

MONTGOMERY COUNTY PUBLIC SCHOOLS

A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009



Dr. Jerry D. Weast
Superintendent of Schools

Mr. Larry A. Bowers
Chief Operating Officer

Dr. Frieda K. Lacey
Deputy Superintendent of Schools

ROCKVILLE, MARYLAND

Montgomery County Public Schools

GUIDING TENETS

CORE VALUES

- MCPS is committed to doing whatever it takes to ensure that every child, regardless of race, ethnicity, gender, socioeconomic status, language proficiency, or disability, learns and succeeds.
- Student outcomes shall not be predictable by race or ethnicity.
- MCPS has high expectations for all students, believing that all children can learn at high levels.
- Every student is a unique learner and MCPS will tailor instruction to meet the learning needs of each student.
- A comprehensive early years' program is critical for students to acquire the knowledge and skills to be successful in reading, writing, and mathematics.
- The pursuit of excellence for all students requires providing our neediest students with the extra support necessary to attain rigorous targets.
- MCPS demonstrates commitment to continuous improvement by reviewing, evaluating and improving our work and monitoring student performance data.
- MCPS is committed to a culture of respect that includes fair treatment, honesty, openness, and integrity.

Revised June 2009

MISSION

To provide a high-quality, world-class education that ensures success for every student through excellence in teaching and learning.

VISION

A high-quality education is the fundamental right of every child. All children will receive the respect, encouragement, and opportunities they need to build the knowledge, skills, and attitudes to be successful, contributing members of a global society.

SYSTEM GOALS

- Ensure success for every student
- Provide an effective instructional program
- Strengthen productive partnerships for education
- Create a positive work environment in a self-renewing organization
- Provide high-quality business services that are essential to the educational success of students

BOARD OF EDUCATION ACADEMIC PRIORITIES*

- Organize and optimize resources for improved academic results
- Align rigorous curriculum, delivery of instruction, and assessment for continuous improvement of student achievement
- Develop, expand, and deliver literacy-based initiatives from prekindergarten through Grade 12
- Develop, pilot, and expand improvements in secondary content, instruction, and programs that support students' active engagement in learning
- Use student, staff, school, and system performance data to monitor and improve student achievement
- Foster and sustain systems that support and improve employee effectiveness, in partnership with MCPS employee organizations
- Strengthen family-school relationships and continue to expand civic, business, and community partnerships that support improved student achievement

**Revised July 17, 2007*

CRITICAL QUESTIONS

- What do students need to know and be able to do?
- How will we know they have learned it?
- What will we do when they haven't?
- What will we do when they already know it?

Montgomery County Public Schools
A Component Unit of Montgomery County Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2009

Prepared by:

Office of the Chief Operating Officer

Larry A. Bowers, *Chief Operating Officer*
Susanne G. DeGraba, *Chief Financial Officer*
Robert J. Doody, *Controller*

Cover Photograph:

William B. Gibbs, Jr. Elementary School

850 Hungerford Drive
Rockville, MD 20850

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MONTGOMERY COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2009

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	5
ASBO Certificate of Excellence in Financial Reporting.....	6
Listing of Officials	7
Montgomery County Public Schools Organization.....	8
 FINANCIAL SECTION	
Independent Auditor's Report	10
Management's Discussion and Analysis	12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet-Governmental Funds	28
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets ..	29
Statement of Revenues, Expenditures, and Changes in Fund Balances-	
Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances	
of Governmental Funds With the District-Wide Statement of Activities	31
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and	
Actual-General Fund	32
Statement of Net Assets-Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	34
Statement of Cash Flows-Proprietary Funds	35
Statement of Fiduciary Net Assets – Fiduciary Funds	36
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	37
Notes to the Financial Statements	39
Required Supplementary Information:	
MCPS Employees' Retirement and Pension System:	
Schedule of Funding Progress	60
Schedule of Employer Contributions	60
OPEB Plan Trust:	
Schedule of Funding Progress	60
Schedule of Employer and Other Contributing Entities Contributions	60
Supplementary Data:	
Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-	
Capital Projects Fund	63
Schedule of Construction in Progress-Capital Projects Fund	64
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-	
Special Revenue Fund	65
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets – Nonmajor Enterprise Funds	67
Combining Statement of Revenues, Expenses and Changes in Fund	
Net Assets – Nonmajor Enterprise Funds	68
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	69

TABLE OF CONTENTS
(continued)

Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds	71
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds	72
Statement of Changes in Assets and Liabilities – Agency Funds	73
STATISTICAL SECTION (UNAUDITED)	
Statistical Section	
Net Assets by Component – Last Eight Fiscal Years (Accrual Basis of Accounting).....	77
Change in Net Assets – Last Eight Fiscal Years (Accrual Basis of Accounting).....	78
Fund Balances of Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	81
Change in Fund Balances of Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	82
Statement of Revenues, Expenses and Changes in Retained Earnings - Montgomery County and Board of Education Self-Insurance Fund	84
Montgomery County, Maryland:	
Revenue Capacity Property Tax Levies and Collections – Last Ten Fiscal Years	85
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	86
Real and Personal Property Tax Rates – County Direct Rate – Last Ten Fiscal Years	87
Real and Personal Property Tax Rates – County Special Taxing Districts – Last Ten Fiscal Years	88
Real and Personal Property Tax Rates – Overlapping Governments – Cities and Towns – Last Ten Fiscal Years	89
Real and Personal Property Tax Rates – Overlapping Governments – Villages – Last Ten Fiscal Years	90
Ten Highest Commercial Property Taxpayers – Current Fiscal Year and Nine Years Ago.....	91
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	93
Computation of Legal Debt Margin – Last Ten Fiscal Years	94
Direct and Overlapping Governmental Activities Debt.....	96
Statement of Long-term Indebtedness (Public Schools)	97
Demographic Statistics – Last Ten Fiscal Years	98
Principal Employers – Current Fiscal Year and Nine Years Ago	99
Montgomery County Public Schools:	
Operating Indicators by Function – Last Six Fiscal Years	101
Employees by Function – Last Ten Fiscal Years.....	102
Schedule of Insurance in Force	104

INTRODUCTORY SECTION

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MONTGOMERY COUNTY PUBLIC SCHOOLS

www.montgomeryschoolsmd.org
September 25, 2009

MARYLAND

Members of the Board of Education:

Maryland State law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the Montgomery County Public Schools (MCPS) for the fiscal year ended June 30, 2009.

This report has been prepared pursuant to Education Article Section 5-109 of the Annotated Code of Maryland. The report consists of management's representations concerning the finances of MCPS. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management has established a comprehensive internal control framework. Internal accounting controls are designed to provide reasonable assurance that assets are properly safeguarded and accounted for, and to ensure the reliability of accounting information for preparing financial statements in conformity with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

MCPS financial statements have been audited by Clifton Gunderson LLP, an independent firm of certified public accountants. The independent auditor's report is presented as the first component of the financial section of this report. MCPS also is required to undergo a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. In addition to reporting on the fair presentation of the financial statements, the single audit places special emphasis on internal controls and legal requirements involved in the administration of federal awards. These reports are available in MCPS' separately issued Single Audit Report.

Overview of the Report

The CAFR is divided into three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, copies of awards for excellence in financial reporting, a listing of officials, and the organization chart.

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

The statistical section includes selected financial, demographic, and operating information, generally presented on a multi-year basis.

MCPS Profile

The Board of Education of Montgomery County is the elected body, corporate and politic, established under Maryland law to provide public education in kindergarten through twelfth grade to children residing within the

Office of the Superintendent of Schools

850 Hungerford Drive, Room 122 ♦ Rockville, Maryland 20850 ♦ 301-279-3381

Members of the Board of Education

borders of Montgomery County, Maryland. The Board is composed of five district members, two at-large members, and employs a superintendent of schools to administer the school system. Primary funding is provided by Montgomery County from its general revenues. Funds also are received from state and federal sources for general school aid and specific purpose grants. The budget is approved by the Montgomery County Council. The Board of Education has no power to levy and collect taxes or increase the budget. Because of the relationship with Montgomery County, MCPS is considered a component unit of the county government, as defined by GAAP for governmental entities.

The general purpose financial statements and supplementary data in this report include all funds administered by MCPS in conjunction with its mission of providing elementary and secondary public education. The reporting entity also includes a component unit of MCPS, the MCPS Educational Foundation, Inc. The Educational Foundation is legally separate from MCPS but included in the MCPS reporting entity because of the significance of its financial relationship with MCPS and because MCPS is considered financially accountable for the Foundation.

Relevant Financial Policies

MCPS financial policies endorsed by Board of Education policies and regulations remain unchanged: organize and optimize resources for improved academic results; deliver high academic results at a low student cost; evaluate the use of resources for applicability to goals of the Board of Education's strategic plan; provide financial accountability and transparency to the citizens of Montgomery County; obtain a fair share of State aid; and carefully manage indebtedness and debt service.

MCPS uses zero-based budgeting as a tool to manage its exposure to rising costs and to assure spending is efficient. Innovative approaches to continuous improvement are employed to streamline processes and eliminate waste, and to measure process performance in meeting the goals of the Board of Education's strategic plan.

Factors Affecting Financial Condition

Local economy. MCPS receives approximately 71 percent of its operating budget from Montgomery County. The economic condition and outlook of the county, therefore, play substantial roles in the economic condition of MCPS.

For the Washington Metropolitan Statistical Area (MSA), leading economic indicators have continued to decline as a result of the national recession. According to the Center for Regional Analysis, the region's economy is expected to grow very slowly during 2009. The region lost approximately 42,000 jobs over the past year, mainly in construction and retail trades. The most recent unemployment rate was 6.2 percent, well below national levels, but significantly higher than recent years for the metropolitan area. The Washington MSA Coincident Index, a measure of the current state of the metropolitan economy, decreased by 8.9 percent during FY 2009. The Washington MSA Leading Index decreased by 2.2 percent in FY 2009, suggesting continued sluggish growth in the region's economic expansion in the next six to eight months. Both the region's and the county's economies are expected to outperform the nation's economy due to the large presence of the federal government in the area. The federal government comprises approximately 30 percent of the county's economy. Consumer prices in the region increased 0.4 percent in the past year, above the national average, and lower than the previous year's regional inflation rate of 4.4 percent.

Montgomery County's economy has experienced weak economic performance during the last year. The primary reasons for the county's weak performance were declining employment, weak residential construction, a continued decline in housing sales, and weak consumer spending despite low inflation. Resident employment declined by 3.0 percent. Payroll employment declined by 0.3 percent. However, the county's unemployment rate of 5.7 percent remains one of the lowest in the state, a full percentage point below the state average. Construction activity experienced poor results, with new projects down 36.0 percent in value. The value of new residential construction has decreased 45.6 percent this year, and the number of residential building permits issued decreased by 57.5 percent. The number of residential sales increased during the year by 4.6 percent and housing inventories declined. However, average home prices in the county have decreased by 19.6 percent this year. While revenue from property taxes continues to

Members of the Board of Education

increase, revenue from real estate transfer and recordation taxes has sharply decreased in FY 2009. Purchases of goods and services were down by 8.3 percent.

Long-term financial planning. Six-year budget projections are updated each year, used as a starting point for discussion and planning, and revised each year to reflect trends and factors affecting enrollment. Preliminary projections for FY 2011 through FY 2015 indicate an annual increase for major known commitments of \$99.4 million for FY 2011, \$81.6 million for FY 2012, not including the effects of the loss of temporary federal stimulus aid, and similar projected increases for known commitments for FY 2013 through FY 2015, not including the cost of future negotiated agreements. Each 1 percent salary increase will add \$16.0 million in FY 2011. These projections do not include funds to address the initiatives planned in the MCPS strategic plan, *Our Call to Action: Pursuit of Excellence*, to raise the bar and close the achievement gap between racial and ethnic groups.

Negotiated agreements. Although the Board of Education and the three employee associations had three year contracts that were set to expire on June 30, 2010, all parties agreed in Fall 2008 to re-open the contracts and participate in joint negotiations regarding salaries and benefits for FY 2010. This was a result of all parties recognizing that resources would not be available to fund the contracts given the forecasted economic situation. Agreement was reached with the three employee associations to defer the scheduled cost-of-living adjustment of 5.3 percent and additional negotiated improvements. The agreement resulted in the continuation of the FY 2009 salary schedules through FY 2010.

Enrollment. MCPS enrollment has increased by over 41,000 students in the past 20 years. After a brief period of relatively flat enrollment, from 2002 to 2007, enrollment began to increase substantially in 2008 and 2009. Between 2007 and 2008 enrollment increased by 1,500 students, and between 2008 and 2009 enrollment increased by about 2,200 students. Enrollment on September 30, 2009, is expected to be about 141,500. As a result of increasing numbers of births in the county, and other factors that are increasing enrollment, total enrollment is projected to continue to grow, with 6,000 more students projected to enroll by 2015.

In regard to school capacity, MCPS is still catching up with enrollment increases that have already occurred, with additional space needs resulting from implementation of full-day kindergarten at all elementary schools, and with implementation of class-size reductions in Kindergarten and Grades 1 and 2 at elementary schools having high levels of Free and Reduced-price Meals System participation. This year MCPS is addressing over utilization at schools with 436 relocatable classrooms, 385 of which are at elementary schools where space issues are most pronounced. To relieve over utilization of schools, in FY 2009 MCPS added a total of 105 classrooms to nine elementary schools and two middle schools. In FY 2010 MCPS will add another 40 classrooms to two elementary schools and three high schools, and open one new elementary school adding an additional 33 classrooms. Further increases in school capacity are programmed for FY 2011 to FY 2015.

Cash management program. MCPS maintains a cash management program for the purpose of achieving maximum financial return on available funds. Temporarily idle cash is invested on a daily basis in a money market mutual fund and in fully collateralized repurchase agreements. Investment earnings were \$845,745 in FY 2009. Excess cash during the year is invested by the Montgomery County Government for MCPS. MCPS does not benefit directly from the investment earnings derived from the county's cash management and investment programs.

Risk Management. Page 84 in the statistical section of this report presents the Montgomery County and Board of Education's Self-Insurance Fund. This fund was established in 1954 so that properties of the county, including schools, could be partially self-insured for fire insurance purposes. Effective July 1, 1978, this fund was merged into an expanded self-insurance program to cover workers' compensation, general liability, and boiler and motor vehicle risks. It appears that, based upon experience, this fund is mutually beneficial for all participating agencies. Additional information on MCPS' risk management activity can be found in note 10 of the notes to the financial statements.

Members of the Board of Education

Accomplishments and Awards

SAT scores. The systemwide average SAT score in FY 2009 was 1616, with 77 percent of seniors taking the SAT and/or ACT test. The average SAT score was 105 points above the national average and 118 points above the Maryland state average. The average included a mathematics score of 547, a critical reading score of 533, and a writing score averaging 536. SAT scores continue to show a significant gap between the average scores of White and Asian students and those of African American and Hispanic students.

Academic progress. Students at all levels are demonstrating improved academic achievement. In 2008, 46 percent of the school system's seniors scored a 3 or higher on at least one Advanced Placement exam—three times the national average and double the average in Maryland. Nearly 62 percent of all MCPS seniors took one or more Advanced Placement exam. African American and Hispanic seniors in MCPS performed significantly better than their peers nationwide on Advanced Placement exams, with more African American students and Hispanic students scoring a 3 or better than the national average for all students. Record numbers of kindergarten students are reading, more than 90 percent in 2008, up from 39 percent in 2001, eliminating the achievement gap between White and Asian American students and their African American and Hispanic peers in this grade. A record 59 percent of Grade 8 students successfully completed Algebra 1 in 2008.


Financial Reporting Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MCPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


For 28 consecutive years, MCPS has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. This award, valid for one year, is granted only after an intensive review of the Comprehensive Annual Financial Report (CAFR) by an expert panel of certified public accountants and practicing school business officials. MCPS plans to submit the 2009 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

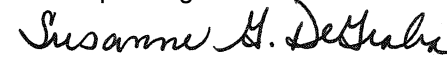
Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Division of Controller staff. The high standard of conformity of this report reflects the professional competence of all individuals responsible for its preparation. We express our appreciation for a job well done.

Respectfully submitted,


Jerry D. Weast, Ed.D.
Superintendent of Schools


Larry A. Bowers
Chief Operating Officer


Susanne G. DeGraba
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County
Public Schools, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan", is written above the title.

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

is presented to

Montgomery County Public Schools

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2008

upon recommendation of the Association's Panel of Review
which has judged that the Report substantially conforms
to principles and standards of ASBO's Certificate of Excellence Program

Angela Litzman

President

John D. Quasar

Executive Director

**MONTGOMERY COUNTY PUBLIC SCHOOLS
LISTING OF OFFICIALS**

MEMBERS OF THE BOARD OF EDUCATION

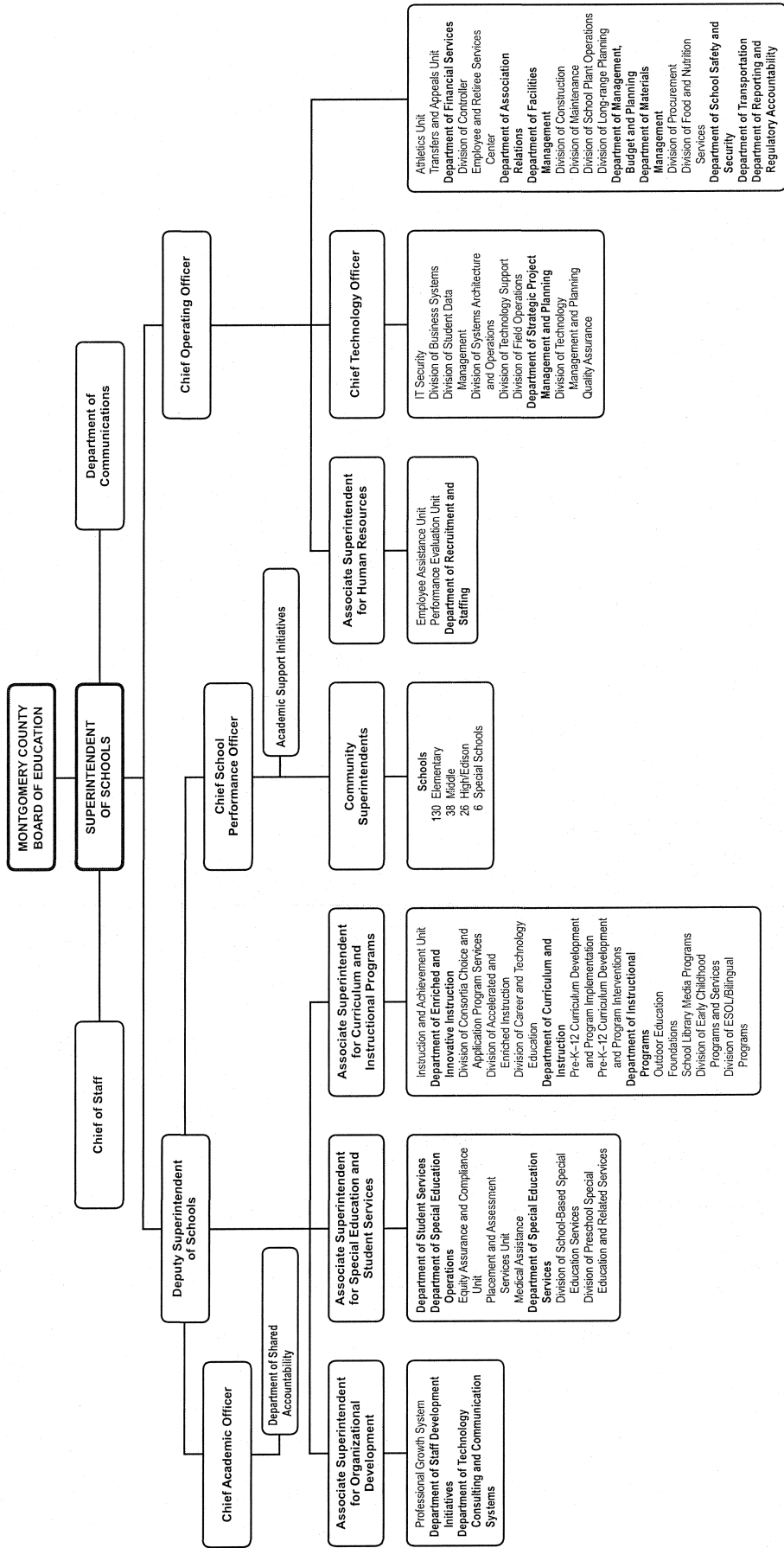
Shirley Brandman, President
Patricia O’Neill, Vice President
Christopher S. Barclay
Laura Berthiaume
Judy Docca
Michael A. Durso
Philip Kauffman

Timothy Hwang, Student Board Member

EXECUTIVE STAFF

Jerry D. Weast (Dr.)..... Superintendent of Schools
Larry A. Bowers..... Chief Operating Officer
Frieda K. Lacey (Dr.) Deputy Superintendent of Schools
Brian K. Edwards.....Chief of Staff
Jody Leleck Chief Academic Officer
Stephen Bedford.....Chief School Performance Officer
Sherwin Collette Chief Technology Officer
Erick Lang.....Associate Superintendent for Curriculum and Instructional Programs
Susan F. Marks..... Associate Superintendent for Human Resources
James Virga, Jr.Associate Superintendent for Organizational Development
Chrisandra Richardson (Acting).....Associate Superintendent for Special Education
and Student Services
Ursula Hermann (Dr.) Community Superintendent
LaVerne Kimball (Dr.)..... Community Superintendent
Sherry Liebes (Dr.)..... Community Superintendent
Bronda L. Mills Community Superintendent
Frank H. Stetson (Dr.)..... Community Superintendent
Adrian Talley Community Superintendent

MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION



FINANCIAL SECTION

Independent Auditor's Report

Board of Education
of Montgomery County Public Schools
Rockville, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of Montgomery County Public Schools, a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2009, which collectively comprise the Montgomery County Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County Public Schools as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009, on our consideration of the Montgomery County Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 12 through 22 and the schedules of funding progress and employer and other contributing entities contributions on page 60 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Public Schools' basic financial statements. The introductory section, supplementary information to the financial statements and the statistical section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information to the financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Baltimore, Maryland
September 25, 2009

Montgomery County Public Schools Management's Discussion and Analysis

This section of the Montgomery County Public Schools (MCPS) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of MCPS for the fiscal year ended June 30, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information presented in the transmittal letter, which can be found on pages 1-4 of this report.

Financial Highlights

- The assets of MCPS exceeded its liabilities at June 30, 2009, by \$1,696.2 million, which represents its net assets.
- MCPS' net assets increased during the year by \$82.5 million.
- 96 percent of capital asset additions were directed toward instructional facilities, including the modernization of four schools and the opening of one elementary school.
- MCPS successfully realized its commitment to the Montgomery County Council to generate \$20.0 million in FY 2009 savings to be used to fund the FY 2010 operating budget.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the MCPS financial statements. MCPS' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of MCPS' finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of MCPS' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MCPS is improving or deteriorating.

The *statement of activities* presents information showing how MCPS' net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of MCPS that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of MCPS include most

of the district's basic services, such as regular and special education, transportation, and administration. The business-type activities of MCPS include food services and real estate management operations, field trip services, and entrepreneurial activities.

The government-wide financial statements include not only MCPS itself (known as the *primary government*), but also the MCPS Educational Foundation, Inc. for which MCPS is financially accountable. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25-27 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MCPS, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of MCPS can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

MCPS maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds, and the special revenue fund.

MCPS adopts annual appropriated budgets for its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 28-32 of this report.

Proprietary funds. MCPS maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. MCPS uses enterprise funds to account for its food services, real estate management, field trips, and entrepreneurial activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among MCPS' various functions. MCPS uses an internal service fund to account for its active employees' health benefit plan costs. Because this plan predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities*.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food services operation which is considered to be a major fund of MCPS. Data for the other three proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 33-35 of this report.

