829	\$ 4,523	\$ -	\$ 1,734,352
Due from other funds	<u>-</u>	<u>335,793</u>	<u>-</u>	<u>335,793</u>
TOTAL ASSETS	\$ <u>1,729,829</u>	\$ <u>340,316</u>	\$ <u>-</u>	\$ <u>2,070,145</u>
LIABILITIES				
Accounts payable	\$ 1,724,507	\$ 345,638	\$ -	\$ 2,070,145
Due to other funds	<u>5,322</u>	<u>-</u>	<u>5,322</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>1,729,829</u>	\$ <u>345,638</u>	\$ <u>5,322</u>	\$ <u>2,070,145</u>

COUNTY OF MONTGOMERY, PENNSYLVANIA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
DEPENDENT/GUARDIAN FUND				
ASSETS, cash and cash equivalents	\$ 86,267	\$ 252,918	\$ 288,635	\$ 50,550
LIABILITIES, accounts payable	\$ 86,267	\$ 252,918	\$ 288,635	\$ 50,550
CORONER				
ASSETS, cash and cash equivalents	\$ 259,455	\$ 73,495	\$ 36,552	\$ 296,398
LIABILITIES				
Accounts payable	\$ 248,802	\$ 84,148	\$ 36,552	\$ 296,398
Due to other funds	10,653	-	10,653	-
TOTAL LIABILITIES	\$ 259,455	\$ 84,148	\$ 47,205	\$ 296,398
DISTRICT ATTORNEY - BAD CHECK PROGRAM				
ASSETS, cash and cash equivalents	\$ -	\$ 16,461	\$ 15,147	\$ 1,314
LIABILITIES, due to other funds	\$ -	\$ 16,461	\$ 15,147	\$ 1,314
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 32,161,463	\$ 351,005,217	\$ 348,481,877	\$ 34,684,803
Investments	101,412	17,171	117,163	1,420
Due from other funds	-	335,793	-	335,793
Delinquent taxes receivable, net	12,913,765	35,468,364	38,842,643	9,539,486
Accounts receivable	4,634	82,169	79,026	7,777
TOTAL ASSETS	\$ 45,181,274	\$ 386,908,714	\$ 387,520,709	\$ 44,569,279
LIABILITIES				
Accounts payable	\$ 20,311,747	\$ 110,018,870	\$ 108,580,809	\$ 21,749,808
Due to other funds	2,063,028	24,125,886	24,147,157	2,041,757
Due to other governmental units	22,806,499	158,810,105	160,838,890	20,777,714
TOTAL LIABILITIES	\$ 45,181,274	\$ 292,954,861	\$ 293,566,856	\$ 44,569,279