Fiduciary funds. MCPS is the trustee, or fiduciary, for assets that belong to others, which includes the MCPS Retirement and Pension Plan, the OPEB Plan Trust, and the student activities funds. MCPS is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. MCPS excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-60 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 63-73 of this report.

Montgomery County Public Schools Net Assets
(Amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 218.1	\$ 186.1	\$ (0.8)	\$ (1.1)	\$ 217.3	\$ 185.0
Capital assets	1,926.3	1,794.5	4.4	5.3	1,930.7	1,799.8
Total assets	2,144.4	1,980.6	3.6	4.2	2,148.0	1,984.8
Long-term liabilities outstanding	252.9	186.8	3.5	2.5	256.4	189.3
Other liabilities	193.1	180.0	2.3	1.9	195.4	181.9
Total liabilities	446.0	366.8	5.8	4.4	451.8	371.2
Net Assets:						
Invested in capital assets, net of related debt	1,901.1	1,765.4	4.2	5.0	1,905.3	1,770.4
Unrestricted	(202.7)	(151.6)	(6.4)	(5.1)	(209.1)	(156.7)
Total net assets	\$ 1,698.4	\$ 1,613.8	\$ (2.2)	\$ (0.1)	\$ 1,696.2	\$ 1,613.7

Government-wide Financial Analysis

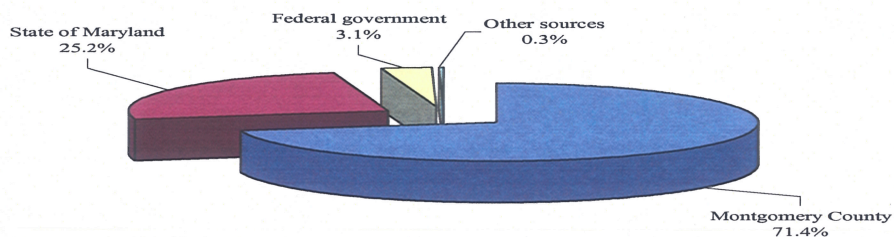
Net assets may serve as a useful indicator of a government's financial position. MCPS' net assets, the amount by which assets exceed liabilities, increased \$82.5 million to \$1,696.2 million. Most of the increase came from governmental activities, which increased by \$84.6 million to \$1,698.4 million. The largest portion of net assets reflects MCPS' investment in capital assets (e.g., land, school buildings, buses, and equipment), less any related outstanding debt used by MCPS to acquire those assets. Investment in capital assets, net of related debt for governmental activities increased \$135.7 million to \$1,901.1 million. These assets are used by MCPS in its instructional programs; consequently, these assets are not available for future spending.

Montgomery County and the State of Maryland fund MCPS school construction projects through the issuance of general obligation bonds. These bonds are not reflected in MCPS' investment in capital assets, as the resources needed to repay these bonds must be provided by Montgomery County and the State.

Unrestricted net assets deficit increased \$52.4 million to a \$209.1 million deficit at June 30, 2009. The increase in unrestricted net assets deficit is primarily attributed to the increase in the net OPEB obligation of \$62.4 million. The net OPEB obligation arose from and will continue to increase as MCPS transitions to full funding of the annual required contribution for postemployment health benefits over a period of eight years. Unrestricted net assets increased by \$10.0 million when the effects of the net OPEB obligation are removed.

The deficit in unrestricted net assets arises from the district's funding policies for its noncurrent liabilities, especially for compensated absences and other postemployment benefits. The fiscal condition of MCPS remains strong, as intergovernmental revenues continue to grow sufficiently to meet its fiscal obligations and to fund its current operations.

Revenues by Source - Governmental Activities



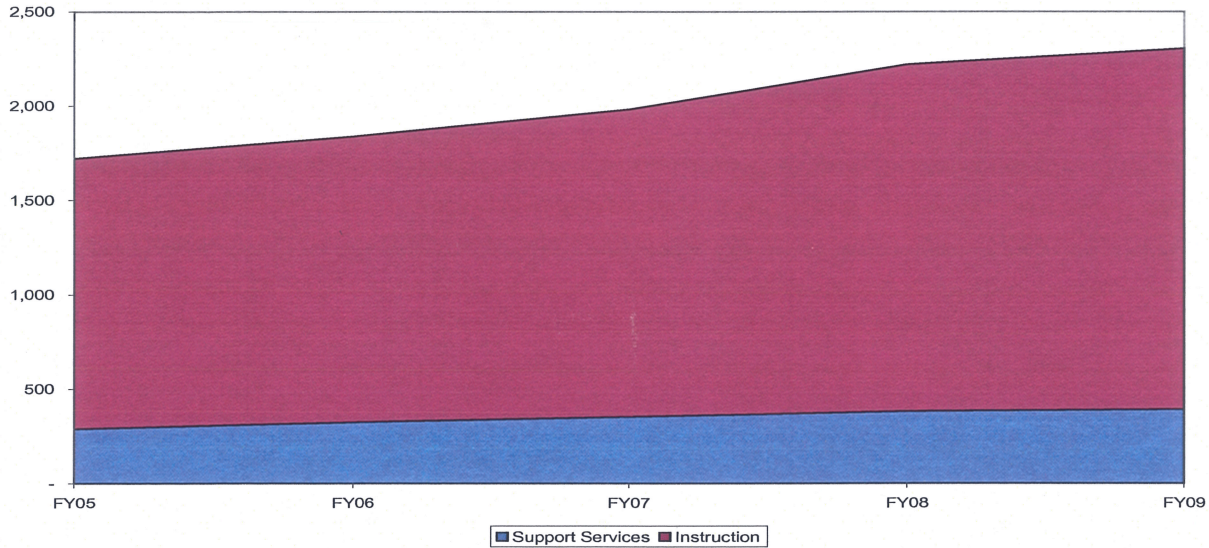
Governmental activities. Total revenues for MCPS' governmental activities increased \$103.5 million (4.6 percent). Intergovernmental revenues increased \$110.3 million (5.1 percent), and operating program revenues decreased \$6.6 million (7.8 percent). Intergovernmental revenues from Montgomery County increased \$24.7 million (1.5 percent) as required to fund the operating and capital budgets. Intergovernmental revenue from the State of Maryland increased \$86.9 million (17.0 percent), related to an increase in the unrestricted Bridge to Excellence funding.

Total expenses increased \$83.5 million (3.7 percent) to \$2,356.1 million. In 2009, instructional programs expenses accounted for 82.9 percent, (82.7 percent in 2008), and support services accounted for 17.1 percent (17.3 percent in 2008), of total governmental activities expenses. The proportion of instructional expenses to total expenses continues to rise as internal savings and cost reduction programs remain the primary source for funding instructional program initiatives. Employee healthcare and other postemployment healthcare benefits increased \$14.6 million (0.6 percent), principally due to increased funding of OPEB obligations. Salaries increased \$66.9 million (2.9 percent), as a result of negotiated salary increases. Capital project expenditures increased \$5.1 million (2.1 percent).

Montgomery County Public Schools Changes in Net Assets
(Amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 5.0	\$ 5.3	\$ 28.0	\$ 28.6	\$ 33.0	\$ 33.9
Operating grants and contributions	77.8	84.4	21.6	20.0	99.4	104.4
Capital grants and contributions	48.9	48.1	0.4	0.9	49.3	49.0
General revenues:						
Intergovernmental	2,256.1	2,145.8			2,256.1	2,145.8
Other	0.7	1.4	0.1	0.6	0.8	2.0
Total revenues	2,388.5	2,285.0	50.1	50.1	2,438.6	2,335.1
Expenses:						
Regular instruction	1,344.8	1,300.2			1,344.8	1,300.2
Special education	357.7	338.0			357.7	338.0
School administration	192.0	183.9			192.0	183.9
Student personnel services	16.7	15.9			16.7	15.9
Health services	-	-			-	-
Student transportation	122.6	118.0			122.6	118.0
Operation of plant	145.2	144.7			145.2	144.7
Maintenance of plant	57.6	56.4			57.6	56.4
Administration	63.1	59.2			63.1	59.2
Community services	2.2	2.5			2.2	2.5
Interest on capital leases	2.0	2.0			2.0	2.0
Food services			46.5	46.1	46.5	46.1
Real estate management			2.5	2.3	2.5	2.3
Field trips			1.8	1.8	1.8	1.8
Entrepreneurial activities			1.4	1.6	1.4	1.6
Total expenses	2,303.9	2,220.8	52.2	51.8	2,356.1	2,272.6
Increase (decrease) in net assets	84.6	64.2	(2.1)	(1.7)	82.5	62.5
Net Assets - beginning	1,613.8	1,549.6	(0.1)	1.6	1,613.7	1,551.2
Net Assets - ending	\$ 1,698.4	\$ 1,613.8	\$ (2.2)	\$ (0.1)	\$ 1,696.2	\$ 1,613.7

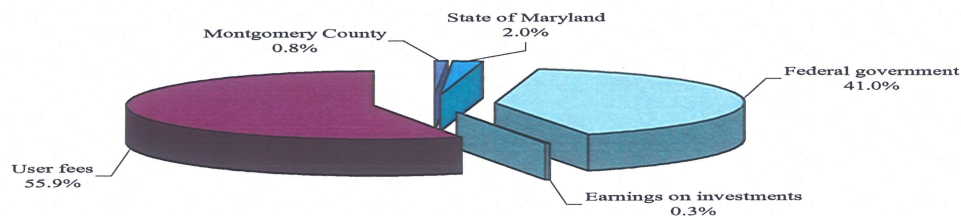
**Instruction vs. Support Services Expenses
(Amount expressed in millions)**



Business-type activities. Business-type activities decreased MCPS’ net assets by \$2.1 million. Total revenues changed little from prior year. Charges for services decreased 0.6 million (2.1 percent) due to two previously leased schools being reclaimed for MCPS use as holding schools. The number of reimbursable meals increased approximately 300,000 (2.6 percent) to 13,100,000. Operating grants related to Federal student lunch programs increased \$1.9 million (11.6 percent).

Total expenses increased \$0.4 million (0.8 percent). Food services operating expenses increased \$0.4 million (0.9 percent). Salaries increased \$0.8 million (4.7 percent), principally due to general negotiated increases. Food costs rose \$1.5 million (13.3 percent) due to rising dairy and meat prices. Other charges decreased \$1.8 million (16.5 percent) related to an adjustment to employer health benefit costs for cafeteria employees.

Revenues by Source - Business-type Activities



Financial Analysis of MCPS’ Funds

MCPS uses fund accounting to ensure accountability and to demonstrate compliance with finance-related legal and contractual provisions.

Governmental funds. The focus of MCPS’ governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MCPS’ financing requirements. In particular, unreserved fund balance may serve as a

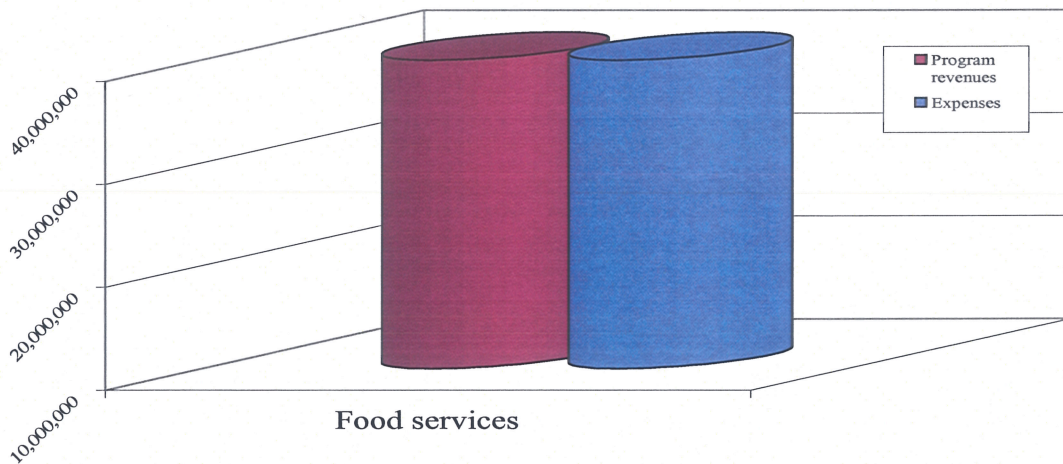
useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, MCPS' governmental funds reported combined ending fund balance of \$43.2 million, an increase of \$27.9 million from the prior year. The unreserved, undesignated fund balance was \$30.8 million and the reserved fund balances were \$12.3 million. Reserved fund balances are unavailable for new spending because it has already been reserved to liquidate prior period commitments.

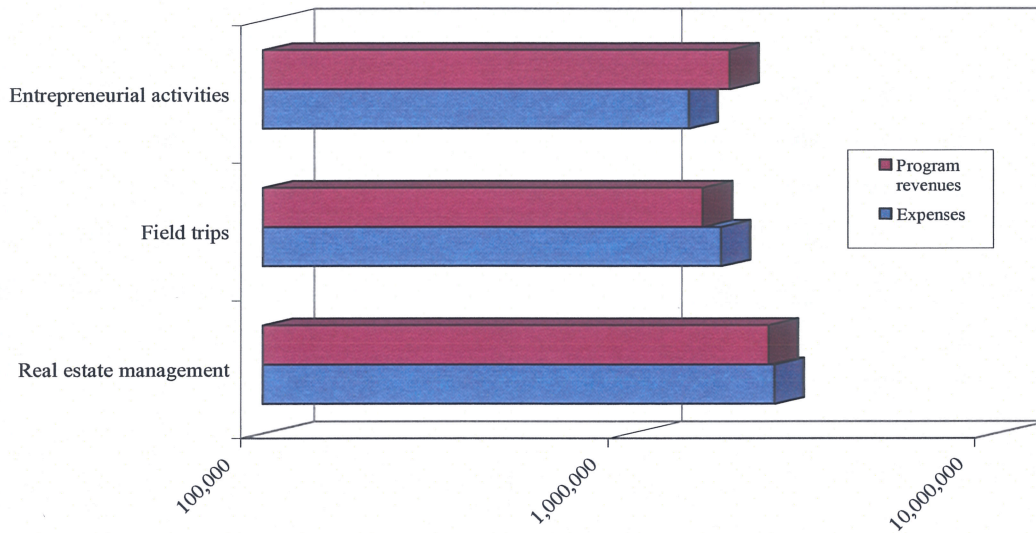
The general fund is the principal operating fund of MCPS. At June 30, 2009, unreserved, undesignated fund balance was \$44.3 million and total fund balance was \$56.8 million. Unreserved, undesignated fund balance increased \$27.9 million, resulting primarily from a one-time \$24.2 million payment from the State to correct an erroneous calculation of unrestricted Foundation state aid.

Capital projects fund deficit increased slightly during 2009 to a deficit of \$13.8 million at June 30, 2009. The deficit reflects school construction funding reversions by the State occurring after the anticipated State funds had been expended. The deficit will be eliminated as Montgomery County adjusts revenue sources from state to local funding for the affected projects.

Program Revenues and Expenses - Major Fund Business-type Activities



Program Revenues and Expenses - Non-Major Fund Business-type Activities



Proprietary funds. MCPS' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of those funds have already been addressed within the discussion of business-type activities.

General Fund Budgetary Highlights

The final amended budget for fiscal year 2009 was \$3.6 million higher than the original budget. The increase was a result of supplemental appropriations for restricted program grants received during the year.

Actual budgetary fund balance increased by \$20.9 million to \$53.6 million. The increase in fund balance resulted in part from a plan to generate \$20.0 million in current year savings, to be applied toward funding the 2010 operating budget.

Actual revenues were \$12.6 million over budget for the year. Restricted revenues were \$12.2 million under budget, of which \$3.8 million comprised estimated restricted grants that did not materialize, and \$8.4 million in unrealized revenue for grants that carried forward into 2010.

Unrestricted revenues were \$24.8 million above budget. State revenue increased \$25.4 million, including \$24.2 million received for Foundation state aid that was erroneously withheld in 2008. Investment income declined \$1.1 million due to the drop in short-term interest rates.

Actual expenditures were \$31.9 million under budget. Restricted expenditures were \$12.2 million less than the budget, which consisted of \$8.4 million in unspent funds for grants that carry forward into 2010, and \$3.8 million in estimated restricted grants that did not materialize.

Unrestricted expenditures were \$19.7 million under budget, due to a savings plan implemented during the year that, in agreement with the Montgomery County Council, would generate internal savings for use in funding 2010 budget initiatives.

Capital Asset and Debt Administration

Capital Assets. Capital assets include land and site improvements, schools and administrative buildings, school buses, and other vehicles and equipment. At June 30, 2009, MCPS’ investment in capital assets for its governmental and business-type activities amounts to \$1,931 million, net of accumulated depreciation. This amount represents a net increase of \$130.9 million, or 7.3 percent from last year. The net value of buildings, cost less accumulated depreciation, increased \$97.0 million and construction in progress increased \$21.3 million.

Montgomery County Public Schools Capital Assets
(Net of depreciation)
(amounts expressed in thousands)

	Governmental		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 68.9	\$ 68.9	\$	\$	\$ 68.9	\$ 68.9
Buildings	1,469.9	1,372.9			1,469.9	1,372.9
Improvements other than buildings	152.0	132.8			152.0	132.8
Vehicle and equipment	59.0	64.7	4.4	5.3	63.4	70.0
Construction	176.5	155.2			176.5	155.2
Total	\$ 1,926.3	\$ 1,794.5	\$ 4.4	\$ 5.3	\$ 1,930.7	\$ 1,799.8

To relieve overcrowding, reduce the number of releasable classrooms, and accommodate full-day kindergarten, in FY 2009, MCPS added 105 classrooms to nine elementary schools and two middle schools. In FY 2010, MCPS will add 40 classrooms to two elementary and three high schools and open one elementary school, adding an additional 33 classrooms.

Additional information about capital assets can be found in note 6 to the financial statements.

Long-term debt. At June 30, 2009, MCPS had \$47.0 million in capital leases outstanding. MCPS acquires school buses, instructional computers and furniture, other vehicles, and heavy equipment through a master lease agreement with a financial institution. New capital leases for school buses, instructional computers, and other equipment amounted to \$21.9 million during 2009. Principal payments on existing capital leases were \$24.5 million during the current year.

Additional information on MCPS’ long-term debt can be found in notes 8 and 9 to the financial statements.

Factors Bearing on MCPS’ Future

The transmittal letter presents certain information on the local economy and long-term financial planning, enrollment, and negotiated agreement issues affecting MCPS. There are four additional initiatives that significantly impact MCPS.

Postemployment Healthcare Benefits. The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for*

Postemployment Benefit Plans Other Than Pension Plans (OPEB) in June 2004. The Statement was effective in FY 2008 for MCPS. The Statement established standards for the measurement, recognition and reporting of OPEB expenditures and related liabilities. The Statement requires MCPS to recognize an expenditure for OPEB during the period of active service for its employees, and, to the extent not currently funded, to recognize a liability for unfunded OPEB costs. MCPS worked jointly with the county and other county agencies to develop a common approach for funding OPEB that would be acceptable to the Montgomery County Council, the funding authority for MCPS. MCPS initially agreed with the County Council to phase in full funding of the annual OPEB cost over a five year period. The FY 2008 OPEB contribution was based on a five year phase in. Subsequently, MCPS agreed with a County Council request to extend the phase in period to eight years beginning with the FY 2009 contribution to the unfunded actuarial accrued liability (UAAL) of \$18.2 million.

The FY 2010 UAAL contribution is \$11.9 million. As appropriated by the County Council, this payment may be made to the OPEB Plan Trust on June 30, 2010, provided only if county resources are not otherwise required to address a FY 2010 fiscal shortfall. Because the FY 2010 payment, if made, will not be sufficient to maintain phase-in funding toward the eight-year plan, a significant increase in funding will be required in FY 2011 to maintain progress toward completion of the eight-year phase-in.

MCPS created the OPEB Plan Trust to account for its OPEB activity. Additional information about MCPS' OPEB funding can be found in note 12 to the financial statements.

No Child Left Behind. In 2002 the United States Congress approved the No Child Left Behind (NCLB) Act. This marked the most fundamental revision of federal education legislation since the adoption of the Elementary and Secondary Education Act (ESEA) in 1965. The law calls for rigorous standards in all states and compulsory testing of students in grades 3 through 8 and grade 10. MCPS has aligned its plans and outcome measures with the standards of NCLB with the goal of having all schools meet Adequate Yearly Progress (AYP) targets and having all teachers meet "highly qualified" standards as established by the State of Maryland.

Bridge to Excellence. The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The Bridge to Excellence (BTE) Act (S. B. 856) provides an additional statewide funding to assure the adequacy of educational resources while redirecting resources more equitably to meet the needs of students with disabilities, limited English proficient students, and students impacted by poverty. In FY 2009, the Maryland General Assembly funded for the first time 60 percent of the Geographic Cost of Education Index (GCEI) adjustment to recognize the higher cost of education in some school districts. Montgomery County received \$18.4 million in added state aid as a result of the GCEI adjustment. The Maryland General Assembly initially reduced FY 2010 BTE and GCEI funding due to a projected shortfall in general state revenues. Subsequently, the Maryland General Assembly was able to restore funding for both BTE and GCEI using federal grant funds available through the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF). This federal funding will be available through FY 2011 to support mandated BTE state aid formulas.

Master Plan. In accordance with the mandates of this law, MCPS has submitted to the Maryland State Department of Education a five-year Master Plan to indicate how its schools will meet established goals for student achievement. The strategic plan for the school system, *Our Call to Action: Pursuit of Excellence*, forms the basis of the Master Plan and was reviewed extensively by community leaders and local officials. The Master Plan includes specific plans

for the implementation of the requirements of NCLB. The Maryland State Board of Education approved the five-year Master Plan, and MCPS has submitted the annual required updates to the plan, which also have been approved by the Maryland State Board of Education.

Requests for Information

This financial report is designed to provide a general overview of MCPS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Montgomery County Public Schools, 7361 Calhoun Place, Suite 190, Rockville, Maryland 20855.

BASIC FINANCIAL STATEMENTS

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MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Educational Foundation
Assets				
Equity in pooled cash and investments	\$ 70,295,618	\$ 1,005,209	\$ 71,300,827	\$
Cash and cash equivalents		13,558,091	13,558,091	39,546
Investments - cash equivalents	34,797,610		34,797,610	
Investments				5,572,786
Accounts receivable:				
Montgomery County	60,164,094	104,699	60,268,793	
State of Maryland	8,352,056	69,088	8,421,144	
Federal government	6,663,557	1,181,244	7,844,801	
Other	11,396,383	644,252	12,040,635	
Due from component unit	615,706		615,706	
Internal balances	19,020,332	(19,020,332)	-	
Inventories	5,943,152	1,655,513	7,598,665	
Prepays	346,766		346,766	
Due from employees	480,205		480,205	
Capital assets (net of accumulated depreciation):				
Land and site improvements	220,929,100		220,929,100	
Buildings and additions	1,469,910,518	892	1,469,911,410	
Construction in progress	176,514,372		176,514,372	
Vehicles and equipment	58,991,759	4,382,665	63,374,424	
Total assets	2,144,421,228	3,581,321	2,148,002,549	5,612,332
Liabilities				
Accounts payable and other current liabilities	151,718,802	261,383	151,980,185	
Due to primary government				615,706
Due to fiduciary funds	14,641,206		14,641,206	
Unearned revenue	1,977,131	1,950,732	3,927,863	
Noncurrent liabilities:				
Due within one year	24,800,651	101,144	24,901,795	
Due in more than one year	252,925,810	3,451,913	256,377,723	
Total liabilities	446,063,600	5,765,172	451,828,772	615,706
Net Assets (Deficit)				
Invested in capital assets, net of related debt	1,901,060,879	4,231,936	1,905,292,815	
Restricted for:				
Instructional Programs, Expendable				272,851
Scholarships, Non-Expendable				821,862
Unrestricted	(202,703,251)	(6,415,787)	(209,119,038)	3,901,913
Total net assets (deficit)	\$ 1,698,357,628	\$ (2,183,851)	\$ 1,696,173,777	\$ 4,996,626

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,344,807,372	\$ 4,239,115	\$ 42,390,239	\$ 28,660,095
Special education	357,740,728	431,937	27,410,798	
School administration	192,005,481		3,554,521	
Student personnel services	16,709,007		1,139,523	
Health services	31,477			
Total instruction	<u>1,911,294,065</u>	<u>4,671,052</u>	<u>74,495,081</u>	<u>28,660,095</u>
Support services:				
Student transportation	122,633,059	362,466	226,785	-
Operation of plant	145,189,882		-	2,364,657
Maintenance of plant	57,587,517		1,095,902	11,697,333
Administration	63,094,864		258,764	6,136,783
Community services	2,168,062		1,753,178	
Interest on capital leases	2,040,350			
Total support services	<u>392,713,734</u>	<u>362,466</u>	<u>3,334,629</u>	<u>20,198,773</u>
Total governmental activities	<u>2,304,007,799</u>	<u>5,033,518</u>	<u>77,829,710</u>	<u>48,858,868</u>
Business-type activities:				
Food services	46,457,265	22,191,730	21,564,749	405,452
Real estate management	2,489,426	2,397,720		
Field trips	1,772,511	1,578,741		
Entrepreneurial activities	1,444,433	1,872,573		
Total business-type activities	<u>52,163,635</u>	<u>28,040,764</u>	<u>21,564,749</u>	<u>405,452</u>
Total primary government	<u>\$ 2,356,171,434</u>	<u>\$ 33,074,282</u>	<u>\$ 99,394,459</u>	<u>\$ 49,264,320</u>
Component Unit:				
Educational Foundation	<u>\$ 1,089,586</u>	<u>\$ -</u>	<u>\$ 1,109,283</u>	<u>\$ -</u>
General revenues:				
Unrestricted intergovernmental:				
Montgomery County				
State of Maryland				
Federal government				
Investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,269,517,923)	\$ -	\$ (1,269,517,923)	\$ -
(329,897,993)		(329,897,993)	
(188,450,960)		(188,450,960)	
(15,569,484)		(15,569,484)	
(31,477)		(31,477)	
<u>(1,803,467,837)</u>	<u>-</u>	<u>(1,803,467,837)</u>	<u>-</u>
(122,043,808)		(122,043,808)	
(142,825,225)		(142,825,225)	
(44,794,282)		(44,794,282)	
(56,699,317)		(56,699,317)	
(414,884)		(414,884)	
(2,040,350)		(2,040,350)	
<u>(368,817,866)</u>	<u>-</u>	<u>(368,817,866)</u>	<u>-</u>
<u>(2,172,285,703)</u>	<u>-</u>	<u>(2,172,285,703)</u>	<u>-</u>
	(2,295,334)	(2,295,334)	
	(91,706)	(91,706)	
	(193,770)	(193,770)	
	428,140	428,140	
<u>-</u>	<u>(2,152,670)</u>	<u>(2,152,670)</u>	<u>-</u>
<u>(2,172,285,703)</u>	<u>(2,152,670)</u>	<u>(2,174,438,373)</u>	<u>-</u>
			19,697
1,656,384,034		1,656,384,034	
597,009,068		597,009,068	
2,728,591		2,728,591	
684,245	161,500	845,745	
4,501	(4,501)	-	
<u>2,256,810,439</u>	<u>156,999</u>	<u>2,256,967,438</u>	<u>-</u>
84,524,736	(1,995,671)	82,529,065	19,697
1,613,832,892	(188,180)	1,613,644,712	4,976,929
<u>\$ 1,698,357,628</u>	<u>\$ (2,183,851)</u>	<u>\$ 1,696,173,777</u>	<u>\$ 4,996,626</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 70,295,618	\$ -	\$ -	\$ 70,295,618
Accounts receivable:				
Montgomery County	7,890,764	52,273,330		60,164,094
State of Maryland	5,489,091	2,862,965		8,352,056
Federal government	6,663,557			6,663,557
Other	11,033,288	301,052		11,334,340
Due from other funds	64,174,990	5,014	260,669	64,440,673
Due from fiduciary funds	1,448,352			1,448,352
Due from component unit	615,706			615,706
Inventories	5,943,152			5,943,152
Prepays	346,766			346,766
Due from employees	480,205			480,205
Total assets	<u>\$ 174,381,489</u>	<u>\$ 55,442,361</u>	<u>\$ 260,669</u>	<u>\$ 230,084,519</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,149,811	\$ 11,597,747	\$ 10,578	\$ 26,758,136
Retainage payable		12,287,657		12,287,657
Accrued salaries and withholdings	90,981,809			90,981,809
Due to other funds	5,719,098	45,415,328	5,014	51,139,440
Unearned revenue	1,977,131			1,977,131
Compensated absences	3,733,434			3,733,434
Total liabilities	<u>117,561,283</u>	<u>69,300,732</u>	<u>15,592</u>	<u>186,877,607</u>
Fund Balances:				
Reserved for:				
Encumbrances	6,183,758		107,432	6,291,190
Inventories	5,943,152			5,943,152
Prepays	346,766			346,766
Unreserved, undesignated (deficit), reported in:				
General Fund	44,346,530			44,346,530
Capital Projects Fund		(13,858,371)		(13,858,371)
Special Revenue Fund			137,645	137,645
Total unreserved, undesignated (deficit)	<u>44,346,530</u>	<u>(13,858,371)</u>	<u>137,645</u>	<u>30,625,804</u>
Total fund balances	<u>56,820,206</u>	<u>(13,858,371)</u>	<u>245,077</u>	<u>43,206,912</u>
Total liabilities and fund balances	<u>\$ 174,381,489</u>	<u>\$ 55,442,361</u>	<u>\$ 260,669</u>	<u>\$ 230,084,519</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 WITH THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

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

Total fund balances - governmental funds		\$	43,206,912
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
The cost of capital assets is		\$	2,739,177,909
Accumulated depreciation is			<u>(812,832,160)</u>
			1,926,345,749
An internal service fund is used to account for the employee health benefit plan costs. The assets and liabilities of the internal service fund are included with governmental activities.			
			2,797,995
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Capital leases payable			(46,838,246)
Compensated absences	\$ (100,965,576)		
Compensated absences-Governmental Funds	<u>3,733,434</u>		
			(97,232,142)
Net pension obligation			(3,098,291)
OPEB obligation			(126,824,349)
			<u>(273,993,028)</u>
Total net assets - governmental activities		\$	<u>1,698,357,628</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,513,763,860	\$ 190,719,621	\$ -	\$ 1,704,483,481
State of Maryland	554,411,333	47,846,510		602,257,843
Federal government	73,709,427			73,709,427
Other sources	5,898,382	600,002	1,582,830	8,081,214
Total revenues	<u>2,147,783,002</u>	<u>239,166,133</u>	<u>1,582,830</u>	<u>2,388,531,965</u>
Expenditures:				
Current:				
Administration	41,116,832			41,116,832
Mid-level administration	133,558,653			133,558,653
Instructional salaries and wages	835,121,087			835,121,087
Instructional textbooks and supplies	27,836,308			27,836,308
Other instructional costs	13,416,424			13,416,424
Special education	259,846,857			259,846,857
Student personnel services	11,544,552			11,544,552
Health services	31,125			31,125
Student transportation	87,139,938			87,139,938
Operation of plant	113,847,318			113,847,318
Maintenance of plant	34,797,983			34,797,983
Fixed charges	557,052,644			557,052,644
Community services	187,986		1,474,127	1,662,113
Debt service:				
Capital lease principal	12,038,117	12,427,338		24,465,455
Capital lease interest	1,284,088	756,262		2,040,350
Capital outlay		239,036,321		239,036,321
Total expenditures	<u>2,128,819,912</u>	<u>252,219,921</u>	<u>1,474,127</u>	<u>2,382,513,960</u>
Excess (deficiency) of revenues over expenditures	<u>18,963,090</u>	<u>(13,053,788)</u>	<u>108,703</u>	<u>6,018,005</u>
Other financing sources:				
Capital lease financing	8,891,270	12,991,925		21,883,195
Transfers in	4,501			4,501
Total other financing sources	<u>8,895,771</u>	<u>12,991,925</u>	<u>-</u>	<u>21,887,696</u>
Net change in fund balances	27,858,861	(61,863)	108,703	27,905,701
Fund balances - beginning	<u>28,961,345</u>	<u>(13,796,508)</u>	<u>136,374</u>	<u>15,301,211</u>
Fund balances - ending	<u>\$ 56,820,206</u>	<u>\$ (13,858,371)</u>	<u>\$ 245,077</u>	<u>\$ 43,206,912</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

Total net change in fund balances - governmental funds \$ 27,905,701

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays for capital project assets (\$239,036,321 less non-capitalized items of \$49,187,292) plus capital outlays for general fund assets (\$8,848,340) exceed depreciation expense (\$64,867,450) in the current period. 133,829,919

The net effect of various miscellaneous transactions involving capital assets, such as the loss on disposal of capital assets and the donation of land from developers is to decrease net assets. (1,967,273)

Some of the capital assets and assets below the capitalization threshold acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. Also, expenditures for principal repayment of capital leases are measured by the amount of financial resources used by governmental funds and have no effect on net assets. 2,582,260

In the statement of activities, certain operating expenses are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended, as follows:

Annual OPEB cost	(61,579,174)	
Compensated absences	(8,179,309)	
Change in net pension obligation	624,638	
Other	328,420	(68,805,425)

An internal service fund is used to charge the costs of the employee benefit plan to the individual funds. The net expense of the internal service fund is reported with governmental activities in the statement of activities. (9,020,446)

Change in net assets of governmental activities \$ 84,524,736

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
Revenues:						
Montgomery County	\$ -	\$ 1,513,555,147	\$ 1,513,555,147	\$ 1,513,769,904	\$ 1,513,763,860	\$ (6,044)
State of Maryland	-	401,154,378	401,154,378	404,123,608	429,513,946	25,390,338
Federal government	-	73,334,171	73,334,171	79,052,056	71,120,719	(7,931,337)
Other sources	-	16,059,275	16,059,275	10,766,905	5,898,382	(4,868,523)
Total revenues	-	2,004,102,971	2,004,102,971	2,007,712,473	2,020,296,907	12,584,434
Expenditures and encumbrances:						
Current:						
Administration	546,670	44,153,826	44,700,496	43,357,686	42,566,872	790,814
Mid-level administration	8,649	136,375,452	136,384,101	134,215,432	133,615,904	599,528
Instructional salaries and wages	-	845,180,727	845,180,727	845,885,580	835,817,851	10,067,729
Instructional textbooks and supplies	1,332,316	32,297,037	33,629,353	33,860,991	28,604,448	5,256,543
Other instructional costs	750,102	20,542,222	21,292,324	20,803,646	16,052,905	4,750,741
Special education	425,961	268,178,095	268,604,056	268,205,886	262,482,048	5,723,838
Student personnel services	395	11,637,771	11,638,166	11,765,499	11,544,627	220,872
Health services	-	57,502	57,502	57,502	31,125	26,377
Student transportation	1,588,343	92,115,233	93,703,576	91,280,050	89,432,122	1,847,928
Operation of plant	317,227	114,805,881	115,123,108	115,131,128	114,172,896	958,233
Maintenance of plant	730,858	34,902,737	35,633,595	35,891,497	35,247,394	644,103
Fixed charges	569	421,447,537	421,448,106	430,549,714	429,618,768	930,946
Community services	-	336,406	336,406	336,406	187,986	148,420
Total expenditures and encumbrances	5,701,090	2,022,030,426	2,027,731,516	2,031,341,018	1,999,374,946	31,966,072
Excess (deficiency) of revenues over expenditures and encumbrances	(5,701,090)	(17,927,455)	(23,628,545)	(23,628,545)	20,921,961	44,550,506
Other financing sources:						
Transfers in	-	-	-	-	4,501	4,501
Total other financing sources	-	-	-	-	4,501	4,501
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances	(5,701,090)	(17,927,455)	(23,628,545)	(23,628,545)	20,926,462	44,555,007
Fund balance - beginning	5,701,090	17,927,455	23,628,545	23,628,545	32,693,419	9,064,874
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 53,619,881	\$ 53,619,881

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 1,005,209	\$ 1,005,209	\$ -
Cash and cash equivalents	13,558,091		13,558,091	
Investments - cash equivalents				34,797,610
Accounts receivable:				
Montgomery County	85,188	19,511	104,699	
State of Maryland	69,088		69,088	
Federal government	1,181,244		1,181,244	
Other	-	644,252	644,252	62,043
Due from other funds				5,719,099
Inventories	1,648,513	7,000	1,655,513	
Total current assets	<u>16,542,124</u>	<u>1,675,972</u>	<u>18,218,096</u>	<u>40,578,752</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings and improvements		892	892	
Machinery and equipment	4,367,160	15,505	4,382,665	
Total noncurrent assets	<u>4,367,160</u>	<u>16,397</u>	<u>4,383,557</u>	<u>-</u>
Total assets	<u>20,909,284</u>	<u>1,692,369</u>	<u>22,601,653</u>	<u>40,578,752</u>
Liabilities				
Current liabilities:				
Accounts payable	94,950	166,433	261,383	212,429
Claims payable				18,501,490
Due to employees, advance premium withholdings				2,977,280
Due to other funds	18,729,496	290,836	19,020,332	
Due to fiduciary funds				16,089,558
Unearned revenue	1,819,122	131,610	1,950,732	
Capital leases - current	90,148		90,148	
Compensated absences - current	10,996		10,996	
Total current liabilities	<u>20,744,712</u>	<u>588,879</u>	<u>21,333,591</u>	<u>37,780,757</u>
Noncurrent liabilities:				
Net OPEB Obligation	1,774,667		1,774,667	
Capital leases payable	61,473		61,473	
Compensated absences	1,406,274	209,499	1,615,773	
Total noncurrent liabilities	<u>3,242,414</u>	<u>209,499</u>	<u>3,451,913</u>	<u>-</u>
Total liabilities	<u>23,987,126</u>	<u>798,378</u>	<u>24,785,504</u>	<u>37,780,757</u>
Net Assets (Deficit)				
Invested in capital assets, net of related debt	4,215,539	16,397	4,231,936	
Unrestricted (deficit)	<u>(7,293,381)</u>	<u>877,594</u>	<u>(6,415,787)</u>	<u>2,797,995</u>
Total net assets (deficit)	<u>\$ (3,077,842)</u>	<u>\$ 893,991</u>	<u>\$ (2,183,851)</u>	<u>\$ 2,797,995</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 22,191,730	\$ -	\$ 22,191,730	\$ -
Rent and fees		5,849,034	5,849,034	
Employer's contributions				199,751,354
Members' contributions				20,210,239
Total operating revenues	<u>22,191,730</u>	<u>5,849,034</u>	<u>28,040,764</u>	<u>219,961,593</u>
Operating expenses:				
Salaries and wages	18,530,935	2,223,289	20,754,224	
Contracted services	949,650	351,501	1,301,151	
Supplies and materials	1,842,047	965,660	2,807,707	
Food purchases	12,532,225		12,532,225	
USDA commodities	2,268,310		2,268,310	
Other charges	9,266,167	2,145,735	11,411,902	1,015,604
Depreciation	1,067,931	20,185	1,088,116	
Benefits paid to plan members				177,183,658
Premiums paid to insurance companies				51,277,678
Total operating expenses	<u>46,457,265</u>	<u>5,706,370</u>	<u>52,163,635</u>	<u>229,476,940</u>
Operating income (loss)	<u>(24,265,535)</u>	<u>142,664</u>	<u>(24,122,871)</u>	<u>(9,515,347)</u>
Nonoperating revenues (expenses):				
National school lunch and other food programs:				
Federal funds	18,311,345		18,311,345	
State funds	985,094		985,094	
USDA commodities	2,268,310		2,268,310	
Investment income	156,999	4,501	161,500	494,900
Total nonoperating revenues, net	<u>21,721,748</u>	<u>4,501</u>	<u>21,726,249</u>	<u>494,900</u>
Income (loss) before contributions and transfers	<u>(2,543,787)</u>	<u>147,165</u>	<u>(2,396,622)</u>	<u>(9,020,447)</u>
Capital contributions - equipment	405,452		405,452	
Transfers out		(4,501)	(4,501)	
Change in net assets	<u>(2,138,335)</u>	<u>142,664</u>	<u>(1,995,671)</u>	<u>(9,020,447)</u>
Total net assets - beginning	(939,507)	751,327	(188,180)	11,818,442
Total net assets (deficit) - ending	<u>\$ (3,077,842)</u>	<u>\$ 893,991</u>	<u>\$ (2,183,851)</u>	<u>\$ 2,797,995</u>

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 22,705,916	\$ 6,323,015	\$ 29,028,931	\$ 20,508,636
Receipts from assessments made to other funds			-	201,385,138
Payments to suppliers	(10,117,348)	(2,010,475)	(12,127,823)	(51,303,610)
Payments to employees	(19,173,695)	(2,424,945)	(21,598,640)	
Payments for insurance claims			-	(175,120,657)
Payments for assessments made by other funds	(7,493,157)	(282,081)	(7,775,238)	
Payments for other operating expenses	(95,494)	(1,689,985)	(1,785,479)	(1,015,604)
Net cash (used for) operating activities	<u>(14,173,778)</u>	<u>(84,471)</u>	<u>(14,258,249)</u>	<u>(5,546,097)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	18,869,771		18,869,771	
Transfers (to) from other funds		(4,501)	(4,501)	1,421,695
Net cash provided by (used for) noncapital financing activities	<u>18,869,771</u>	<u>(4,501)</u>	<u>18,865,270</u>	<u>1,421,695</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	59,835		59,835	
Purchases of capital assets	294,492		294,492	
Principal paid on capital leases	(228,966)	(18,294)	(247,260)	
Interest paid on capital leases	(13,097)		(13,097)	
Net cash provided by (used for) capital and related financing activities	<u>112,264</u>	<u>(18,294)</u>	<u>93,970</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	156,999	4,501	161,500	537,371
Net cash provided by investing activities	<u>156,999</u>	<u>4,501</u>	<u>161,500</u>	<u>537,371</u>
Net increase (decrease) in cash and cash equivalents	4,965,256	(102,765)	4,862,491	(3,587,031)
Cash and cash equivalents - beginning	8,592,835	1,107,974	9,700,809	38,384,641
Cash and cash equivalents - ending	<u>\$ 13,558,091</u>	<u>\$ 1,005,209</u>	<u>\$ 14,563,300</u>	<u>\$ 34,797,610</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (24,265,535)	\$ 142,664	\$ (24,122,871)	\$ (9,515,347)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,067,931	20,185	1,088,116	
USDA commodities used	2,268,310		2,268,310	
Effects of changes in assets and liabilities:				
Receivables	76,515	370,580	447,095	
Due from other funds			-	1,633,784
Non USDA inventories	(462,239)		(462,239)	
Accounts payable	94,950	(1,938)	93,012	(25,932)
Claims payable			-	2,063,001
Advance premium withholdings			-	298,398
Due to other funds	5,573,863	(691,376)	4,882,487	
Deferred revenue	437,671	103,404	541,075	
Net OPEB Obligation	861,684		861,684	
Compensated absences	173,072	(27,990)	145,082	
Net cash (used for) operating activities	<u>\$ (14,173,778)</u>	<u>\$ (84,471)</u>	<u>\$ (14,258,249)</u>	<u>\$ (5,546,097)</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 405,452	\$ -	\$ 405,452	\$ -
USDA commodities received	(2,268,310)		(2,268,310)	
Initiation of capital lease, net of down payment	81,476		81,476	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 3,556,206
Investments:		
Common and preferred stocks	434,517,979	
Short-term investments	27,602,161	
U.S. government and agency securities	56,347,097	1,812,156
Fixed income securities	140,647,872	
Real estate	57,530,023	
Participation contract	8,134,774	
Private equity	6,514,865	
Securities lending short-term investment pool	42,627,803	
Maryland local government investment pool		9,687,297
Montgomery County investment pool		963,376
Total investments	773,922,574	12,462,829
Accounts receivable	23,030	1,708,311
Due from internal service fund	16,089,558	
Inventories		224,226
Total assets	790,035,162	\$ 17,951,572
LIABILITIES		
Accounts payable	686,522	2,391,953
Claims payable	5,986,167	
Due to general fund	1,448,352	
Liability for collateral received under securities lending agreements	42,627,803	
Due to student groups		15,559,619
Total liabilities	50,748,844	\$ 17,951,572
NET ASSETS		
Held in trust for pension/other postemployment benefits	\$ 739,286,318	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 120,397,270
Members	40,540,155
Federal government - Medicare Part D	<u>2,588,708</u>
Total contributions	<u>163,526,133</u>
Investment earnings:	
Net, depreciation in fair value of investments	(216,357,446)
Interest and dividends	17,020,324
Securities lending income	505,342
Total investment loss	<u>(198,831,780)</u>
Less investment expense:	
Investment fees and other	(1,669,821)
Securities lending fees	<u>(269,640)</u>
Total investment expense	<u>(1,939,461)</u>
Net investment loss	<u>(200,771,241)</u>
Total additions	<u>(37,245,108)</u>
DEDUCTIONS	
Benefits paid to plan members	110,380,919
Premiums paid to insurance companies	10,687,448
Administrative expenses	<u>3,218,954</u>
Total deductions	<u>124,287,321</u>
Change in net assets	(161,532,429)
Net assets - beginning	<u>900,818,747</u>
Net assets - ending	<u>\$ 739,286,318</u>

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

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MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

Note 1	Summary of Significant Accounting Policies
Note 2	Budgetary Information
Note 3	Deposits and Investments
Note 4	Interfund Receivables, Payables, and Transfers
Note 5	Due from Employees
Note 6	Capital Assets
Note 7	Payables
Note 8	Leases
Note 9	Long-Term Liabilities
Note 10	Risk Management
Note 11	Defined Benefit Pension Plans
Note 12	Postemployment Healthcare Benefits
Note 13	Trust Plans Condensed Financial Statements
Note 14	Contingencies

1. Summary of Significant Accounting Policies

The financial statements of MCPS have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of MCPS are described below.

a) Reporting Entity

The Board of Education of Montgomery County is the elected body, corporate and politic, established under Maryland law to provide public education in kindergarten through twelfth grade to children residing within the borders of Montgomery County, Maryland. The Board determines educational policy and employs a superintendent of schools to administer the public school system known as Montgomery County Public Schools (MCPS). Primary funding is provided by Montgomery County from its general revenues. Funds also are received from state and federal sources for general school aid and specific purpose grants. The budget is approved by the Montgomery County Council. The Board of Education has no power to levy and collect taxes or to increase the budget. The relationship of Montgomery County with MCPS is considered a component unit of the county government, as defined by GAAP for governmental entities.

The accompanying financial statements present the primary government, MCPS, and its discretely presented component unit, the Montgomery County Public Schools Educational Foundation, Inc. (Foundation). The Foundation is included in the reporting entity because of the financial benefits provided through it to MCPS and because MCPS is considered to be financially accountable. The Foundation is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from MCPS.

The Foundation accepts grants and contributions from private organizations and individuals. All such funds received are used to enhance MCPS educational programs and to provide student scholarships. Complete financial statements can be obtained from the Office of the Chief Operating Officer, Montgomery County Public Schools, 850 Hungerford Drive, Rockville, Maryland 20850.

b) Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of MCPS and its component unit except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost data for functional activities as reported in the total column of that statement. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

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) charges to customers 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. Intergovernmental revenue and other items not properly included among program revenues are reported as general revenues.

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

reported as separate columns in the fund financial statements. Nonmajor enterprise funds are aggregated and reported as nonmajor funds.

MCPS reports the following major governmental funds:

The general fund is the primary operating fund of MCPS. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects fund accounts for financial resources to be used in the acquisition or construction of school sites and buildings and other major capital facilities.

MCPS reports the following major proprietary fund:

The food services fund accounts for the operations of 208 cafeterias and the central production facility, providing for the preparation and sale of meals to students and other agencies and customers.

Additionally, MCPS reports the following fund types:

The special revenue fund accounts for the use of Cable TV franchise fees that are legally restricted to expenditure for specific purposes.

The internal service fund accounts for the financing of active employee health benefits provided to other funds of the government on a cost reimbursement basis.

The pension and other employee benefits trust funds account for the activities of the MCPS Employees' Retirement and Pension System that accumulates resources for pension benefit payments to qualified MCPS employees, and the OPEB Plan Trust that accumulates resources for post-employment health benefits.

The agency fund accounts for assets held by elementary and secondary schools for student groups. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations.

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

c) Measurement focus, basis of accounting

The government-wide, proprietary, and certain fiduciary (pension and other employee benefit trust) fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds, which have no measurement focus, also use the accrual basis of accounting to recognize assets and liabilities. 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 imposed by the provider have been met. Revenue from USDA commodities is considered earned when the commodities are used. The value of unused commodities is reported as unearned revenue. Employee, employer and other contributing entities' contributions to the pension and other employee benefit trust funds are recognized as revenue in the period that the contributions are due. Pension and other post-employment benefits expenses and refunds are recognized when due and payable.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. All governmental fund revenues are considered available if the revenues are collected within ninety days after year-end. MCPS' primary sources of funding

are intergovernmental revenues which are either unrestricted as to purpose of expenditure or are restricted to a specific purpose. Unrestricted funds are recorded as revenues at the time of receipt or earlier if they meet the availability criterion. Restricted funds are recognized as revenue when all eligibility requirements imposed by the provider have been met and the resources are available. Restricted funds received in excess of recorded expenditures are recorded as unearned revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for principal and interest on capital leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from capital leases are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. MCPS has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is MCPS' policy to use restricted resources first, then unrestricted resources as they are needed.

d) Cash and Investments

MCPS maintains an active pooled cash and investment program which is managed in accordance with the Annotated Code of Maryland. Overnight investments in repurchase agreements and money market investments are stated at amortized cost. Investment income is allocated to the various funds based on their average equity in the pool. The assignment of allocated investment income to the general fund is reported as a transfer.

Pension Trust Fund investments consist of a group pension immediate participation contract carried at contract value and separate funds carried at fair value. Equity and bond securities are valued at closing sales prices as reported on national or international securities exchanges at current exchange rates, or at closing bid prices as reported by investment dealers. The fair value of mortgages and real estate investments are based on independent appraisals.

OPEB Plan Trust investments, consisting of equity and bond index funds, are stated at fair value.

Internal Service Fund investments are stated at fair value. For purposes of the statement of cash flows, the Internal Service Fund and the Food Services Fund consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The cash in the Agency Fund represents the independent activity fund cash balances in the separate bank accounts of individual schools and other groups. The bank accounts are maintained by each of the locations. The administrator at each location is required, under MCPS policy, to deposit any funds in excess of current needs with a federally or state insured financial institution or in the MCPS Centralized Investment Fund. All such funds earn market rate interest and are available to the schools on a demand basis.

The Agency Fund and the component unit invest in certain external investment pools. The Maryland Local Government Investment Pool consists of funds from local governments placed in the custody of the state and funds from the state. Oversight responsibility for the pool resides with the state treasurer. The Montgomery County investment pool invests funds for itself and participating agencies pursuant to the Annotated Code of Maryland, County Code and the county's short-term investment policy as approved by the County Council. The fair value of MCPS' position in the aforementioned pools is the same as the value of pool shares.

e) Inventories and Prepaid Items

Inventories are stated at the lower of cost or market. For supplies, instructional materials, transportation parts, cost is determined by the average cost method; for transportation fuels, food and food related inventories, cost is determined by the first-in, first-out method. Commodities received from the U.S. Department of Agriculture (USDA) are stated at fair market value. Unused

USDA commodities in inventory at year end are reported as deferred revenue as title does not pass to MCPS until the commodities are used. The cost of all inventories is recorded as an expenditure/expense at the time the individual inventory items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

f) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by MCPS as assets with an initial, individual cost of more than \$5,000 (\$600 for the Food Services Fund) for equipment and \$200,000 for buildings and structural additions, and an estimated useful life in excess of one year. Purchased or constructed capital assets are valued at cost where historic records exist and at estimated historic cost where no historic records exist. Donated capital assets are valued at estimated fair market value at the date received.

Capital outlays for capital assets and improvements are capitalized as projects are constructed. Outlays for normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized. Capital outlays for technology modernization are capitalized to the extent individual costs exceed capitalization thresholds.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land and building improvements	20
Portable classrooms	15
Furniture, heavy equipment and vehicles	12
Technology, light equipment and vehicles	5

g) Compensated Absences

MCPS employees are permitted to accumulate earned but unused annual and sick leave benefits. It is MCPS policy to pay employees who separate from service with MCPS the accumulated amount of earned but unused annual leave and, for employees with at least five years credited service, one quarter of vested, accumulated sick leave. Employees with thirty or more years credited service receive 30 percent of vested, accumulated sick leave. Members of the Montgomery County Education Association receive 30 percent only if they submit retirement or termination notice by April 1, for an effective date of July 1. All annual and vested sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only at the time of employee resignations and retirements.

h) Long-Term Obligations

Long-term obligations are reported as liabilities in the government-wide and proprietary fund financial statements. Only the portion of long-term obligations expected to be paid from expendable available financial resources is reported as a liability in the governmental fund financial statements and the face amount of capital lease issuances is reported as other financing sources.

i) Fund Equity

Governmental funds, in the fund financial statements, report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. Budgetary Information

a) Overview

The majority of current funding for MCPS is provided by Montgomery County, the State of Maryland, and the federal government. Under Maryland school statutes, the MCPS annual budget is presented to the Montgomery County Council no later than March 1 and is to be adopted by the Council by May 31. In general, the county is then responsible to fund the budget so adopted, to the extent that funds are not raised from other sources (state and federal governments, etc.). The Board of Education has no power to levy taxes or to spend funds not appropriated by the Montgomery County Council.

Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for the governmental and proprietary fund types. Management is authorized to transfer funds within major categories of expenditure (i.e., administration, instructional salaries, etc.) up to \$100,000. Transfers in excess of \$100,000 require the approval of the superintendent and the Board of Education; transfers between major categories require the approval of the Montgomery County Council. By state law, major categories of expenditure may not exceed budgeted amounts for the year ending June 30.

The budgeted amounts reflected in the accompanying financial statements recognize budget revisions made during the year, all of which were properly reported and/or approved, as applicable. During 2009, supplemental appropriations increasing the operating budget by \$3,609,501 and increasing the capital budget by \$6,616,640 were approved.

Encumbrances outstanding at year-end in the governmental funds are reported in accordance with GAAP as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances outstanding for the proprietary funds are eliminated for financial statement presentation. Annual appropriations that are not spent, encumbered, or designated at year-end lapse. Outstanding encumbrances at year-end are reappropriated in the subsequent year.

Capital projects are funded primarily by Montgomery County and by the state. Funds are budgeted and appropriated on a project basis and on an annual basis. Capital projects funds do not lapse at the end of each year, but may be expended until project completion.

b) Budgetary Presentation

The general fund statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual has been prepared on the legally prescribed budgetary basis of accounting to demonstrate compliance with the legally adopted budget. Generally, the budgetary basis of accounting employs the modified accrual basis plus encumbrances. The basis used to prepare the legally adopted budget differs from GAAP as follows:

- Encumbrances outstanding are charged to budgetary appropriations in the current period.
- Expenditures for compensated absences are accounted for on a cash basis.
- State of Maryland retirement contributions made on behalf of MCPS employees are a legal obligation of the State, and so are not included in the MCPS budget.
- Federal government Medicare Part D payments made to the OPEB Plan Trust on behalf of MCPS retired employees for post-employment prescription benefits are not included in the MCPS budget.
- Capital lease financing is accounted for as other financing sources for GAAP purposes.

Adjustments to reconcile the budgetary statement to the GAAP fund statement are as follows:

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>	<u>Other Financing Sources</u>	<u>Effect on Fund Balance</u>
As reported - budgetary basis	\$ 2,020,296,907	\$ 1,999,374,946	\$ 4,501	\$ 20,926,462
Reconciling items:				
2009 Encumbrances outstanding		(6,183,758)		6,183,758
Decrease in compensated absences		(748,641)		748,641
State of Maryland retirement contributions	124,897,387	124,897,387		-
Federal Medicare Part D contributions	2,588,708	2,588,708		-
Capital lease financing		8,891,270	8,891,270	-
As reported – GAAP basis	<u>\$ 2,147,783,002</u>	<u>\$ 2,128,819,912</u>	<u>\$ 8,895,771</u>	<u>\$ 27,858,861</u>

Capital Projects Fund encumbrances of \$87,563,310 are not reflected in the governmental fund balance sheet as the offsetting revenues are not available until the expenditures on a GAAP basis are incurred.

Beginning June 15 of each fiscal year, MCPS issues purchase orders and begins shipment of inventory to various locations for items such as supplies, textbooks, and construction contracts that will be charged to the budget of the next fiscal year. These obligations and warehouse shipments are not reflected in the accompanying financial statements. At June 30, 2009, \$20,191,424 of such purchase orders had been issued.

c) Deficit Fund Equity

The Capital Projects Fund had an unreserved, undesignated fund deficit of \$13,858,371. The deficit reflects school construction funding reversions by the State of Maryland that occurred after the anticipated funds had been spent. The deficit will be eliminated in 2010 when MCPS and Montgomery County apply adjustments to revenue sources from state to local funding for the affected capital projects. The Entrepreneurial Activities Fund reduced its deficit by \$428,140, to a deficit in net assets of \$518,890 at June 30, 2009. It is anticipated that the deficit will be eliminated, over time, as the level of fund activity expands and cost monitoring measures continue.

Net assets of the Internal Service Fund represent equity reserved for future claim losses and benefits under the employee benefit plan.

3. Deposits and Investments

Cash and investments at June 30, 2009, are summarized as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 71,300,827	\$
Cash and cash equivalents	13,558,091	39,546
Cash-fiduciary funds	3,556,206	
Investments – cash equivalents	34,797,610	
Investments		5,572,786
Investments-fiduciary funds	786,385,403	
Total	<u>\$ 909,598,137</u>	<u>\$ 5,612,332</u>
Deposits and Investments Summary:		
Deposits	\$ 12,078,592	\$ 39,546
Investments	897,513,903	5,572,786
Cash on hand	5,642	
Total	<u>\$ 909,598,137</u>	<u>\$ 5,612,332</u>

a) Deposits

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, MCPS' deposits may not be returned to it. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland.

At June 30, 2009, the reported balance of MCPS' deposits was \$12,078,592 and the bank balance was \$16,797,908. The bank balance was covered either by federal depository insurance or by collateral held by MCPS' agent in MCPS' name.

b) Investments

Investments as of June 30, 2009, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Common and preferred stocks	\$ 412,352,247
Short-term investments	27,602,161
U.S. Government and agency securities	56,347,097
Fixed income securities	135,819,907
Real estate	57,530,023
Participation contract	8,134,774
Private equity	6,514,865
Securities lending short-term investment pool	42,627,803
Subtotal Pension Trust Investments	<u>746,928,877</u>
OPEB Plan Trust Investments:	
Equities index funds	22,165,732
Bond index fund	4,827,965
Subtotal OPEB plan trust investments	<u>26,993,697</u>
Other Investments:	
U.S. Government securities	1,812,156
Repurchase agreements	976,537
Mutual funds	110,151,962
Maryland Local Government Investment Pool	9,687,297
Montgomery County investment pool	963,377
Total investments	\$ <u>897,513,903</u>

Securities lending transactions. The Annotated Code of Maryland allows the MCPS Employees' Retirement and Pension System (Pension Trust) to participate in securities lending transactions. The Pension Trust uses the Northern Trust Company (Northern), its custodial bank, to lend its securities to broker-dealers and banks pursuant to a form of borrowing agreement.

During 2009, Northern lent Pension Trust securities for which it is custodian. Pension Trust securities not under the custodianship of Northern are not part of the Securities Lending Authorization Agreement. Northern receives from borrowers both cash and non-cash collateral. Non-cash collateral includes United States government securities and irrevocable letters of credit. Northern does not have the ability to pledge or sell collateral unless the borrower is in default under the agreement. Borrowers are required to deliver cash and/or non-cash collateral having a market value of not less than 102 percent, 105 percent if the borrowed securities and collateral are denominated in non-U.S. currencies) of the market value of the borrowed securities.

The following represents the balances relating to securities lending transactions at June 30, 2009.

	<u>Underlying Securities</u>	<u>Cash Collateral Investment Value</u>
Securities lent for cash collateral:		
U.S. Government	\$ 16,774,067	\$ 17,181,432
Domestic equities	13,338,995	13,749,805
U.S. Agencies	9,895,491	10,130,268
Domestic fixed-income	1,525,093	1,566,298
	<hr/>	<hr/>
Total	\$ 41,533,646	\$ 42,627,803

Northern indemnifies the Pension Trust against any losses, damages or expenses it may incur if Northern is unable to recover the borrowed securities, and distributions made with respect to those securities, as a result of Northern's failure to make a reasoned determination of borrower creditworthiness or to demand adequate and appropriate collateral. During 2009, there were no losses resulting from borrower default. The Pension Trust and the borrowers maintain the right to terminate all securities lending transactions on demand.

The cash collateral is invested in the Northern Core USA Collateral Section (Core USA). Core USA investments include United States government securities, domestic and foreign bankers' acceptances, certificates of deposit and time deposits, and U.S. dollar denominated obligations issued or guaranteed by foreign governments. The Core USA is accounted for on an amortized cost basis. Northern believes that the value of the Pension Trust's position in the Core USA on an amortized cost basis approximates the valuation of Core USA if valued at fair value.

In September 2008, Northern was required to revalue securities held by its various securities lending cash collateral pools, including Core USA, due to the impairment of certain assets and the general lack of liquidity in the market. Northern determined that a collateral deficiency existed. Northern allocated to securities lending clients as a liability a proportionate share of unrealized losses of the collateral pools, required to restore the net asset value of the collateral pools to \$1. Northern's clients could elect to repay the liability or could allow market appreciation to cure the liability. The Pension Trust has recorded a liability in accounts payable for its share of the collateral deficiency of the Core USA of \$656,442, which includes \$553,007 for unrealized losses. The Pension Trust has elected to continue participation in the securities lending program.

The Pension Trust is invested in three index funds managed by Northern that also participate in Northern securities lending programs. The amount invested in these funds at June 30, 2009, was \$115,363,100. The Pension Trust has no direct credit risk exposure related to collateral pools supporting securities lending by these index funds. However, Northern has imposed restrictions on withdrawals from the index funds. The Pension Trust is working with Northern to continue to transfer index fund investments out of securities lending index funds and in to non-lending index funds as quickly as the restrictions will allow.

Because loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

Interest rate risk. MCPS manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolios. Internal pooled investments duration is limited to less than six months. The investment policy of the Centralized Investment Fund limits maturity to three years or less. The Pension Trust investment policy specifies that fixed-income portfolio duration should not exceed plus or minus one year from the Barclay's Capital Aggregate Bond Index. The OPEB Plan Trust investment policy requires that the weighted average duration of the portfolio not vary from the Barclay's Capital Aggregate Bond Index by more than plus or minus 20 percent.

Modified duration estimates the sensitivity of a bond's price to interest rate changes. The greater the duration of a bond, the greater its price volatility may be in response to changes in interest

rates. As of June 30, 2009, fixed income investments had the following sensitivity to interest rates:

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 39,517,424	6.15
U.S. agencies	16,829,673	3.31
Government mortgage-backed securities	40,829,156	2.41
Asset-backed securities	8,723,868	1.78
Commercial mortgage-backed securities	14,583,241	2.58
Collateralized mortgage obligations	14,644,134	2.12
Corporate bonds	55,981,494	5.22
Municipal/sovereign bonds	1,058,014	14.76
Short-term	27,602,161	N/A
Sub-total Pension Trust Investments	219,769,165	
Other Investments:		
OPEB Plan Trust bond index fund	4,827,965	N/A
Repurchase agreements	976,537	N/A
Mutual funds	110,151,962	N/A
U.S. Government	1,812,156	0.62
Pooled Investments	10,650,674	N/A
Total	\$ 348,188,459	

Credit risk. The Annotated Code of Maryland authorizes MCPS to invest in obligations for which the United States has pledged its faith and credit for the payment of principal and interest, in obligations issued by a federal agency in accordance with an act of Congress, in repurchase agreements collateralized at not less than 102 percent of the principal amount by obligations of the United States and its agencies, in money market mutual funds operated in accordance with SEC Rule 2A-7, or in any investment portfolio created under the Maryland Local Government Investment Pool.

The Pension Trust Fund, the OPEB Plan Trust and the Internal Service Fund are authorized to invest in domestic and foreign equities, obligations of the United States and its agencies, securities issued or guaranteed by a foreign government, marketable corporate bonds, collateralized obligations, commercial paper, bankers' acceptances, money market funds, and pooled real estate investments. Fixed income investments are to be made primarily in issues rated "A" or better by Moody's and "A" or better by Standard & Poor's rating agencies.

Pension Trust fixed-income investments at June 30, 2009, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	22.6 %	\$ 49,601,803
AAA	42.0	92,382,797
AA	9.4	20,726,676
A	9.2	20,235,232
BBB	6.7	14,697,671
BB	0.7	1,571,813
B	0.4	993,216
CCC	0.5	1,096,994
Not rated	8.4	18,462,963
Total	100.0 %	\$ 219,769,165

* Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government that are not considered to have credit risk.

The OPEB Plan trust fixed-income investments in mutual funds are not rated by the rating agencies.

Other MCPS investments are rated AAA by Standard and Poor's, except the Montgomery County investment pool which is not rated by the rating agencies.

Concentration of credit risk. The investment policy of the Pension Trust limits the equity holdings in any one company to not more than five percent of the value of assets within a portfolio. Not more than ten percent of the market value of a fixed-income portfolio shall be invested in securities of any one issuer, except U.S. Government and agency obligations.

The investment policy of the OPEB Plan Trust requires that equity investments be adequately diversified. Not more than ten percent of the market value of an individual manager's account may be invested in fixed-income securities of any one issuer, except U.S. Government and Agency obligations.

Foreign currency risk. The Pension Trust's exposure to foreign currency risk is derived from its positions in foreign currency denominated investments. The investment policy of the Pension Trust provides guidance for the amount of investments made in foreign currency-denominated equity securities. The target allocation for foreign currency-denominated equity investments is 19 percent. The investment policy states that investment managers are, to diversify the portfolio under their management to minimize the risk of large losses. The system's foreign currency risk at June 30, 2009, is as follows:

Currency	Equities	Fixed Income	Private Equity	Total Fair Value
European Currency Unit	\$ 21,270,893	\$ 49,393	\$ 2,217,970	\$ 23,538,256
British Pound Sterling	10,795,760	72,163		10,867,923
Japanese Yen	9,076,350	15,328		9,091,678
Hong Kong Dollar	2,467,631			2,467,631
Norwegian Krone	2,166,594			2,166,594
Swedish Krona	1,956,670			1,956,670
Korean Won	1,750,655			1,750,655
Australian Dollar	1,678,991			1,678,991
Danish Krone	1,602,513			1,602,513
Canadian Dollar	1,591,643			1,591,643
Swiss Franc	1,284,291			1,284,291
Brazilian Real	1,239,619			1,239,619
Russian Rouble	1,115,664			1,115,664
Taiwan Dollar	1,102,019			1,102,019
South African Rand	696,234			696,234
Chinese Yuan	591,579			591,579
Turkish Lira	579,891			579,891
Singapore Dollar	546,908			546,908
Czech Koruna	450,241			450,241
Thai Baht	337,785			337,785
Israeli New Shekel	237,148			237,148
Indian Rupee	195,697			195,697
Other currencies	328,285	20,383		348,668
Total	\$ 63,063,061	\$ 157,267	\$ 2,217,970	\$ 65,438,298

c) **Cash on Hand**

At year-end, the primary government had \$5,642 on hand in petty cash accounts.

4. **Interfund Receivables, Payables and Transfers**

Balances due to/from other funds at June 30, 2009, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 45,420,341
Due to the general fund from enterprise funds representing advances of pooled cash	19,020,332
Due to the internal service fund from the general fund for employee benefit plan expenditures	5,719,099
Due to pension and employee benefits trust funds representing OPEB investments held in a non irrevocable trust by the internal service fund	<u>16,089,558</u>
Total	\$ <u>86,249,330</u>

Following is a summary of balances due from other funds reported in fund financial statements:

Due from other funds, Balance Sheet-Governmental Funds	\$ 64,440,673
Due from other funds, Statement of Net Assets-Proprietary Funds	5,719,099
Due from internal service fund, Statement of Net Assets-Fiduciary Funds	<u>16,089,558</u>
Total	\$ <u>86,249,330</u>

Interfund balances are repaid currently from reimbursable expenditures and proceeds from the sale of goods and services.

Transfers to/from other funds consist of the following:

From non-major enterprise funds to the general fund to assign allocated investment income to the general fund	\$ <u>4,501</u>
Total	\$ <u>4,501</u>

5. **Due From Employees**

The \$480,205 reported as due from employees arose from past transition to a unified pay cycle calendar for twelve-month employees. Repayment is made from final paychecks when employees separate from active employment with MCPS.

6. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 68,861,249	\$	\$ 3,930	\$ 68,857,319
Construction in progress	155,190,542	186,537,930	165,214,100	176,514,372
Total nondepreciable capital assets	<u>244,051,791</u>	<u>186,537,930</u>	<u>165,218,030</u>	<u>245,371,691</u>
Depreciable capital assets:				
Buildings and improvements	2,016,306,229	145,533,363	3,589,308	2,158,250,284
Site improvements	167,468,261	22,991,838		190,460,099
Vehicles and equipment	147,329,742	8,848,339	11,082,246	145,095,835
Total depreciable capital assets	<u>2,331,104,232</u>	<u>177,373,540</u>	<u>14,671,554</u>	<u>2,493,806,218</u>
Less accumulated depreciation for:				
Buildings and improvements	643,415,471	48,137,636	3,213,341	688,339,766
Site improvements	34,584,151	3,804,167		38,388,318
Vehicles and equipment	82,673,299	12,925,647	9,494,870	86,104,076
Total accumulated depreciation	<u>760,672,921</u>	<u>64,867,450</u>	<u>12,708,211</u>	<u>812,832,160</u>
Total depreciable capital assets, net	<u>1,570,431,311</u>	<u>112,506,090</u>	<u>1,963,343</u>	<u>1,680,974,058</u>
Government activities capital assets, net	<u>\$ 1,794,483,102</u>	<u>\$ 299,044,020</u>	<u>\$ 167,181,373</u>	<u>\$ 1,926,345,749</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Depreciable capital assets:				
Buildings	\$ 17,831	\$	\$	\$ 17,831
Vehicles and equipment	18,743,228	412,869	2,561,849	16,594,248
Total depreciable capital assets	<u>18,761,059</u>	<u>412,869</u>	<u>2,561,849</u>	<u>16,612,079</u>
Less accumulated depreciation for:				
Buildings	15,156	1,783		16,939
Vehicles and equipment	13,392,607	1,086,332	2,267,356	12,211,583
Total accumulated depreciation	<u>13,407,763</u>	<u>1,088,115</u>	<u>2,267,356</u>	<u>12,228,522</u>
Business-type activities capital assets, net	<u>\$ 5,353,296</u>	<u>\$ (675,246)</u>	<u>\$ 294,493</u>	<u>\$ 4,383,557</u>

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

Governmental Activities:	
Regular instruction	\$ 53,798,111
Special education	264,390
School administration	54,882
Student personnel services	5,468
Student transportation	8,662,515
Operation of plant	162,065
Maintenance of plant	861,349
Administration	1,058,670
Total depreciation expense-governmental activities	<u>\$ 64,867,450</u>
Business-Type Activities:	
Food services	\$ 1,067,931
Entrepreneurial	17,660
Real estate management	2,524
Total depreciation expense-business-type activities	<u>\$ 1,088,115</u>

Commitments for ongoing construction in progress at June 30, 2009, are \$87,563,310.

7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2009 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 26,970,566	\$ 261,383	\$ 27,231,949
Retainage payable	12,287,657		12,287,657
Accrued salaries and withholdings	90,981,809		90,981,809
Claims payable	18,501,490		18,501,490
Due to employees-advance premium withholding	2,977,280		2,977,280
Total accounts payable and other current liabilities	\$ 151,718,802	\$ 261,383	\$ 151,980,185

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$4,200,000 in 2009. Commitments for fiscal year 2010 under lease agreements are approximately \$3,143,000. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet rental payments are not appropriated.

b) Capital Leases

Under a master lease arrangement, MCPS acquires school buses, vehicles, technology and other equipment under noncancelable capital leases that expire at various times through fiscal year 2014. Lease payments, including interest, in fiscal year 2009 were \$13,322,205 for the General Fund, \$13,183,600 for the Capital Projects Fund and \$201,204 for the Enterprise Fund.

Assets acquired through capital leases are as follows:

	Governmental Activities	Enterprise Fund
Vehicles and equipment	\$ 38,050,341	\$ 321,727
Less: accumulated depreciation	(8,582,461)	(91,091)
Total	\$ 29,467,880	\$ 230,636

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

Fiscal year ending June 30	Governmental Activities	Enterprise Fund
2010	\$ 20,614,664	\$ 96,597
2011	15,375,353	42,858
2012	9,431,295	21,863
2013	3,725,396	
2014	1,165,590	
Total minimum lease payments	50,312,298	161,318
Less : Amount representing interest	(3,474,054)	(9,697)
Present value of future minimum lease payments	\$ 46,838,244	\$ 151,621

\$25,284,870 of outstanding capital lease obligations for governmental activities at June 30, 2009, was used to acquire capital assets.

9. Long-Term Liabilities

a) Technology Loans

MCPS received non-interest bearing technology loans from Montgomery County that were used to replace certain business information systems. The loans are to be repaid from the General Fund over a period of eight years. Loan repayments in 2009 of \$328,420, constituted the final payment due under the loans.

b) Changes in Long-Term Liabilities

Long-term liability activities during 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital leases	\$ 49,420,506	\$ 21,883,195	\$ 24,465,455	\$ 46,838,246	\$ 18,860,983
Compensated absences	93,534,908	12,850,073	5,419,405	100,965,576	5,939,668
Net OPEB obligation	65,245,175	64,819,595	3,240,421	126,824,349	-
Net pension obligation	3,722,929	279,220	903,858	3,098,291	-
Technology loans payable	328,420	-	328,420	-	-
Total	\$ 212,251,938	\$ 99,832,083	\$ 34,357,559	\$ 277,726,461	\$ 24,800,651

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities:					
Capital leases	\$ 339,046	\$ -	\$ 187,425	\$ 151,621	\$ 90,148
Compensated absences	1,481,687	157,229	12,147	1,626,769	10,996
Net OPEB obligation	912,983	1,380,452	518,768	1,774,667	-
Total	\$ 2,733,716	\$ 1,537,681	\$ 718,341	\$ 3,553,057	\$ 101,144

Compensated absences and net pension obligation for the governmental activities are generally liquidated by the General Fund.

10. Risk Management

MCPS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or students; natural disasters; and employee health benefits. MCPS participates in the Montgomery County Liability and Property Coverage Self-Insurance Program. Under this program, MCPS receives coverage for general liability, workers' compensation, public official liability, property, and motor vehicle risks, generally up to a maximum of \$100,000 per claim. MCPS' premium payments to the fund are an actuarially determined reflection of the covered risks. MCPS purchases commercial insurance for claims in excess of coverage by the self-insurance program and for other risks not covered by the program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The active employees' health benefits plan is financed through an internal service fund, the Employee Benefit Plan Trust Fund. The postemployment health benefits plan is financed through a fiduciary fund, the OPEB Plan Trust. The funds provide plan coverage for active and retired employees under contracts with several insurance companies and health maintenance organizations (HMO's). MCPS funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note 12). Claims payable of \$18,501,490 and \$5,986,167 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2009, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in claims payable for fiscal years 2008 and 2009 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2008				
Internal Service fund	\$ 17,964,490	\$ 155,476,980	\$ (157,002,981)	\$ 16,438,489
Fiduciary Funds	6,851,317	51,718,528	(51,717,566)	6,852,279
Total	<u>\$ 24,815,807</u>	<u>\$ 207,195,508</u>	<u>\$ (208,720,547)</u>	<u>\$ 23,290,768</u>
2009				
Internal Service Fund	\$ 16,438,489	\$ 177,183,658	\$ (175,120,657)	\$ 18,501,490
Fiduciary Funds	6,852,279	55,521,164	(56,387,276)	5,986,167
Total	<u>\$ 23,290,768</u>	<u>\$ 232,704,822</u>	<u>\$ (231,507,933)</u>	<u>\$ 24,487,657</u>

11. Defined Benefit Pension Plans

Substantially all of MCPS' employees working at least 4 hours a day in an approved job classification are covered under one of three mandatory defined benefit retirement plans. Two of these are cost-sharing multi-employer type plans administered by the Maryland State Retirement System (MSRS); and one is a single-employer plan, the MCPS Employees' Retirement and Pension System, administered by MCPS.

State Plans

Plan Description. Eligible MCPS professional and administrative employees participate in one of two state plans, the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System, the costs of which are borne by the state. Effective January 1, 1980, new MCPS teacher and administrative personnel became members of the Maryland State Teachers' Pension System. Members in the existing Maryland State Teachers' Retirement System had the option to transfer from the old to the new plan. Benefits at retirement are based upon years of service and the average earned compensation of an eligible employee during any three consecutive years that provide the highest average earned compensation. Benefits vest after five years of creditable service.

The financial statements of the Maryland State Teachers' Retirement System and the Maryland State Teachers' Pension System are included in the comprehensive annual financial report of the Maryland State Retirement System. A copy of that report may be obtained by writing to The Maryland State Retirement System, 120 East Baltimore Street, Baltimore, Maryland 21202.

Funding Policy. Covered employees are, by statute, required to contribute 5 to 7 percent to the retirement system, and 5 percent to the pension system. MCPS is not required to contribute. The employer's share of contributions to these two plans for MCPS employees, which amounted to \$124,897,387, \$115,507,019 and \$91,640,319 in 2009, 2008 and 2007, respectively, is the legal responsibility of the state. MCPS has recognized in the governmental fund statements revenue and expenditures in the amount equal to the state's contribution payment.

MCPS Plan

Plan Description. The MCPS Employees' Retirement and Pension System is funded and administered as a single plan with two separate benefit structures, the retirement system and the pension system. Retirement system benefits cover employees hired prior to January 1, 1980. The retirement system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers' Retirement System and supplements the state benefits to members of the Maryland State Teachers' Retirement System. Benefits at retirement are based on years of service and the average earned compensation of an eligible employee during any three years that provide the highest average earned compensation, and are adjusted for changes in the consumer price index after retirement. Benefits at early

retirement are reduced by an early retirement factor. Benefits vest after five years of creditable service.

Pension system benefits cover employees hired after January 1, 1980. Members in the retirement system may elect to participate in the pension system, in which case their excess contributions are refunded. The pension system provides retirement benefits, as well as death and disability benefits, to employees who are not members of the Maryland State Teachers' Pension System and supplements the state benefits to members of the Maryland State Teachers' Pension System. Benefits are based on years of service and a percentage of the average earned compensation of an eligible employee during any three consecutive years that provide the highest average earned compensation and are adjusted for changes in the consumer price index after retirement of not more than 3 percent per year. Benefits at early retirement are reduced by an early retirement factor. Benefits vest after five years of creditable service.

At July 1, 2008, the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	10,516
Terminated plan members entitled to benefits but not yet receiving them	3,787
Active plan members	<u>21,988</u>
Total	<u>36,291</u>

Separate financial statements for the MCPS Employees' Retirement and Pension System are not available.

Funding Policy: Plan members are required by resolution to contribute to the plan. Plan members contribute for the supplemental benefit and the combined core and supplemental benefit .5 percent and 5.5 percent, respectively, of their salary to the plan. MCPS is required by resolution to contribute the remaining actuarially determined amounts necessary to finance the combined coverage of plan members. Benefits and contribution provisions are established and may be amended only by the Board of Education. Administrative costs are financed through investment earnings.

Annual Pension Cost and Net Pension Obligation: Components of the annual pension cost and the change in net pension obligation are as follows:

Annual required contribution (ARC)	\$ 60,830,464
Interest on net pension obligation	279,220
ARC adjustment	<u>(329,159)</u>
Annual pension cost	60,780,525
Contributions made	<u>61,405,163</u>
Decrease in net pension obligation	(624,638)
Net pension obligation-beginning of year	<u>3,722,929</u>
Net pension obligation-end of year	<u>\$ 3,098,291</u>

MCPS' annual pension cost and net pension obligation to the plan for the current year and the prior two years were as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 57,530,898	101 %	\$ 4,036,612
2008	58,447,592	101	3,722,929
2009	60,780,525	101	3,098,291

The annual required contribution for the current year was determined as part of the July 1, 2007 actuarial valuation, using the projected unit credit cost method and the same actuarial assumptions used in the latest actuarial valuation, as follows:

Valuation date	July 1, 2008
Actuarial cost method	Projected unit credit
Amortization method	July 1, 2006 Plan Amendments: Amortized over 30 years All other: Level percentage of projected payroll. Increasing 3% per year. Open for gains/losses. Closed for other changes.
Remaining amortization period	July 1, 2006 plan amendments: 28 years All other: 15 years
Asset valuation method	5-year, smoothed market
Actuarial Assumptions:	
Investment rate of return	7.5%
Inflation rate	3.0%
Projected salary increases	4.0 –6.5%
Cost of living adjustments	3.0%

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2008, was as follows (dollar amounts in thousands):

Actuarial accrued liability (AAL)	\$ 1,260,263
Actuarial value of plan assets	941,919
Unfunded actuarial accrued liability (UAAL)	\$ <u>318,344</u>
Funded ratio (actuarial value of plan assets/AAL)	74.7%
Covered payroll (active plan members)	\$ 1,327,593
UAAL as a percentage of covered payroll	24.0%

Actuarial values 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 and mortality. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

12. Postemployment Healthcare Benefits

Plan Description. OPEB Plan Trust is a single-employer defined benefit healthcare plan funded and administered by MCPS. Employees receiving a Board of Education approved retirement are eligible, in accordance with bargaining agreements between the Board of Education and employee associations, for continued healthcare coverage if they have been covered under the MCPS Employee Benefit Plan for at least five years. Employees covered less than five years under the plan may continue plan coverage at higher premium rates. Terminated employees are not eligible to participate in the plan. The OPEB Plan provides medical, dental, vision, prescription drug and life insurance benefits for retirees and their dependents. Authority to establish and amend benefit provisions resides with the Board of Education.

Plan membership consisted of the following at July 1, 2008, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	11,921
Active plan members	<u>21,916</u>
Total	<u>33,837</u>

Separate financial statements for the OPEB Plan Trust are not available.

Funding Policy: The Board of Education has the authority to establish and amend contribution requirements of the plan members and MCPS. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36 percent and MCPS contributes 64 percent toward the current cost of healthcare benefits. During fiscal year 2009, plan members and beneficiaries receiving benefits contributed \$23,787,309 (approximately 36.8 percent of current contributions). MCPS and other contributing entities' contributed \$58,992,107, including \$40,772,107 (approximately 63.2 percent of current contributions) for current premiums, claims and administrative expenses, and \$18,220,000 toward prefunding future benefits. Administrative costs are financed through investment earnings.

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$1,256.9 million and the unfunded AAL (UAAL) was \$1,240.2 million. Actuarial plan assets were \$16.7 million. The annual covered payroll of active employees covered by the plan was \$1,327.6 million, and the ratio of the UAAL to covered payroll was 93.4 percent.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of MCPS are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as supplementary information following the notes to the financial statements, present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

Annual OPEB Cost and Net OPEB Obligation. MCPS' annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years. MCPS has agreed with the Montgomery County Council that MCPS would transition to full funding of the ARC over a period of eight years. The following table shows the components of MCPS' annual OPEB cost and changes in the net OPEB obligation.

Annual required contribution	\$	122,819,000
Interest on net OPEB obligation		4,961,862
Adjustment to annual required Contribution		(3,759,189)
Annual OPEB cost		124,021,673
Contributions made		61,580,815
Increase in net OPEB obligation		62,440,858
Net OPEB obligation – beginning of year		66,158,158
Net OPEB obligation – end of year	\$	128,599,016

MCPS' annual pension cost and net OPEB obligation to the plan for the current and the prior year were as follows:

Year ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2008	\$ 123,300,000	46.3 %	\$ 66,158,158
2009	124,021,673	49.7	128,599,016

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by MCPS and plan members) and include the types of benefits provided at the time of each valuation and the historic pattern of sharing of benefit costs between MCPS and plan members to that point. 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.

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2008
Actuarial cost method	Projected unit credit
Investment return	7.5%
Health care cost trend rates	(initial, ultimate)
Medical pre-65	8.5%, 5.0%
Medical post-65	7.0%, 5.0%
Prescription drugs	10.0%, 5.5%
Dental	6.5%, 4.5%
Vision	Flat 3.5%
Amortization method	Level percentage of projected payroll, Open basis
Remaining amortization period	30 years

13. Trust Plans Condensed Financial Statements

Condensed financial statements for the Retirement and Pension System and the OPEB Plan Trust are as follows:

CONDENSED STATEMENT OF FIDUCIARY NET ASSETS

	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 746,951,774	\$ 43,083,388	\$ 790,035,162
Total assets	<u>746,951,774</u>	<u>43,083,388</u>	<u>790,035,162</u>
Liabilities:			
Total liabilities	<u>44,486,171</u>	<u>6,262,673</u>	<u>50,748,844</u>
Net Assets:			
Held in trust for pension/ Other postemployment benefits	\$ <u>702,465,603</u>	\$ <u>36,820,715</u>	\$ <u>739,286,318</u>

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 78,158,009	\$ 85,368,124	\$ 163,526,133
Net investment loss	(195,203,801)	(5,567,440)	(200,771,241)
Total additions	<u>(117,045,792)</u>	<u>79,800,684</u>	<u>(37,245,108)</u>
Deductions:			
Benefit and premium payments	54,859,755	66,208,612	121,068,367
Administrative expenses	2,956,158	262,796	3,218,954
Total deductions	<u>57,815,913</u>	<u>66,471,408</u>	<u>124,287,321</u>
Change in net assets	(174,861,705)	13,329,276	(161,532,429)
Net assets - beginning	877,327,308	23,491,439	900,818,747
Net assets - ending	<u>\$ 702,465,603</u>	<u>\$ 36,820,715</u>	<u>\$ 739,286,318</u>

14. Contingencies

Litigation. MCPS, in the normal course of its operations, is subject to lawsuits and claims. While the outcome of these matters is uncertain, MCPS believes that any losses not otherwise covered by insurance, which may ultimately be incurred as a result of lawsuits and claims, will not have a material adverse effect on MCPS' financial condition. Additionally, it is the opinion of counsel that under current law, MCPS would have governmental immunity in non-contractual matters for any individual judgments in excess of \$100,000, except for civil rights cases.

Supported Projects. Certain programs, referred to as supported projects, serving specific needs and purposes of the school system and the welfare of the students, are funded by special federal and state grants and are included in the General Fund and the Enterprise Funds. Grant activities are subject to audit by the granting agencies.

In the opinion of management, the ultimate resolution of any of these matters will not be material to the basic financial statements of MCPS.

REQUIRED SUPPLEMENTARY INFORMATION

MCPS EMPLOYEES' RETIREMENT AND PENSION SYSTEM

Schedule of Funding Progress
(000's omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2003	\$ 740,515	\$ 793,043	\$ 52,528	93.4 %	\$ 993,454	5.3 %
7/1/2004	729,596	840,751	111,155	86.8	1,026,480	10.8
7/1/2005	729,231	905,339	176,108	80.5	1,080,319	16.3
7/1/2006	762,232	1,062,251	300,019	71.8	1,169,275	25.7
7/1/2007	855,719	1,164,451	308,732	73.5	1,215,302	25.4
7/1/2008	941,919	1,260,263	318,344	74.7	1,327,593	24.0

Schedule of Employer Contributions
(000'S omitted)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
2004	\$ 20,541	97 %	\$ 4,565
2005	29,911	100	4,567
2006	36,795	100	4,506
2007	57,569	101	4,037
2008	58,502	101	3,723
2009	60,830	101	3,098

OPEB PLAN TRUST

Schedule of Funding Progress
(000'S omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/07	\$ -	\$ 1,299,106	\$ 1,299,106	0.0%	\$ 1,215,302	106.9%
7/01/08	16,662	1,256,907	1,240,207	1.3	1,327,593	93.4

Schedule of Employer and Other Contributing Entities Contributions
(000's Omitted)

Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net Pension Obligation
		MCPS	Other Contributing Entities	
2008	\$ 123,300	43.3%	3.0%	\$ 66,158
2009	122,819	48.0	2.1	128,599

SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2009

Capital Projects Fund — The Capital Projects Fund is used to account for financial resources used in the acquisition or construction of school sites and buildings and other major capital facilities.

Special Revenue Fund (nonmajor) — The Special Revenue Fund is used to account for the receipt and expenditure of Cable TV franchise fees that are restricted as to purpose and use.

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 221,569,021	\$ 227,850,669	124,590,280	\$ (103,260,389)
State of Maryland	48,022,454	48,022,454	46,953,697	(1,068,757)
Other sources	<u>508,725</u>	<u>843,725</u>	<u>300,000</u>	<u>(543,725)</u>
Total revenues	270,100,199	276,716,848	171,843,977	(104,872,871)
Expenditures and encumbrances:				
Capital outlay	<u>270,100,199</u>	<u>276,716,848</u>	<u>171,905,840</u>	<u>104,811,008</u>
Total expenditures and encumbrances	270,100,199	276,716,848	171,905,840	104,811,008
Excess (deficiency) of revenues over expenditures and encumbrances	-	-	(61,863)	(61,863)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>(13,796,508)</u>	<u>(13,796,508)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>(13,858,371)</u>	<u>\$ (13,858,371)</u>

**MONTGOMERY COUNTY PUBLIC SCHOOL
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2009**

Project Name	Project Authorization	Expended to Jun 30, 2009	Committed	Available for Future Expenditure
Albert Einstein HS	\$ 5,577,000	\$ 5,407,207	\$ 51,072	\$ 118,721
Americans with Disabilities Act Compl	770,376	-	67,266	703,110
Asbestos Abatement:MCPS	233,057	-	28,299	204,758
Ashburton ES Addition	7,404,000	6,674,890	28,905	700,205
Bethesda Chevy Chase HS Addition	1,797,000	958,075	12,319	826,606
Building Modifications & Prog Impr	10,652,198	1,275,697	970,411	8,406,090
Broad Acres ES	8,326,000	8,264,252	14,051	47,697
Brookhaven ES Addition	652,000	26,348	420,386	205,266
Clarksburg/Damascus ES #8	24,401,000	22,383,396	1,979,181	38,423
Current Replacements/Modifications	429,831,690	335,309,819	46,668,313	47,853,558 *
Design and Construction Mangement	479,190	-	6,988	472,202
East Silver Spring ES Addition	11,934,000	4,548,511	6,457,533	927,956
Eduactional Technology:Global Access	2,085,906	-	350,103	1,735,803
Energy Conservation:MCPS	1,748,564	-	689,598	1,058,966
Facility Plannning:MCPS	617,352	-	161,350	456,002
Fairland ES Addition	588,000	295,293	209,113	83,594
Fallsmead ES Addition	10,804,000	10,137,124	(211,505)	878,381
Farmland ES	4,504,000	4,380,157	2,791	121,052
Fields Rd ES Addition	9,368,000	9,180,343	11,464	176,193
Fire Safety Code Upgrades:MCPS	93,578	-	59,329	34,248
Fox Chapel ES Addition	1,053,000	581,421	(93,403)	564,982
Gaithersburg HS	10,272,000	10,198,734	38,601	34,665
Great Seneca Creek ES	19,256,000	19,011,379	7,985	236,636
School Gymnasiums:MCPS	31,379,151	25,750,203	2,668,739	2,960,209
Harmony Hills ES Addition	675,000	162,237	416,933	95,830
HVAC Replacement:MCPS	10,783,181	6,620,010	2,294,921	1,868,250
Jackson Road ES Addition	881,000	369,650	252,873	258,477
Land Acquisition:MCPS	2,395,442	-	-	2,395,442
Little Bennett ES	17,812,000	17,711,943	14,373	85,684
Luxmanor ES Addition	8,897,000	8,209,673	122,027	565,300
Montgomery Knolls ES Addition	791,000	244,921	237,280	308,799
Northwood HS	42,808,000	36,823,205	3,185,555	2,799,240
Planned Life-Cycle Asset Replacmnt	4,543,116	3,312,989	367,599	862,528
Poolesville HS Lab Upgrades	9,118,000	7,827,342	67,169	1,223,489
Redland MS Improvements	14,233,000	972,908	535,362	12,724,730
Relocatable Classrooms:MCPS	2,808,919	-	1,706,495	1,102,424
Restroom Renovations:MCPS	486,595	227,767	-	258,828
Ridgeview MS Improvements	7,866,000	549,154	889,793	6,427,053
Rock View ES Addition	567,000	3,206	550,190	13,604
Roof Replacement:MCPS	9,102,326	2,754,651	2,391,234	3,956,441
Roscoe Nix ES	20,303,000	21,955,748	28,535	(1,681,283)
Rehab and Renovation of Closed Schls	47,197,930	46,883,080	87,040	227,810
Improved (Safe) Access to Schools	1,238,337	430,807	90,826	716,704
School Security Systems:MCPS	339,934	-	136,392	203,542
Seven Locks ES Addition/Moderniz	2,758,529	1,575,445	823,044	360,040
Sherwood ES Addition	676,000	411,752	78,449	185,799
Sherwood HS Addition	12,180,000	12,006,140	13,986	159,874
Sligo Creek ES	1,225,000	1,217,876	7,106	18
Stadium Lighting:MCPS	350,872	-	-	350,872
Stedwick ES Addition	9,825,000	9,247,729	(27,854)	605,125
Stormwater Discharge Management	1,603,058	100,000	1,754	1,501,304
Takoma Park ES Addition	15,088,000	1,359,649	9,027,459	4,700,892
Technolgy Modernization	6,785,943	-	411,408	6,374,535
Travilah ES addition	6,117,000	5,959,357	100,916	56,727
Thomas W Pyle MS Addition	7,111,000	7,084,342	(121,223)	147,881
Unliquidated Surplus	31	-	-	31
Water and Indoor Air Quality Improvmnts	2,557,801	792,413	485,374	1,280,014
Washington Grove ES Addition	13,937,000	10,376,920	2,449,993	1,110,087
Wayside ES Addition	7,146,000	6,974,839	7,515	163,646
Weller Rd ES	6,101,000	6,056,662	2,168	42,170
Westland MS Addition	4,023,000	3,829,397	14,603	179,000
Whetstone ES Addition	781,000	324,054	315,126	141,820
WJHS Artificial Turf/BSC Contibution	335,000	-	-	335,000 *
Total Open & Interim Projects	895,275,076	686,758,716	87,563,310	120,953,050
Capitalized land, equipment and furniture, and items not capitalized	(21,606,773)	(21,606,773)		
Interim closing of open projects **	(488,637,571)	(488,637,571)		
Residual building value transfer ***				
Total construction in progress	\$ 385,030,732	\$ 176,514,372	\$ 87,563,310	\$ 120,953,050

* Appropriations for school modernizations are approved by the Montgomery County Council in the aggregate as one project, although MCPS separately accounts for each modernization. The school modernization project, in the aggregate, does not exceed the legally appropriated project authorization at June 30, 2009

** Represents expenditures for projects that are in use but not formally closed out.

*** Represents undepreciated residue value of building transfer to construction

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Cable TV franchise fees	\$ 1,582,830	\$ 1,582,830	\$ 1,582,830	\$ -
Total revenues	<u>1,582,830</u>	<u>1,582,830</u>	<u>1,582,830</u>	<u>-</u>
Expenditures and encumbrances:				
Community services	1,582,830	1,582,830	1,581,559	1,271
Total expenditures and encumbrances	<u>1,582,830</u>	<u>1,582,830</u>	<u>1,581,559</u>	<u>1,271</u>
Excess of revenues over expenditures and encumbrances	-	-	1,271	1,271
Fund balance - beginning	-	-	136,374	136,374
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	137,645	<u>\$ 137,645</u>
Reconciliation to GAAP fund balance: 2009 encumbrances outstanding			<u>107,432</u>	
Fund balance - GAAP basis			<u>\$ 245,077</u>	

NONMAJOR ENTERPRISE FUNDS

June 30, 2009

Real Estate Management – Accounts for the rental of surplus space in school buildings for complementary programs such as child care, and for the administration of potential future school sites.

Field Trip – Accounts for the operation of transportation services for student field trips and external organizations.

Entrepreneurial Activities – Provides supplemental funding for the instructional program through the sale of MCPS expertise, services and products.

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2009

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 988,643	\$ 16,566	\$ -	\$ 1,005,209
Accounts receivable:				
Montgomery County			19,511	19,511
Other	298,920	345,332		644,252
Inventories			7,000	7,000
Total current assets	<u>1,287,563</u>	<u>361,898</u>	<u>26,511</u>	<u>1,675,972</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings and improvements	892			892
Machinery and equipment	6,675		8,830	15,505
Total noncurrent assets	<u>7,567</u>	<u>-</u>	<u>8,830</u>	<u>16,397</u>
Total assets	<u>1,295,130</u>	<u>361,898</u>	<u>35,341</u>	<u>1,692,369</u>
Liabilities				
Current liabilities:				
Accounts payable	133,697		32,736	166,433
Due to other funds	(20,136)	(936)	311,908	290,836
Unearned revenue			131,610	131,610
Total current liabilities	<u>113,561</u>	<u>(936)</u>	<u>476,254</u>	<u>588,879</u>
Noncurrent liabilities:				
Compensated absences	62,851	68,671	77,977	209,499
Total noncurrent liabilities	<u>62,851</u>	<u>68,671</u>	<u>77,977</u>	<u>209,499</u>
Total liabilities	<u>176,412</u>	<u>67,735</u>	<u>554,231</u>	<u>798,378</u>
Net Assets				
Invested in capital assets, net of related debt	7,567		8,830	16,397
Unrestricted	1,111,151	294,163	(527,720)	877,594
Total net assets	<u>\$ 1,118,718</u>	<u>\$ 294,163</u>	<u>\$ (518,890)</u>	<u>\$ 893,991</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 2,397,720	\$ 1,578,741	\$ 1,872,573	\$ 5,849,034
Total operating revenues	<u>2,397,720</u>	<u>1,578,741</u>	<u>1,872,573</u>	<u>5,849,034</u>
Operating expenses:				
Salaries and wages	419,055	1,146,274	657,960	2,223,289
Contracted services	227,564	63,300	60,637	351,501
Supplies and materials	25,012	426,498	514,150	965,660
Other charges	1,815,270	136,439	194,026	2,145,735
Depreciation	2,525		17,660	20,185
Total operating expenses	<u>2,489,426</u>	<u>1,772,511</u>	<u>1,444,433</u>	<u>5,706,370</u>
Operating income (loss)	<u>(91,706)</u>	<u>(193,770)</u>	<u>428,140</u>	<u>142,664</u>
Nonoperating revenues:				
Investment income	2,689	1,812		4,501
Total nonoperating revenues	<u>2,689</u>	<u>1,812</u>	<u>-</u>	<u>4,501</u>
Income (loss) before transfers	(89,017)	(191,958)	428,140	147,165
Transfers out	<u>(2,689)</u>	<u>(1,812)</u>		<u>(4,501)</u>
Change in net assets	(91,706)	(193,770)	428,140	142,664
Total net assets - beginning	1,210,424	487,933	(947,030)	751,327
Total net assets - ending	<u>\$ 1,118,718</u>	<u>\$ 294,163</u>	<u>\$ (518,890)</u>	<u>\$ 893,991</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,486,928	\$ 1,684,161	\$ 2,151,927	\$ 6,323,016
Payments to suppliers	(276,090)	(501,700)	(1,232,685)	(2,010,475)
Payments to employees	(455,545)	(1,190,767)	(778,634)	(2,424,945)
Payments for assessments made by other funds	(92,908)	(68,549)	(120,624)	(282,081)
Payments for other operating expenses	(1,688,249)	(46)	(1,690)	(1,689,985)
Net cash provided by (used for) operating activities	<u>(25,864)</u>	<u>(76,901)</u>	<u>18,294</u>	<u>(84,471)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	<u>(2,689)</u>	<u>(1,812)</u>	<u>-</u>	<u>(4,501)</u>
Net cash (used for) noncapital financing activities	<u>(2,689)</u>	<u>(1,812)</u>	<u>-</u>	<u>(4,501)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital leases	<u>-</u>	<u>-</u>	<u>(18,294)</u>	<u>(18,294)</u>
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(18,294)</u>	<u>(18,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>2,689</u>	<u>1,812</u>	<u>-</u>	<u>4,501</u>
Net cash provided by investing activities	<u>2,689</u>	<u>1,812</u>	<u>-</u>	<u>4,501</u>
Net increase (decrease) in cash and cash equivalents	(25,864)	(76,901)	-	(102,765)
Cash and cash equivalents - beginning	1,014,507	93,467	-	1,107,974
Cash and cash equivalents - ending	<u>\$ 988,643</u>	<u>\$ 16,566</u>	<u>-</u>	<u>\$ 1,005,209</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (91,706)	\$ (193,770)	\$ 428,140	\$ 142,664
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,525		17,660	20,185
Effects of changes in assets and liabilities:				
Receivables	89,208	105,422	175,950	370,580
Accounts payable	(23,514)	(11,160)	32,736	(1,938)
Due to other funds		(742)	(690,634)	(691,376)
Deferred revenue			103,404	103,404
Compensated absences	(2,377)	23,349	(48,962)	(27,990)
Net cash provided by (used for) operating activities	<u>\$ (25,864)</u>	<u>\$ (76,901)</u>	<u>\$ 18,294</u>	<u>\$ (84,471)</u>

FIDUCIARY FUNDS

June 30, 2009

Pension and Other Employee Benefits Trust Funds:

Retirement and Pension System – Accounts for the activities of the Retirement and Pension System, which accumulates resources for pension benefit payments to qualified MCPS employees.

OPEB Plan Trust – Accounts for activities that accumulate resources for postemployment healthcare benefits for qualified MCPS retirees.

Agency Funds – Accounts for assets held by elementary and secondary schools for student groups. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations.

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 JUNE 30, 2009

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Common and preferred stocks	\$ 412,352,247	\$ 22,165,732	\$ 434,517,979
Short-term investments	27,602,161		27,602,161
U.S. government and agency securities	56,347,097		56,347,097
Fixed income securities	135,819,907	4,827,965	140,647,872
Real estate	57,530,023		57,530,023
Participation contract	8,134,774		8,134,774
Private equity	6,514,865		6,514,865
Securities lending short-term investment pool	42,627,803		42,627,803
Total investments	746,928,877	26,993,697	773,922,574
Accounts receivable	22,897	133	23,030
Due from Internal Service Fund		16,089,558	16,089,558
Total assets	746,951,774	43,083,388	790,035,162
LIABILITIES			
Accounts payable	656,442	30,080	686,522
Claims payable		5,986,167	5,986,167
Due to general fund	1,201,926	246,426	1,448,352
Liability for collateral received under securities lending agreements	42,627,803		42,627,803
Total liabilities	44,486,171	6,262,673	50,748,844
NET ASSETS			
Held in trust for pension/other postemployment benefits	\$ 702,465,603	\$ 36,820,715	\$ 739,286,318

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 61,405,163	\$ 58,992,107	\$ 120,397,270
Members	16,752,846	23,787,309	40,540,155
Federal government - Medicare Part D		2,588,708	2,588,708
Total contributions	<u>78,158,009</u>	<u>85,368,124</u>	<u>163,526,133</u>
Investment earnings:			
Net (depreciation) in fair value of investments	(209,719,235)	(6,638,211)	(216,357,446)
Interest and dividends	15,936,053	1,084,271	17,020,324
Securities lending income	505,342		505,342
Total investment loss	<u>(193,277,840)</u>	<u>(5,553,940)</u>	<u>(198,831,780)</u>
Less investment expense:			
Investment fees and other	(1,656,321)	(13,500)	(1,669,821)
Securities lending fees	(269,640)		(269,640)
Total investment expense	<u>(1,925,961)</u>	<u>(13,500)</u>	<u>(1,939,461)</u>
Net investment loss	<u>(195,203,801)</u>	<u>(5,567,440)</u>	<u>(200,771,241)</u>
Total additions	<u>(117,045,792)</u>	<u>79,800,684</u>	<u>(37,245,108)</u>
DEDUCTIONS			
Benefits paid to plan members	54,859,755	55,521,164	110,380,919
Premiums paid to insurance companies		10,687,448	10,687,448
Administrative expenses	2,956,158	262,796	3,218,954
Total deductions	<u>57,815,913</u>	<u>66,471,408</u>	<u>124,287,321</u>
Change in net assets	(174,861,705)	13,329,276	(161,532,429)
Net assets - beginning	<u>877,327,308</u>	<u>23,491,439</u>	<u>900,818,747</u>
Net assets - ending	<u>\$ 702,465,603</u>	<u>\$ 36,820,715</u>	<u>\$ 739,286,318</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and investments	\$ 15,422,165	\$ 35,971,980	\$ 35,375,110	\$ 16,019,035
Accounts receivable	1,735,555	1,708,311	1,735,555	1,708,311
Inventories	<u>232,265</u>	<u>224,226</u>	<u>232,265</u>	<u>224,226</u>
Total assets	<u>\$ 17,389,985</u>	<u>\$ 37,904,517</u>	<u>\$ 37,342,930</u>	<u>\$ 17,951,572</u>
Liabilities				
Accounts payable	\$ 1,991,791	\$ 2,391,953	\$ 1,991,791	\$ 2,391,953
Due to student groups	<u>15,398,194</u>	<u>35,512,564</u>	<u>35,351,139</u>	<u>15,559,619</u>
Total liabilities	<u>\$ 17,389,985</u>	<u>\$ 37,904,517</u>	<u>\$ 37,342,930</u>	<u>\$ 17,951,572</u>

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STATISTICAL SECTION

STATISTICAL SECTION

This section of MCPS' Comprehensive Annual Financial Report presents detailed information for understanding what the information in the financial statements, note disclosures, and required supplementary information says about MCPS' overall financial health.

Contents	Page
Financial Trends These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	77-84
Revenue Capacity Since MCPS revenues are primarily provided by Montgomery County, these schedules on the county's revenue sources are relevant to an understanding of Montgomery County's most significant local revenue source, the property tax.	85-91
Debt Capacity Since MCPS construction funding is primarily provided by Montgomery County, these schedules of the county's debt capacity assist the reader in assessing the affordability of Montgomery County's current levels of outstanding debt and Montgomery County's ability to issue additional debt in the future.	93-97
Demographic and Economic Information Details found in these schedules offer demographic and economic indicators to aid the reader in understanding the environment within which MCPS' financial activities take place.	98-99
Operating Information These schedules contain select operating indicators to help the reader understand how the information in MCPS' financial report relates to the services MCPS provides and the activities it performs.	101-104

MONTGOMERY COUNTY PUBLIC SCHOOLS
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 1,181,888,032	\$ 1,224,194,974	\$ 1,265,348,107	\$ 1,347,324,600
Unrestricted	<u>(49,845,395)</u>	<u>(80,455,530)</u>	<u>(90,516,500)</u>	<u>(92,864,100)</u>
Total governmental activities net assets	<u>\$ 1,132,042,637</u>	<u>\$ 1,143,739,444</u>	<u>\$ 1,174,831,607</u>	<u>\$ 1,254,460,500</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 5,629,503	\$ 5,137,266	\$ 4,829,951	\$ 5,182,162
Unrestricted	<u>(581,616)</u>	<u>(1,626,627)</u>	<u>(2,850,401)</u>	<u>(2,755,479)</u>
Total business-type activities net assets	<u>\$ 5,047,887</u>	<u>\$ 3,510,639</u>	<u>\$ 1,979,550</u>	<u>\$ 2,426,683</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 1,187,517,535	\$ 1,229,332,240	\$ 1,270,178,058	\$ 1,352,506,762
Unrestricted	<u>(50,427,011)</u>	<u>(82,082,157)</u>	<u>(93,366,901)</u>	<u>(95,619,579)</u>
Total primary government net assets	<u>\$ 1,137,090,524</u>	<u>\$ 1,147,250,083</u>	<u>\$ 1,176,811,157</u>	<u>\$ 1,256,887,183</u>
<hr/>				
	2006	2007	2008	2009
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 1,509,775,923	\$ 1,635,087,567	\$ 1,765,406,793	\$ 1,901,060,879
Unrestricted	<u>(96,127,805)</u>	<u>(85,448,126)</u>	<u>(151,573,901)</u>	<u>(202,703,251)</u>
Total governmental activities net assets	<u>\$ 1,413,648,118</u>	<u>\$ 1,549,639,441</u>	<u>\$ 1,613,832,892</u>	<u>\$ 1,698,357,628</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 5,052,458	\$ 5,215,924	\$ 5,019,355	\$ 4,231,936
Unrestricted	<u>(3,354,942)</u>	<u>(3,628,772)</u>	<u>(5,207,535)</u>	<u>(6,415,787)</u>
Total business-type activities net assets	<u>\$ 1,697,516</u>	<u>\$ 1,587,152</u>	<u>\$ (188,180)</u>	<u>\$ (2,183,851)</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 1,514,828,381	\$ 1,640,303,491	\$ 1,770,426,148	\$ 1,905,292,815
Unrestricted	<u>(99,482,747)</u>	<u>(89,076,898)</u>	<u>(156,781,436)</u>	<u>(209,119,038)</u>
Total primary government net assets	<u>\$ 1,415,345,634</u>	<u>\$ 1,551,226,593</u>	<u>\$ 1,613,644,712</u>	<u>\$ 1,696,173,777</u>

Note:

Information prior to FY 2002 is not available, due to the FY 2002 implementation of GASB 34.

MONTGOMERY COUNTY PUBLIC SCHOOLS
CHANGE IN NET ASSETS
- LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 871,885,283	\$ 922,271,680	\$ 983,832,228	\$ 1,038,043,643
Special education	193,069,034	213,237,600	226,446,611	247,338,455
School administration	113,093,534	123,298,343	126,636,268	135,691,110
Student personnel services	7,535,210	8,160,848	11,411,475	12,226,245
Health services	46,267	107,432	36,994	39,433
Total instruction	<u>1,185,629,328</u>	<u>1,267,075,903</u>	<u>1,348,363,576</u>	<u>1,433,338,886</u>
Support services:				
Student transportation	70,499,355	72,604,228	80,078,067	91,056,536
Operation of plant	97,192,269	99,932,932	102,880,452	109,613,171
Maintenance of plant	45,531,248	40,384,443	48,730,155	47,584,397
Administration	41,111,824	47,359,900	37,010,469	39,156,106
Community services	1,467,006	1,584,350	1,641,493	1,625,698
Interest on capital leases				
Total support services	<u>255,801,702</u>	<u>261,865,853</u>	<u>270,340,636</u>	<u>289,035,908</u>
Total government activities expenses	<u>1,441,431,030</u>	<u>1,528,941,756</u>	<u>1,618,704,212</u>	<u>1,722,374,794</u>
Business-type activities				
Food services	35,363,644	35,681,700	37,426,902	39,511,622
Adult education	3,823,273	4,007,829	4,110,281	1,893,599
Real estate management	1,292,137	1,586,720	1,482,541	1,537,420
Field trips	1,402,789	1,205,565	1,246,915	1,355,538
Entrepreneurial activities	857,174	1,062,282	1,211,760	1,316,459
Total business-type activities expenses	<u>42,739,017</u>	<u>43,544,096</u>	<u>45,478,399</u>	<u>45,614,638</u>
Total primary government expenses	<u>\$ 1,484,170,047</u>	<u>\$ 1,572,485,852</u>	<u>\$ 1,664,182,611</u>	<u>\$ 1,767,989,432</u>
Program Revenue				
Governmental activities				
Instruction:				
Regular instruction	\$ 82,256,178	\$ 90,165,424	\$ 65,420,215	\$ 67,603,299
Special education	18,293,975	23,313,058	26,501,262	29,271,325
School administration	4,461,631	5,201,181	5,218,772	3,495,396
Student personnel services	116,586	162,436	622,527	593,721
Health services	-	96,782	-	-
Total instruction	<u>105,128,370</u>	<u>118,938,881</u>	<u>97,762,776</u>	<u>100,963,741</u>
Support services:				
Student transportation	568,707	885,539	1,149,902	775,691
Operation of plant	9,383,177	5,817,414	5,014,653	4,916,991
Maintenance of plant	10,993,352	10,321,971	17,993,911	15,931,064
Administration	5,679,270	5,359,630	1,659,121	1,811,489
Community services	1,290,660	1,297,602	1,325,721	1,282,747
Total support services	<u>27,915,166</u>	<u>23,682,156</u>	<u>27,143,308</u>	<u>24,717,982</u>
Total government activities program revenues	<u>133,043,536</u>	<u>142,621,037</u>	<u>124,906,084</u>	<u>125,681,723</u>
Business-type activities				
Food services	34,262,117	34,114,949	36,230,717	39,056,101
Adult education	3,725,954	4,097,427	3,806,206	2,063,253
Real estate management	1,528,157	1,451,483	1,724,390	2,019,558
Field trips	1,359,469	1,226,062	1,318,661	1,547,519
Entrepreneurial activities	791,968	934,043	786,070	1,023,446
Total business-type activities program revenues	<u>41,667,665</u>	<u>41,823,964</u>	<u>43,866,044</u>	<u>45,709,877</u>
Total primary government program revenues	<u>\$ 174,711,201</u>	<u>\$ 184,445,001</u>	<u>\$ 168,772,128</u>	<u>\$ 171,391,600</u>
Net (expense)/revenue				
Governmental activities	(1,308,387,494)	(1,386,320,719)	(1,493,798,128)	(1,596,693,071)
Business-type activities	(1,071,352)	(1,720,132)	(1,612,355)	95,239
	<u>(1,309,458,846)</u>	<u>(1,388,040,851)</u>	<u>(1,495,410,483)</u>	<u>(1,596,597,832)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,113,445,525	\$ 1,108,394,374	\$ 1,183,680,350	\$ 1,314,971,597
State of Maryland	259,442,972	288,603,570	340,846,285	361,020,873
Federal government	218,319	296,773	262,516	88,274
Investment Earnings	326,041	146,555	76,537	155,210
Other revenue	219,607	562,402	8,019	70,671
Transfers	16,332	13,852	16,584	15,339
Total government activities	<u>1,373,668,796</u>	<u>1,398,017,526</u>	<u>1,524,890,291</u>	<u>1,676,321,964</u>
Business-type activities				
Investment Earnings	298,960	196,736	97,850	367,233
Other revenue	-	-	-	-
Transfers	(16,332)	(13,852)	(16,584)	(15,339)
Total business-type activities	<u>282,628</u>	<u>182,884</u>	<u>81,266</u>	<u>351,894</u>
Total primary government	<u>\$ 1,373,951,424</u>	<u>\$ 1,398,200,410</u>	<u>\$ 1,524,971,557</u>	<u>\$ 1,676,673,858</u>
Change in Net Assets				
Governmental activities	65,281,302	11,696,807	31,092,163	79,628,893
Business-type activities	(788,724)	(1,537,248)	(1,531,089)	447,133
Total primary government	<u>\$ 64,492,578</u>	<u>\$ 10,159,559</u>	<u>\$ 29,561,074</u>	<u>\$ 80,076,026</u>

Note: Information prior to FY 2002 is not available, due to the FY 2002 implementation of GASB 34.

2006	2007	2008	2009
\$ 1,088,588,014	\$ 1,160,855,790	\$ 1,300,214,158	\$ 1,344,807,372
266,912,970	293,576,065	337,981,003	357,740,728
146,798,786	160,163,136	183,915,725	192,005,481
13,416,179	13,944,662	15,923,429	16,709,007
42,357	53,540	39,372	31,477
<u>1,515,758,306</u>	<u>1,628,593,193</u>	<u>1,838,073,687</u>	<u>1,911,294,065</u>
96,768,183	100,930,995	117,962,721	122,633,059
120,228,320	130,303,214	144,731,021	145,189,882
48,872,594	55,832,785	56,469,713	57,587,517
54,688,573	63,053,976	59,171,446	63,094,864
2,110,374	2,176,910	2,470,942	2,168,062
1,372,132	1,742,075	1,970,020	2,040,350
<u>324,040,176</u>	<u>354,039,955</u>	<u>382,775,863</u>	<u>392,713,734</u>
<u>1,839,798,482</u>	<u>1,982,633,148</u>	<u>2,220,849,550</u>	<u>2,304,007,799</u>
40,757,291	42,161,738	46,125,487	46,457,265
1,516,881	(48,642)	-	-
2,102,497	2,926,351	2,290,554	2,489,426
1,579,472	1,629,297	1,792,660	1,772,511
1,266,811	1,376,930	1,619,087	1,444,433
<u>47,222,952</u>	<u>48,045,674</u>	<u>51,827,788</u>	<u>52,163,635</u>
<u>\$ 1,887,021,434</u>	<u>\$ 2,030,678,822</u>	<u>\$ 2,272,677,338</u>	<u>\$ 2,356,171,434</u>
\$ 60,734,138	\$ 71,138,709	\$ 80,694,954	\$ 75,289,449
27,405,520	26,927,739	26,716,097	27,842,735
3,619,197	3,731,020	3,919,325	3,554,521
1,055,541	1,095,801	1,070,620	1,139,523
-	-	-	-
<u>92,814,396</u>	<u>102,893,269</u>	<u>112,400,996</u>	<u>107,826,228</u>
1,101,741	603,479	628,316	589,251
7,512,643	6,157,844	3,727,987	2,364,657
15,186,848	19,447,697	15,017,237	12,793,235
9,932,129	10,026,551	4,124,816	6,395,547
1,763,601	1,846,277	1,898,848	1,753,178
<u>35,496,962</u>	<u>38,081,848</u>	<u>25,397,204</u>	<u>23,895,868</u>
<u>128,311,358</u>	<u>140,975,117</u>	<u>137,798,200</u>	<u>131,722,096</u>
38,997,786	41,462,534	43,102,830	44,161,931
1,614,777	-	-	-
2,212,736	2,625,031	2,765,022	2,397,720
1,491,097	1,543,101	1,722,208	1,578,741
1,461,574	1,436,778	1,866,786	1,872,573
<u>45,777,970</u>	<u>47,067,444</u>	<u>49,456,846</u>	<u>50,010,965</u>
<u>\$ 174,089,328</u>	<u>\$ 188,042,561</u>	<u>\$ 187,255,046</u>	<u>\$ 181,733,061</u>
(1,711,487,124)	(1,841,658,031)	(2,083,051,350)	(2,172,285,703)
(1,444,982)	(978,230)	(2,370,942)	(2,152,670)
<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>	<u>(2,085,422,292)</u>	<u>(2,174,438,373)</u>
\$ 1,457,150,730	\$ 1,507,402,033	\$ 1,631,686,296	\$ 1,656,384,034
411,828,686	468,650,022	510,142,429	597,009,068
1,027,578	539,841	4,015,914	2,728,591
632,532	929,696	1,378,734	684,245
-	-	-	-
35,216	127,762	21,428	4,501
<u>1,870,674,742</u>	<u>1,977,649,354</u>	<u>2,147,244,801</u>	<u>2,256,810,439</u>
751,031	995,628	617,038	161,500
(35,216)	(127,762)	(21,428)	(4,501)
<u>715,815</u>	<u>867,866</u>	<u>595,610</u>	<u>156,999</u>
<u>\$ 1,871,390,557</u>	<u>\$ 1,978,517,220</u>	<u>\$ 2,147,840,411</u>	<u>\$ 2,256,967,438</u>
159,187,618	135,991,323	64,193,451	84,524,736
(729,167)	(110,364)	(1,775,332)	(1,995,671)
<u>\$ 158,458,451</u>	<u>\$ 135,880,959</u>	<u>\$ 62,418,119</u>	<u>\$ 82,529,065</u>

INTENTIONALLY BLANK

MONTGOMERY COUNTY PUBLIC SCHOOLS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2000	2001	2002	2003	2004
General Fund:					
Reserved	\$ 10,900,430	\$ 11,221,140	\$ 12,536,487	\$ 10,086,228	\$ 11,379,515
Unreserved	(4,360,507)	(4,651,246)	5,447,168	(5,625,651)	(171,197)
Total general fund	<u>\$ 6,539,923</u>	<u>\$ 6,569,894</u>	<u>\$ 17,983,655</u>	<u>\$ 4,460,577</u>	<u>\$ 11,208,318</u>
All other governmental funds					
Reserved	\$ -	\$ 41,510	\$ 82,777	\$ 5,436	\$ 6,913
Unreserved, reported in:					
Special revenue funds	-	16,294	17,115	82,633	85,935
Capital projects funds	-	(7,602,793)	(7,768,903)	(8,133,947)	(10,802,854)
Total all other governmental funds	<u>\$ -</u>	<u>\$ (7,544,989)</u>	<u>\$ (7,669,011)</u>	<u>\$ (8,045,878)</u>	<u>\$ (10,710,006)</u>
	2005	2006	2007	2008	2009
General Fund:					
Reserved	\$ 13,197,236	\$ 21,989,545	\$ 17,240,840	\$ 12,571,840	\$ 12,473,676
Unreserved	3,263,757	(3,047,043)	4,879,365	16,389,504	44,346,530
Total general fund	<u>\$ 16,460,993</u>	<u>\$ 18,942,502</u>	<u>\$ 22,120,205</u>	<u>\$ 28,961,344</u>	<u>\$ 56,820,206</u>
All other governmental funds					
Reserved	\$ 5,053	\$ 3,473	\$ 741,649	\$ -	\$ 107,432
Unreserved, reported in:					
Special revenue funds	87,033	91,238	146,750	136,374	137,645
Capital projects funds	(12,604,232)	(13,472,262)	(14,392,596)	(13,796,508)	(13,858,371)
Total all other governmental funds	<u>\$ (12,512,146)</u>	<u>\$ (13,377,551)</u>	<u>\$ (13,504,197)</u>	<u>\$ (13,660,134)</u>	<u>\$ (13,613,294)</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2000	2001	2002	2003
Revenues				
Intergovernmental:				
Montgomery County	\$ 955,247,100	\$ 1,041,378,917	\$ 1,148,280,914	\$ 1,137,558,192
State of Maryland	269,819,680	297,395,004	305,836,841	339,814,082
Federal Government	33,724,378	36,547,569	43,866,688	56,379,262
Other	4,899,686	6,387,329	4,332,529	4,827,458
Total Revenue	<u>1,263,690,844</u>	<u>1,381,708,819</u>	<u>1,502,316,972</u>	<u>1,538,578,994</u>
Expenditures				
Current:				
Administration	32,477,440	32,279,103	28,106,692	27,666,368
Mid-level administration	73,554,442	81,091,469	86,442,046	93,633,242
Instructional salaries and wages	484,167,089	544,038,808	594,976,886	635,877,265
Instructional textbooks and supplies	23,980,877	23,841,371	25,094,764	25,599,461
Other instructional costs	12,647,927	13,344,517	19,113,591	13,014,528
Special education	129,606,867	141,404,178	155,739,680	170,576,458
Student personnel services	4,427,513	5,123,414	5,814,326	6,227,216
Health services	35,889	37,938	37,150	104,058
Student transportation	50,266,568	55,606,074	58,249,923	56,900,115
Operation of plant	64,883,944	67,824,772	73,460,791	77,846,881
Maintenance of plant	24,077,892	24,835,900	24,929,368	25,833,275
Fixed charges	248,363,181	264,617,039	272,754,398	305,913,265
Community services	742,768	986,926	1,246,430	1,324,417
Debt service:				
Capital lease principal	6,974,098	8,743,607	11,358,196	11,841,404
Capital lease interest	958,318	1,136,580	1,801,781	1,027,855
Capital outlay	117,047,191	136,115,527	148,902,723	113,557,576
Total expenditures	<u>1,274,212,004</u>	<u>1,401,027,223</u>	<u>1,508,028,745</u>	<u>1,566,943,384</u>
Excess of Revenues (under) expenditures	(10,521,160)	(19,318,404)	(5,711,773)	(28,364,390)
Other financing sources				
Capital lease financing	8,558,368	11,401,958	16,377,140	13,447,873
Technology loans from Montgomery County	547,066	22,500	85,857	12,836
Transfers in	620,149	378,928	538,515	13,852
Transfers out				629,884
Total other financing sources	<u>9,725,583</u>	<u>11,803,386</u>	<u>17,001,512</u>	<u>14,104,445</u>
Net change in fund balances	<u>\$ (795,577)</u>	<u>\$ (7,515,018)</u>	<u>\$ 11,289,739</u>	<u>\$ (14,259,945)</u>
Debt service as a percentage of noncapital expenditures	0.7%	0.8%	1.0%	0.8%

2004	2005	2006	2007	2008	2009
\$ 1,233,511,048	\$ 1,356,035,517	\$ 1,498,345,349	\$ 1,558,647,046	\$ 1,633,111,352	\$ 1,704,483,481
350,931,179	366,552,766	417,013,817	474,951,016	561,788,026	602,257,843
59,737,638	70,605,126	74,573,378	75,177,789	81,098,923	73,709,427
4,970,961	8,194,694	8,999,000	9,547,103	9,026,435	8,081,214
<u>1,649,150,826</u>	<u>1,801,388,103</u>	<u>1,998,931,544</u>	<u>2,118,322,954</u>	<u>2,285,024,736</u>	<u>2,388,531,965</u>
26,965,317	28,439,926	36,625,851	43,163,115	40,223,462	41,116,832
96,088,892	101,729,773	109,442,018	118,650,653	128,825,484	133,558,653
654,152,515	686,486,182	719,934,184	760,940,050	801,621,226	835,121,087
25,646,985	28,751,450	33,245,147	36,680,260	30,676,046	27,836,308
13,133,928	22,110,271	16,855,159	18,687,106	17,748,901	13,416,424
178,834,273	193,353,038	207,149,010	227,023,151	245,993,338	259,846,857
8,623,619	9,111,032	9,936,670	10,264,691	11,051,597	11,544,552
32,474	34,127	36,530	44,821	32,162	31,125
59,958,528	71,323,679	79,509,617	81,298,925	92,544,044	87,139,938
80,456,510	85,739,412	92,411,740	102,598,137	112,699,200	113,847,318
25,714,753	26,776,709	28,718,901	30,815,334	31,498,027	34,797,983
346,990,115	388,327,283	419,075,926	463,825,658	531,185,474	557,052,644
1,360,072	1,326,568	1,731,259	1,750,520	1,902,912	1,662,113
15,124,117	19,300,633	22,597,421	23,997,477	23,510,181	24,465,455
1,324,991	1,262,669	1,372,132	1,742,075	1,970,020	2,040,350
128,053,894	159,336,986	244,402,835	218,839,987	234,409,417	239,036,321
<u>1,662,460,983</u>	<u>1,823,409,738</u>	<u>2,023,044,400</u>	<u>2,140,321,960</u>	<u>2,305,891,491</u>	<u>2,382,513,960</u>
(13,310,157)	(22,021,635)	(24,112,856)	(21,999,006)	(20,866,755)	6,018,005
16,783,521	25,456,831	25,693,744	24,922,301	27,530,529	21,883,195
16,584	15,339	35,216	127,762	21,428	4,501
593,755					
<u>17,393,860</u>	<u>25,472,170</u>	<u>25,728,960</u>	<u>25,050,063</u>	<u>27,551,957</u>	<u>21,887,696</u>
<u>\$ 4,083,703</u>	<u>\$ 3,450,535</u>	<u>\$ 1,616,104</u>	<u>\$ 3,051,057</u>	<u>\$ 6,685,202</u>	<u>\$ 27,905,701</u>
1.1%	1.3%	1.4%	1.4%	1.2%	1.3%

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND
YEAR ENDED JUNE 30, 2008 *

Operating revenues:	
Contributions by other agencies	\$ 22,978,436
Contributions by the Board of Education	<u>8,275,520</u>
Total operating revenues	<u>31,253,956</u>
Operating expenses:	
Self-insurance losses, net of recoveries	30,721,438
Other costs at risk	5,373,962
Commercial insurance	3,520,793
Other operating expenses	<u>3,378,495</u>
Total operating expenses	<u>42,994,688</u>
Operating (loss)	<u>(11,740,732)</u>
Nonoperating income :	
Interest on investments	5,208,092
Other revenue	<u>464,243</u>
Total nonoperating income before transfers	<u>5,672,335</u>
Transfers in	
Transfers in:	68,480
Total transfers in	<u>68,480</u>
Change in net assets	<u>(5,999,917)</u>
Total net assets - beginning of year	<u>20,321,602</u>
Total net assets - end of year	<u>\$ 14,321,685</u>

Notes:

* Date of the most current available information.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
PROPERTY TAX LEVIES AND COLLECTIONS *
LAST TEN FISCAL YEARS

Fiscal Year	Tax Levy			Collected within the		Collections in Subsequent Years (2)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years (1)	Total Adjusted Levy	Fiscal Year of the Levy Amount (2)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2000	\$ 762,239,449	\$ (552,027)	\$ 761,687,422	\$ 754,198,902	98.95 %	\$ (1,146,985)	\$ 753,051,917	98.87 %
2001	784,285,708	(404,261)	783,881,447	777,057,655	99.08	(1,774,908)	775,282,747	98.90
2002	821,038,153	(870,024)	820,168,129	805,329,587	98.09	(2,731,149)	802,598,438	97.86
2003	867,011,819	(1,903,050)	865,108,769	861,862,819	99.41	(3,688,191)	858,174,628	99.20
2004	927,789,542	(1,509,088)	926,280,454	924,992,688	99.70	1,156,280	926,148,968	99.99
2005	1,006,556,130	(58,125)	1,006,498,005	1,005,935,155	99.94	(2,528,049)	1,003,407,106	99.69
2006	1,032,231,333	(2,077,993)	1,030,153,340	1,031,967,800	99.97	(3,117,374)	1,028,850,426	99.87
2007	1,087,613,905	(1,657,480)	1,085,956,425	1,081,566,118	99.44	(473,222)	1,081,092,896	99.55
2008	1,137,590,824	(3,079,202)	1,134,511,622	1,132,548,519	99.56	(1,628,779)	1,130,919,740	99.68
2009	1,282,437,423	-	1,282,437,423	1,278,337,019	99.68	-	1,278,337,019	99.68

NOTES:

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

(1) Adjustment data was available and is reported in this schedule beginning with adjustments processed in FY05.

(2) Amounts represent collections received, including overpayments, net of refunds made.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property (1)							Total Direct Tax Rate
	Residential (2)		Commercial/Other		Total			
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value		
2000	\$ 21,704,462,278	\$ 56,699,222,252	\$ 6,970,091,543	\$ 18,208,180,624	\$ 28,674,553,821	\$ 74,907,402,876	\$ 2.514	
2001	22,267,739,672	59,348,986,333	7,381,273,206	19,672,903,001	29,649,012,878	79,021,889,334	2.513	
2002	57,865,511,378	62,829,511,378	19,709,436,172	21,400,039,275	77,574,947,550	84,229,550,653	1.005	
2003	61,732,348,676	69,991,325,030	20,674,989,155	23,441,030,787	82,407,337,831	93,432,355,817	1.004	
2004	67,348,233,048	74,009,047,305	21,914,772,219	24,082,167,274	89,263,005,267	98,091,214,579	1.005	
2005	74,808,909,028	80,181,038,615	23,472,815,695	25,158,430,541	98,281,724,723	105,339,469,156	0.994	
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931	0.952	
2007	96,569,606,606	101,119,399,908	29,141,169,512	30,514,920,634	125,710,776,118	131,634,320,542	0.902	
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902	
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,472	164,038,891,569	0.902	

Fiscal Year	Personal Property (3)					Real (1) and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value	
	Business		Public Utility		Total	Total Direct Tax Rate			
	Individuals	Corporations	Operating Property	Domestic Shares			Assessed Value		Estimated Actual Value
2000	\$ 92,953,790	\$ 2,125,024,140	\$ 1,250,855,220	\$ 410,469,840	\$ 3,879,302,990	\$ 2.502	\$ 32,553,856,811	\$ 78,786,705,866	41.32 %
2001	93,025,460	2,261,403,430	1,270,848,870	452,570,330	4,077,848,090	2.500	33,726,860,968	83,099,737,424	40.59
2002	99,954,320	2,486,081,540	1,169,749,990	445,558,740	4,201,344,590	2.495	81,776,292,140	88,430,895,243	92.47
2003	85,622,460	2,421,490,420	1,187,075,200	533,666,320	4,227,854,400	2.494	86,635,192,231	97,660,210,217	88.71
2004	83,269,110	2,272,890,000	1,116,419,190	491,223,310	3,963,801,610	2.498	93,226,806,877	102,055,016,189	91.35
2005	45,777,000	2,290,059,500	1,097,481,440	469,294,170	3,902,612,110	2.474	102,184,336,833	109,242,081,266	93.54
2006	39,858,300	2,275,916,200	1,046,842,820	469,011,910	3,831,629,230	2.367	114,360,878,346	122,425,244,161	93.41
2007	36,342,680	2,353,070,220	1,070,305,710	489,230,940	3,948,949,550	2.244	129,659,725,668	135,583,270,092	95.63
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2.241	146,276,982,963	149,181,195,934	98.05
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,492	167,959,062,589	96.48

NOTES:

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

- (1) Fiscal year 2002 was the first year that all real property in the State of Maryland was assessed at 100 percent of full assessed value; prior to 2002, real property was assessed at 40 percent of full assessed value. Real property tax rates were changed in fiscal year 2002 to reflect this change in methodology.
- (2) Residential real property includes single-family homes, townhouses, and condominiums but excludes apartment dwellings which are included under the Commercial/Other category.
- (3) For personal property, the assessed value and estimated actual value are the same.

Source: State of Maryland, Department of Assessments and Taxation.

MONTGOMERY COUNTY, MARYLAND
REVENUE CAPACITY
REAL AND PERSONAL PROPERTY TAX RATES - COUNTY DIRECT RATE
LAST TEN FISCAL YEARS

	County-wide					Substantially County-wide (1)					Total County Direct Rate (4)	
	County		M-NCPPC (2)			County		M-NCPPC (2)				Prorata Tax Rate
	Fire		Advance			Recreation	Storm Drainage	Regional District	Metropolitan District			
	County	District	Transit District	Land Acquisition	Subtotal							
Real Property:												
2000	\$ 1.863	\$.290	\$.102	\$.003	\$ 2.258	\$.067	\$.01	\$.062	\$.154	\$.256	\$ 2.514	
2001	1.857	.293	.100	.003	2.253	.069	.01	.060	.160	.260	2.513	
2002 (3)	.741	.109	.050	.001	.901	.027	.003	.024	.066	.104	1.005	
2003	.754	.117	.038	.001	.910	.020	.003	.023	.063	.094	1.004	
2004	.751	.118	.044	.001	.914	.022	.003	.021	.059	.091	1.005	
2005	.734	.123	.044	.001	.902	.025	.003	.020	.059	.092	.994	
2006	.679	.134	.042	.001	.856	.025	.003	.022	.061	.096	.952	
2007	.624	.134	.053	.001	.812	.024	.003	.020	.057	.090	.902	
2008	.627	.126	.058	.001	.812	.024	.003	.019	.058	.090	.902	
2009	.661	.116	.040	.001	.818	.022	.003	.019	.053	.084	.902	
Personal Property:												
2000	\$ 1.863	\$.290	\$.102	\$.003	\$ 2.258	\$.067	\$.01	\$.062	\$.154	\$.244	\$ 2.502	
2001	1.857	.293	.100	.003	2.253	.069	.01	.060	.160	.247	2.500	
2002	1.852	.273	.125	.002	2.252	.068	.007	.059	.165	.243	2.495	
2003	1.885	.293	.095	.003	2.276	.050	.008	.058	.158	.218	2.494	
2004	1.878	.295	.110	.003	2.286	.055	.008	.053	.148	.212	2.498	
2005	1.835	.308	.110	.003	2.256	.063	.008	.050	.148	.218	2.474	
2006	1.698	.335	.105	.003	2.141	.063	.008	.055	.153	.226	2.367	
2007	1.560	.335	.133	.003	2.031	.060	.008	.050	.143	.213	2.244	
2008	1.567	.315	.145	.003	2.030	.060	.007	.047	.145	.211	2.241	
2009	1.652	.290	.100	.003	2.045	.055	.007	.047	.132	.196	2.241	

NOTES:

- * The charter requires that revenues from real property taxes cannot exceed last year's revenues adjusted by the rate of inflation excluding revenues from new construction. The Council can adopt tax rates that exceed this limit by a supermajority of seven out of nine councilmembers.
- * No discounts are allowed.
- * Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1.
- * Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payment due by September 30 and December 31.
- * Interest and penalty at 20 percent are assessed on delinquent tax bills.
- * Revised tax bills based upon certifications from the State received after September 1 may be paid within thirty days without interest.
- * Delinquent taxes on real property are collected by sale. Taxes on personal property are enforced by legal action. Corporations may lose charter for failure to pay taxes.
- * Costs of tax sale, which vary, are added to tax bills. The last sale cost \$25 per parcel.
- * Tax sale date: second Monday in June.
- * Personal property tax rates are applied to 100 percent of the property assessment.

- (1) Rates classified as substantially county-wide represent those tax rates that are levied against all of the County's assessable base, except those incorporated cities and municipalities that provide their own such service.
- (2) M-NCPPC County property tax rates are included in the County's direct rate since the County Council has the power to set, modify, or approve these tax rates for this joint venture organization.
- (3) Fiscal year 2002 was the first year that all real property in the State of Maryland was assessed at 100 percent of full assessed value; prior to 2002, real property was assessed at 40 percent of full assessed value. Real property tax rates were changed in fiscal year 2002 to reflect this change in methodology.
- (4) County direct rate includes: County tax rates that are levied County-wide, and County tax rates levied by M-NCPPC. For County special taxing district tax rates that are levied substantially County-wide, the direct rate includes a prorata portion of the tax rate that corresponds to the portion of the County's assessable base against which the rate is levied. Therefore, the total County direct rate presented above is not a mathematical sum of all the individual rates presented.

MONTGOMERY COUNTY, MARYLAND
 REVENUE CAPACITY
 REAL AND PERSONAL PROPERTY TAX RATES - COUNTY SPECIAL TAXING DISTRICTS
 LAST TEN FISCAL YEARS

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts	Development Districts		
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview	West Germantown
Real Property:											
2000	\$.70	\$.70	\$.60	\$.60	\$.075	\$.04	\$.05	\$.45	\$.40	\$ -	\$ -
2001	.70	.70	.60	.60	.075	.04	.05	.45	.40	.285	-
2002	.28	.28	.24	.24	.030	.016	.02	.16	.18	.092	-
2003	.28	.28	.24	.24	.030	.016	.02	.16	.18	.108	.224
2004	.28	.28	.24	.24	.030	.016	.02	.145	.18	.101	.213
2005	.28	.28	.24	.24	.030	.016	.02	.145	.175	.098	.192
2006	.28	.28	.24	.24	.024	.016	.03	.145	.185	.089	.187
2007	.28	.28	.24	.24	.024	.016	.03	.050	.001	.065	.161
2008	.28	.28	.24	.24	.024	.016	.03	.080	.080	.071	.156
2009	.28	.28	.24	.24	.024	.012	.03	.080	.080	.063	.144
Personal Property:											
2000	\$.70	\$.70	\$.60	\$.60	\$.075	\$.04	\$.05	\$.45	\$.40	\$ -	\$ -
2001	.70	.70	.60	.60	.075	.04	.05	.45	.40	-	-
2002	.70	.70	.60	.60	.075	.04	.05	.40	.45	-	-
2003	.70	.70	.60	.60	.075	.04	.05	.40	.45	-	-
2004	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2005	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2006	.70	.70	.60	.60	.060	.04	.075	.363	.463	-	-
2007	.70	.70	.60	.60	.060	.04	.075	.125	.125	-	-
2008	.70	.70	.60	.60	.060	.04	.075	.200	.200	-	-
2009	.70	.70	.60	.60	.060	.03	.075	.200	.200	-	-

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * The County special taxing district rates above represent taxes that are levied against mutually exclusive specific geographic portions of the County's assessable base. Such rates are not included in the County direct rate, as they are not reflective of what all County taxpayers would pay.

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

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

Fiscal Year	Cities			Towns									Washington Grove
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	
Real Property:													
2000	\$.53	\$.805	\$ 1.580	\$.20	\$.45	\$.16	\$.55	\$.36	\$.50	\$.33	\$.63	\$.25	\$.60
2001	.53	.805	1.605	.20	.45	.13	.50	.35	.50	.31	.60	.22	.60
2002	.212	.322	.642	.08	.20	.04	.20	.14	.20	.125	.24	.05	.235
2003	.212	.322	.660	.08	.20	.037	.20	.14	.193	.132	.24	.05	.235
2004	.212	.322	.660	.078	.20	.035	.20	.14	.187	.160	.24	.05	.217
2005	.212	.322	.660	.072	.20	.033	.20	.13	.170	.160	.23	.05	.217
2006	.212	.322	.630	.065	.15	.029	.20	.12	.155	.160	.221	.045	.202
2007	.212	.312	.630	.060	.15	.026	.19	.12	.147	.140	.200	.045	.202
2008	.212	.302	.610	.054	.15	.023	.19	.12	.139	.140	.180	.040	.202
2009	.212	.292	.605	.054	.15	.021	.19	.13	.130	.120	.160	.040	.181
Personal Property:													
2000	\$.53	\$.805	\$ 1.580	\$.20	\$.45	\$.16	\$.55	\$.36	\$.50	\$.35	\$.65	\$.25	\$.60
2001	.53	.805	1.605	.20	.45	.13	.50	.35	.50	.31	.60	.22	.60
2002	.53	.805	1.605	.20	.45	.10	.50	.80	.50	.31	.60	.22	.60
2003	.53	.805	1.605	.20	.45	.10	.50	.80	.50	.33	.60	.22	.60
2004	.53	.805	1.650	.20	.45	.10	.50	.80	.50	.35	.60	.22	.60
2005	.53	.805	1.650	.20	.45	.10	.50	.80	.50	.35	.60	.22	.60
2006	.53	.805	1.575	.20	.45	.10	1.000	.80	.50	.35	.60	.22	.60
2007	.53	.805	1.575	.20	.45	.10	1.000	.80	.50	.35	.60	.22	.60
2008	.53	.805	1.525	.20	.45	.10	1.000	.80	.50	.35	.60	.22	.60
2009	.53	.805	1.513	.20	.45	.10	1.000	.80	.50	.33	.60	1.000	.60

NOTES:

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

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

Fiscal Year	Villages								
	Battery Park	Chevy Chase Section 3	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase	Oakmont
Real Property:									
2000	\$.125	\$.09	\$.08	\$.25	\$.12	\$.25	\$.15	\$.13	\$.15
2001	.125	.05	.08	.25	.12	.22	.02	.13	.15
2002	.05	.02	.03	.10	.048	.08	.008	.052	.10
2003	.05	.02	.03	.12	.048	.07	.008	.052	.10
2004	.05	.02	.025	.14	.048	.06	.008	.052	.06
2005	.05	.02	.025	.14	.048	.06	.008	.052	.06
2006	.05	.02	.023	.13	.048	.05	.008	.052	.06
2007	.05	.02	.023	.123	.048	.04	.008	.052	.06
2008	.05	.02	.023	.111	.048	.04	.008	.052	.06
2009	.05	.02	.022	.103	.048	.04	.008	.052	.04
Personal Property:									
2000	\$.125	\$.09	\$.08	\$.25	\$.12	\$.25	\$.15	\$.13	\$.15
2001	.125	.05	.08	.25	.12	.22	.02	.13	.15
2002	.125	.05	-	.10	.12	.08	.008	.13	.10
2003	.125	.05	-	.50	.12	.07	.008	.13	.10
2004	.125	.05	-	.50	.12	.06	.008	.13	.06
2005	.125	.05	-	.60	.12	.06	.008	.13	-
2006	.125	.05	-	.60	.12	.05	.008	.13	.10
2007	.125	.05	-	.66	.12	.04	.008	.13	.10
2008	.125	.05	-	.66	.12	.04	.500	.13	.10
2009	.125	.05	-	.66	.12	.04	.500	.13	.10

NOTES:

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

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

* Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

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

For the Fiscal Year Ended June 30, 2009

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 690,226,160	\$ 7,717,700	\$ 682,508,460	0.43 %
Verizon - Maryland	680,681,930	33,066,700	647,615,230	0.42
Montgomery Mall LLC	396,142,869	395,637,599	505,270	0.24
Washington Gas Light Co.	230,268,250	-	230,268,250	0.14
7501 Wisconsin Avenue LLC	226,841,666	226,841,666	-	0.14
Camalier, Anne D et al, Trustee	220,531,312	220,531,312	-	0.14
Federal Realty Investment Trust	213,390,806	211,854,546	1,536,260	0.13
Democracy Associates	207,114,900	207,114,900	-	0.13
Chevy Chase Land Co	201,846,132	201,846,132	-	0.12
Wheaton Plaza Regional Shopping Center	188,065,412	187,096,732	968,680	0.12
Total	\$ 3,255,109,437	\$ 1,691,707,287	\$ 1,563,402,150	2.01 %
Total Assessable Base	\$ 162,053,662,492			100 %

For the Fiscal Year Ended June 30, 2000

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 1,009,659,880	\$ 23,517,200	\$ 986,142,680	3.10 %
Verizon	636,666,050	24,577,370	612,088,680	1.96
Washington Gas Light Company	171,956,400	6,531,360	165,425,040	0.53
International Business Machines	85,389,180	16,649,680	68,739,500	0.26
May Department Stores	83,324,130	29,595,600	53,728,530	0.26
Montgomery Mall	82,043,360	81,392,900	650,460	0.25
Bryant F. Foulger, Trustee	57,116,210	57,116,210	-	0.17
Albert & R. Abramson, et.al.	50,844,300	50,844,300	-	0.16
Lake Forest Associates	50,115,600	50,115,600	-	0.15
Asbury Methodist Home, Inc.	45,774,450	45,774,450	-	0.14
Total	\$ 2,272,889,560	\$ 386,114,670	\$ 1,886,774,890	6.98 %
Total Assessable Base	\$ 32,553,856,811			100 %

Source: State of Maryland Department of Assessments and Taxation.

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

Fiscal Year	General Bonded Debt Outstanding (1)			Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Total		
2000	\$ 1,131,833,054	\$ -	\$ 1,131,833,054	1.44 %	\$ 1,290
2001	1,178,708,034	-	1,178,708,034	1.42	1,317
2002	1,242,553,054	-	1,242,553,054	1.41	1,368
2003	1,288,293,054	-	1,288,293,054	1.32	1,405
2004	1,329,778,054	-	1,329,778,054	1.30	1,441
2005	1,415,208,054	-	1,415,208,054	1.30	1,521
2006	1,393,888,054	100,000,000	1,493,888,054	1.22	1,596
2007	1,512,675,607	100,000,000	1,612,675,607	1.19	1,713
2008	1,366,758,054	100,000,000	1,466,758,054	0.98	1,545
2009	1,496,561,371	100,000,000	1,596,561,371	0.95	1,667

NOTES:

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

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

	2000	2001	2002	2003
Assessed Value				
Real property	\$ 28,674,553,821	\$ 29,649,012,878	\$ 77,574,947,550	\$ 82,407,337,831
Personal property	3,879,302,990	4,077,848,090	4,201,344,590	4,227,854,400
Total Assessed Value	<u>\$ 32,553,856,811</u>	<u>\$ 33,726,860,968</u>	<u>\$ 81,776,292,140</u>	<u>\$ 86,635,192,231</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior)	\$ 4,301,183,073	\$ 4,447,351,932	\$ 4,654,496,853	\$ 4,944,440,270
For personal property at 15%	<u>581,895,449</u>	<u>611,677,214</u>	<u>630,201,689</u>	<u>634,178,160</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>4,883,078,522</u>	<u>5,059,029,146</u>	<u>5,284,698,542</u>	<u>5,578,618,430</u>
Debt Applicable to Limit:				
General obligation bonds	1,131,833,054	1,178,708,054	1,242,553,054	1,288,293,054
Bond anticipation notes	160,000,000	125,000,000	125,000,000	125,000,000
Long-term notes payable	<u>1,689,553</u>	<u>1,625,240</u>	<u>1,408,951</u>	<u>1,341,206</u>
Total Debt Applicable to Limit	<u>1,293,522,607</u>	<u>1,305,333,294</u>	<u>1,368,962,005</u>	<u>1,414,634,260</u>
Legal Debt Margin	<u>\$ 3,589,555,915</u>	<u>\$ 3,753,695,852</u>	<u>\$ 3,915,736,537</u>	<u>\$ 4,163,984,170</u>
Legal Debt Margin as a Percentage of Debt Limit	74%	74%	74%	75%

NOTE:

As a Charter County, the legal debt limit is provided by Article 25A, Section 5(P(i)), of the Annotated Code of Maryland. Prior to June 1, 2001, the legal debt limit was 15 percent of the assessable base (real and personal property) of the County. During that time, the assessable base for real property was 40 percent of the full assessed value. Effective June 1, 2001, real property in the State of Maryland began being assessed at 100 percent of full assessed value instead of the previous 40 percent assessment method. Also effective June 1, 2001, the section of the Code referred to above was amended in conjunction with the real property assessment change. Under the amendment, the legal debt margin is a total of 6 percent of the assessable base (presented at 100 percent) of real property of the County and 15 percent of the County's assessable base of personal property and operating real property.

2004	2005	2006	2007	2008	2009
\$ 89,263,005,267	\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472
3,963,801,610	3,902,612,110	3,831,629,230	3,948,949,550	3,970,547,370	3,920,171,020
<u>\$ 93,226,806,877</u>	<u>\$ 102,184,336,833</u>	<u>\$ 114,360,878,346</u>	<u>\$ 129,659,725,668</u>	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,492</u>
\$ 5,355,780,316	\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488
594,570,242	585,391,817	574,744,385	592,342,433	595,582,106	588,025,653
5,950,350,558	6,482,295,300	7,206,499,332	8,134,989,000	9,133,968,242	10,076,035,141
1,329,778,054	1,415,208,054	1,393,888,054	1,512,675,607	1,366,758,054	1,496,561,371
150,000,000	-	100,000,000	150,000,000	300,000,000	300,000,000
1,270,924	1,198,385	-	-	-	-
<u>1,481,048,978</u>	<u>1,416,406,439</u>	<u>1,493,888,054</u>	<u>1,662,675,607</u>	<u>1,666,758,054</u>	<u>1,796,561,371</u>
<u>\$ 4,469,301,580</u>	<u>\$ 5,065,888,861</u>	<u>\$ 5,712,611,278</u>	<u>\$ 6,472,313,393</u>	<u>\$ 7,467,210,188</u>	<u>\$ 8,279,473,770</u>
75%	78%	79%	80%	82%	82%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2009

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Brookeville - bank loans	\$ 76,000	100.00 %	\$ 76,000
Garrett Park - bonds	591,200	100.00	591,200
Poolesville - bonds	2,121,674	100.00	2,121,674
Rockville - bonds	40,193,974	100.00	40,193,974
Takoma Park:			
Bonds	4,498,054	100.00	4,498,054
Certificates or notes	7,260	100.00	7,260
Capital leases	363,686	100.00	363,686
Component Units (2):			
MCPS - capital leases	46,838,246	100.00	46,838,246
MCC - capital leases	31,225,000	100.00	31,225,000
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	117,790,951	27.41	32,290,000
Advance land acquisition bonds	3,750,000	85.60	3,210,000
Notes payable	3,184,480	66.90	2,130,366
Loan payable	170,400	100.00	170,400
Development Districts (2):			
Kingsview Village Center - bonds	2,075,000	100.00	2,075,000
West Germantown - bonds	15,060,000	100.00	15,060,000
Total Overlapping Debt			180,850,860
Montgomery County direct debt			2,050,218,071
Total Direct and Overlapping Debt			<u>\$ 2,231,068,931</u>

NOTES:

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2009*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2009
General bonded indebtedness:					
Consolidated Public Improvement Refunding	2.75 - 5.8	7/1/1992	1993-10	\$ 124,229,500	\$ 2,521,267
Consolidated Public Improvement	4.0 - 5.0	4/1/1999	2000-19	66,200,000	3,310,000
Consolidated Public Improvement	5.0 - 6.0	1/1/2000	2001-20	67,000,000	6,700,000
Consolidated Public Improvement	4.0 - 5.0	2/1/2001	2002-21	74,978,422	14,995,684
Consolidated Public Improvement Refunding	3.6 - 5.25	11/15/2002	2003-19	61,667,788	50,754,012
Consolidated Public Improvement	3.0 - 5.0	2/1/2001	2003-22	76,000,000	22,800,000
Consolidated Public Improvement Refunding	2.75 - 5.25	11/15/2002	2005-13	58,187,994	34,283,639
Consolidated Public Improvement	1.50 - 4.0	5/1/2003	2004-23	86,500,000	60,550,000
Consolidated Public Improvement Refunding	2.0 - 5.0	5/1/2003	2004-11	25,633,689	8,779,299
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	47,100,000
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	50,467,184
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	53,240,000
Consolidated Public Improvement Refunding	5.0	6/1/2005	2011-21	62,464,240	62,464,240
Consolidated Public Improvement	4.2 - 5.0	5/1/2006	2007-16	50,000,000	35,000,000
Consolidated Public Improvement	Variable	6/7/2006	2017-26	64,000,000	64,000,000
Consolidated Public Improvement	5.0	5/1/2007	2008-27	149,600,000	134,640,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	35,069,160
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	127,000,000
Total				\$ <u>1,316,503,317</u>	\$ <u>813,674,485</u>

Note:

* These general obligation bonds issued for public purposes are liabilities of, and the debt service is paid by Montgomery County

Source: Montgomery County, Maryland Debt Service Program, Direct Debt, Issues Through June 30, 2009

MONTGOMERY COUNTY, MARYLAND
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
2000	877,495	\$ 43,575,224	\$ 49,659	489,050	476,197	2.6 %	130,689
2001	894,878	45,537,627	50,887	490,213	475,049	3.1	134,180
2002	908,233	47,041,902	51,795	496,101	478,782	3.5	136,832
2003	917,160	48,533,753	52,917	496,223	479,675	3.3	138,891
2004	923,094	51,907,936	56,233	497,204	481,248	3.2	139,203
2005	930,286	55,806,685	59,989	505,692	489,940	3.1	139,337
2006	936,070	59,458,070	63,519	514,163	499,724	2.8	139,387
2007	941,491	63,573,952	67,525	512,719	499,017	2.7	137,798
2008	949,591	65,300,000	68,766	513,649	497,249	3.2	137,745
2009	957,760	67,100,000	70,059	509,926	482,255	5.4	137,763

NOTES:

- (1) Sources: Data for 2000-2007 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2008 and 2009 estimated by the Montgomery County Department of Finance from Round 7.2 Cooperative Estimates and pertain to population in households. Estimates for 2000-2007 revised by BEA in April 2009.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2004-2006 were revised by BEA and data for 2007 are a preliminary estimate from BEA. Data for 2008-2009 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2003 - 2008. Data for 2009 estimated by the Department of Finance.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2003-2008 revised by BLS. Data for 2009 estimated by the Department of Finance.
- (6) The unemployment rates for 2003 and 2008 were revised by the Bureau of Labor Statistics, U.S. Department of Labor, and the unemployment rate for 2009 estimated by the Department of Finance.
- (7) Source: County Executive's Recommended FY10 Operating Budget, Office of Management and Budget, Montgomery County, p 10-6.

MONTGOMERY COUNTY, MARYLAND
 DEMOGRAPHIC STATISTICS
 PRINCIPAL EMPLOYERS
 CURRENT FISCAL YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2009			Fiscal Year 2000		
	Employees(1)	Rank	Percentage of Total County Employment(2)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	39,979	1	8.36 %	30,463	1	6.77 %
Montgomery County Public Schools	20,953	2	4.38	18,066	2	4.02
U.S. Department of Defense	14,709	3	3.07	14,598	3	3.24
U.S. Department of Commerce	8,749	4	1.83	8,940	4	1.99
Montgomery County Government	8,525	5	1.78	7,626	5	1.70
Lockheed Martin	7,000	6	1.46	4,200	9	0.93
Adventist Healthcare	6,911	7	1.44	6,000	6	1.33
Marriott International, Inc. (Headquarters)	3,957	8	0.83	3,500	10	0.78
Giant Food Corporation	3,816	9	0.80	5,250	7	1.17
Holy Cross Hospital	3,200	10	0.67	*		
Chevy Chase Bank	*		-	4,500	8	1.00
Total	117,799		24.62 %	103,143		22.93 %

NOTES:

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

- (1) The employee numbers listed are best estimates taken during the 4th quarter of FY09 from various sources, including first-hand research by the County's Department of Economic Development, the Montgomery County Department of Park and Planning Research and Technology Center, CoStar Tenant, and company Internet websites.
- (2) Total payroll employment in FY00 was 449,900, and in FY09, 478,400.

Source: Montgomery County Department of Economic Development.

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MONTGOMERY COUNTY PUBLIC SCHOOLS
OPERATING INDICATORS BY FUNCTION
LAST SIX FISCAL YEARS

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Governmental Activities:						
Instruction:						
Total enrollment ⁽¹⁾	139,203	139,337	139,387	137,798	137,745	139,276
Regular students ⁽⁴⁾	130,852	130,601	130,444	128,511	128,478	130,371
ESOL students ⁽¹⁾	12,200	12,905	13,200	14,718	15,961	15,595
Special education students ⁽⁴⁾	8,114	8,520	8,645	8,888	8,853	8,534
Cost per pupil (accrual basis) ⁽⁵⁾	\$ 11,628	\$ 12,361	\$ 13,199	\$ 14,388	\$ 16,081	\$ 15,904
Number of teaching stations ⁽³⁾	6,430	6,598	6,817	7,098	7,379	7,660
Average teacher salary ⁽²⁾	\$ 61,962	\$ 62,608	\$ 65,173	\$ 67,439	\$ 71,039	\$ 75,517
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	14:1	14:1	14:1	13:1	13:1	14:1
Average SAT score ^{(1) *}	1,094	1,102	1,101	1,634	1,624	1,616
Seniors taking SAT ⁽¹⁾	81 %	80 %	77 %	76 %	79 %	74 %
Building capacity used ^{(3) #}	100 %	107 %	104 %	100 %	100 %	100 %
Support services:						
Student transportation:						
Number of buses ⁽¹⁾	1,202	1,230	1,252	1,264	1,272	1,271
Students transported ⁽¹⁾	96,000	93,845	95,962	95,711	96,000	96,700
Operation of plant:						
School buildings ⁽¹⁾	191	192	194	199	200	199
Square footage ⁽³⁾	18.9 million	19.6 million	20.0 million	20.9 million	21.1 million	21.1 million
Number of rooms ⁽³⁾	6,961	7,140	7,357	7,377	7,385	7,458
Maintenance of plant:						
Work orders	58,172	58,885	64,550	63,380	60,156	59,393
Average building age (years) ^{(3) +}	20	21	21	22	22	22
Administration:						
Payments issued	61,458	62,909	67,125	69,653	70,328	65,060
Purchased orders issued	42,621	46,843	48,343	49,609	43,233	58,858
Business-Type Activities:						
Food Service:						
Meals served	10.9 million	11.4 million	12.1 million	12.5 million	12.8 million	13.1 million
Free & Reduced meals	5.6 million	5.7 million	5.6 million	6.4 million	7.0 million	7.5 million
Real Estate Management:						
Square footage under lease	98,114	84,618	104,426	103,567	188,248	168,949
Average annual rental months	11	10	11	11	11	11
Field Trip:						
Number of trips run	NA	NA	7,224	7,392	8,004	9,277
Trip miles	NA	NA	259,977	270,741	298,324	366,796
Entrepreneurial activities:						
Science kits sold	3,239	3,922	4,356	12,621	5,871	7,975

Notes:

NA - Data not readily available.

Data for FY 1999 - 2003 is not readily available.

* SAT score is the average score for the previous year's graduating class.

Beginning with the Class of 2006, the SAT changed from a two-part exam totalling 1,600 to a three-part exam totalling 2,400.

Capacity calculation for elementary schools changed from 25 students/classroom to 23, beginning with 2005.

+ Average age of school buildings from time of opening or last renovation/modernization.

Sources for 2008:

(1) FY2008 Annual Report on Our Call to Action: Pursuit of Excellence (The Strategic Plan for the Montgomery County Public Schools)

(2) The Citizens Budget FY2009

(3) FY2009 Educational Facilities Master Plan and the Amended FY2009-2014 Capital Improvements Program

(4) The Superintendent's FY2009 Operating Budget Summary and Personnel Complement

(5) Total governmental-activities expense from the Statement of Activities divided by total enrollment

Various MCPS departments where not otherwise noted

MONTGOMERY COUNTY PUBLIC SCHOOLS
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2000	2001	2002	2003
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	7,884	8,490	8,974	9,197
Other staff	1,467	1,467	1,488	1,400
Total Regular instruction	<u>9,351</u>	<u>9,957</u>	<u>10,462</u>	<u>10,597</u>
Special education:				
Teachers	1,485	1,538	1,587	1,665
Other staff	896	921	1,052	1,117
Total Special education	<u>2,381</u>	<u>2,459</u>	<u>2,639</u>	<u>2,782</u>
School administration	1,336	1,383	1,432	1,486
Student personnel services	72	77	88	89
Total Instruction	<u>13,140</u>	<u>13,876</u>	<u>14,621</u>	<u>14,954</u>
Support services:				
Student transportation	1,429	1,459	1,503	1,522
Operation of plant	1,163	1,189	1,243	1,272
Maintenance of plant	373	373	371	368
Administration	331	326	337	321
Total Support services	<u>3,296</u>	<u>3,347</u>	<u>3,454</u>	<u>3,483</u>
Special Revenue:				
Instruction TV *	11	13	13	14
Business-Type Activities:				
Food Service	487	503	520	545
Adult Education	8	7	6	8
Real Estate Management	3	4	4	4
Field Trips	3	3	3	3
Entrepreneurial activities	3	5	5	6
Position Grand total	<u>16,951</u>	<u>17,758</u>	<u>18,626</u>	<u>19,017</u>

Notes:

* Instructional TV employees were reported in the General Fund under community services prior to FY2001, when the Special Revenue fund was established.

Source:

The Superintendent's Operating Budget Summary and Personnel Complement

2004	2005	2006	2007	2008	2009
9,257	9,302	9,546	9,679	9,666	9,589
<u>1,343</u>	<u>1,354</u>	<u>1,354</u>	<u>1,392</u>	<u>1,429</u>	<u>1,371</u>
<u>10,600</u>	<u>10,656</u>	<u>10,900</u>	<u>11,071</u>	<u>11,095</u>	<u>10,960</u>
1,708	1,775	1,867	1,985	2,024	2,047
<u>1,166</u>	<u>1,206</u>	<u>1,269</u>	<u>1,377</u>	<u>1,412</u>	<u>1,424</u>
<u>2,874</u>	<u>2,981</u>	<u>3,136</u>	<u>3,362</u>	<u>3,436</u>	<u>3,471</u>
1,498	1,543	1,610	1,675	1,691	1,677
<u>121</u>	<u>121</u>	<u>122</u>	<u>120</u>	<u>122</u>	<u>118</u>
<u>15,093</u>	<u>15,301</u>	<u>15,768</u>	<u>16,228</u>	<u>16,344</u>	<u>16,226</u>
1,620	1,688	1,728	1,750	1,751	1,745
1,280	1,285	1,322	1,390	1,405	1,403
363	380	389	377	380	396
<u>326</u>	<u>334</u>	<u>345</u>	<u>363</u>	<u>377</u>	<u>369</u>
<u>3,589</u>	<u>3,687</u>	<u>3,784</u>	<u>3,880</u>	<u>3,913</u>	<u>3,913</u>
14	14	14	14	14	14
575	577	590	601	602	605
8	6	5	-	-	-
4	4	5	4	4	7
3	3	3	3	3	4
<u>7</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>8</u>
<u>19,293</u>	<u>19,601</u>	<u>20,178</u>	<u>20,740</u>	<u>20,890</u>	<u>20,777</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE
as of June 30, 2009

Type of Coverage	Name of Company	Policy Number	Policy Period		Coverage
			From	To	
Comprehensive General Liability Comprehensive Auto Liability	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/09-07/01/10		\$100,000
Workers' Compensation	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/09-07/01/10		As required by Maryland Statutes plus \$100,000 Insurance Fund
Boiler and Machinery	FM Global	LP893	07/01/09-07/01/10		Extra expense \$25,000 deductible
Property All Risk Coverage	FM Global	LP893	07/01/09-07/01/10		Replacement costs less \$250,000 deductible per occurrence including Flood and Earthquake \$500,000,000 per occurrence
Bus, Truck and Auto Fleet Fire, Theft and Comprehensive	FM Global	LP550	07/01/98-07/01/10		Same as above
Commercial Crime Policy Bond Coverage - all employees	Zurich Insurance.	CCP006103403	07/01/09-06/30/10		\$1,000,000 per loss \$500,000 forgery/alteration
Public Official Bond	Travelers	103962416	07/01/08-07/01/11		\$10,000
Tackle Football for Students	United Healthcare	N/A	08/15/09-08/15/10		\$100,000 medical expense After 52 weeks after accident - \$2,500 death
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG9100883	08/01/09-08/01/10		\$5,000,000 Medical expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/09-06/30/10		No limit
Fiduciary Liability	AIG	02-588-5212	07/01/09-06/30/10		\$5,000,000
Excess Liability Auto and General	Alliant Insurance Co.	71M2000001-071	07/01/09-06/30/10		\$10,000,000 \$3,000,000 retention Self-Insurance Fund Pays 1 st \$3 million
Business Auto	Hartford Insurance Co.	42UENJC0028	07/01/09-06/30/10		\$1,000,000

N/A -- Not Applicable

Source: Department of Financial Services

