

MONTGOMERY COUNTY PUBLIC SCHOOLS

A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010



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.

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

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, 2010

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:
Cresthaven 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
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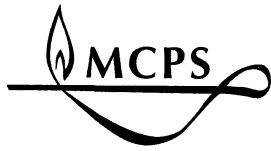
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INTRODUCTORY SECTION

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September 28, 2010

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, 2010.

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 safeguarded and accounted for properly, 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 licensed 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.

MCPS Profile

The Board of Education of Montgomery County is the elected body, corporate and politic, established under Maryland state law to provide public education in kindergarten through twelfth grade to children residing within the borders of Montgomery County, Maryland. The Board comprises five district members, two at-large members, and one student member elected for a one-year term. The Board determines educational policy 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.

Members of the Board of Education

The MCPS Operating 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 MCPS Educational Foundation, Inc. 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 67 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 remained weak as a result of the national recession. According to the Center for Regional Analysis, the region's economy is expected to grow slowly during 2010. The region added approximately 15,000 jobs over the past year. The most recent unemployment rate was 6.4 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 1.5 percent during Fiscal Year (FY) 2010. The Washington MSA Leading Index increased by 2.1 percent in FY 2010, suggesting moderate 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 2.3 percent in the past year, slightly above the national

Members of the Board of Education

average, and higher than the previous year's regional inflation rate of 0.2 percent. Montgomery County's economy has experienced a weak economic performance during the last year. The primary reasons for the county's weak performance were declining employment, weak residential and nonresidential construction, and a continued decline in housing sales prices. Resident employment declined by 12,100 (3.0 percent) during FY 2010. Payroll employment decreased by 0.3 percent. However, the county's unemployment rate of 5.7 percent remains below the state average and one of the lowest in the state. Construction activity experienced mixed performance during FY 2010, increasing modestly from a historically low base. Because of strong nonresidential activity, new projects were up 11.7 percent in value. The value of new residential construction has decreased 8.9 percent this year, but the number of residential building permits issued increased by 17.3 percent. The number of residential sales increased during the year by 27.4 percent and housing inventories declined; however, average home prices in the county have decreased by 5.1 percent this year. While revenue from property taxes increased by 5.4 percent and real estate transfer and recordation taxes increased by 7.3 percent, revenue from income tax decreased by 20.6 percent in FY 2010. Purchases of goods and services were down by 1.5 percent in FY 2010.

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 2012 through FY 2016 indicate an annual increase for major known commitments of \$74.8 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 2016, not including the cost of future negotiated agreements. Each one percent salary increase will add \$13.5 million in FY 2012. These projections do not include funds to address 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—During FY 2010, the Board of Education reached agreement on four-year contracts with all four employee associations. All contracts will expire on June 30, 2014. The contracts all provided for no step increases and no cost-of-living adjustments. All contracts provide for reopened negotiations on economic provisions during each of the next three years.

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. Between 2008 and 2009 enrollment increased by 2,200 students and between 2009 and 2010 enrollment increased by 2,500 students. Enrollment on September 30, 2010, is expected to be about 144,000. 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 2016.

In regard to school capacity, MCPS is still catching up with enrollment increases that have already occurred, with additional space needs resulting from increases in county births, migration into MCPS from a number of sources, implementation of full-day kindergarten at all elementary schools, and 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

Members of the Board of Education

year, MCPS is addressing over utilization at schools with 415 relocatable classrooms, 384 of which are at elementary schools where space issues are most pronounced. To relieve over utilization of schools, in FY 2010, MCPS added a total of 40 classrooms at 2 elementary schools and 1 high school. In addition, in FY 2010 MCPS opened a new elementary school (with 33 classrooms). In FY 2011, MCPS will add another 48 classrooms to 5 elementary schools and 1 high school. Further increases in school capacity are programmed for FY 2012 to FY 2016.

Accomplishments and Awards

Graduation rates—According to the 2010 Diplomas Count report released by *Education Week*, MCPS has the highest graduation rate of any of the 50 largest school districts in the nation. The report calculated the MCPS graduation rate as 83.1 percent.

Top High Schools—Seven MCPS high schools were named to Newsweek magazine’s list of the top 100 public high schools in the nation, the most for any school system. Inclusion on the list reflects a high school’s ability to provide students with access to Advanced Placement and International Baccalaureate classes. Four MCPS high schools were on the list last year.

Broad Prize finalist—MCPS has been named one of five finalists for the prestigious Broad Prize for Urban Education. MCPS was chosen as a finalist from a pool of 100 school districts. The Broad Prize is the largest education prize in the country. Designation as a finalist means MCPS 2011 graduates will have access to at least \$250,000 in college scholarships. The winner of the Broad Prize receives \$1.0 million in college scholarships.

SAT scores—The systemwide average SAT score in FY 2010 was 1653, an all-time high for the district and an increase of 38 points over last year, with 77 percent of seniors taking the SAT and/or ACT test. The average SAT score was 144 points above the national average and 151 points above the Maryland state average. The average included a mathematics score of 560, a critical reading score of 545, and a writing score averaging 547. SAT scores show a reduced but significant gap between the average scores of White and Asian American students and those of African American and Hispanic students.

Academic progress—Students at all levels are demonstrating improved academic achievement. In 2009, 48 percent of the school system’s seniors scored a 3 or higher on at least one Advanced Placement exam, which is three times the national average and almost double the average in Maryland. Nearly 64 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. MCPS has the highest graduation rate (83.1 percent) among the nation’s largest school districts. Record numbers of kindergarten students are reading—more than 90 percent in 2009, 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 57 percent of Grade 8 students successfully completed Algebra 1 with a “C” or higher in 2009.

Members of the Board of Education

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, 2009. 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 29 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 2010 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, 2009

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.



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

MONTOMERY COUNTY PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2009

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

President

Executive Director

**MONTGOMERY COUNTY PUBLIC SCHOOLS
LISTING OF OFFICIALS**

MEMBERS OF THE BOARD OF EDUCATION

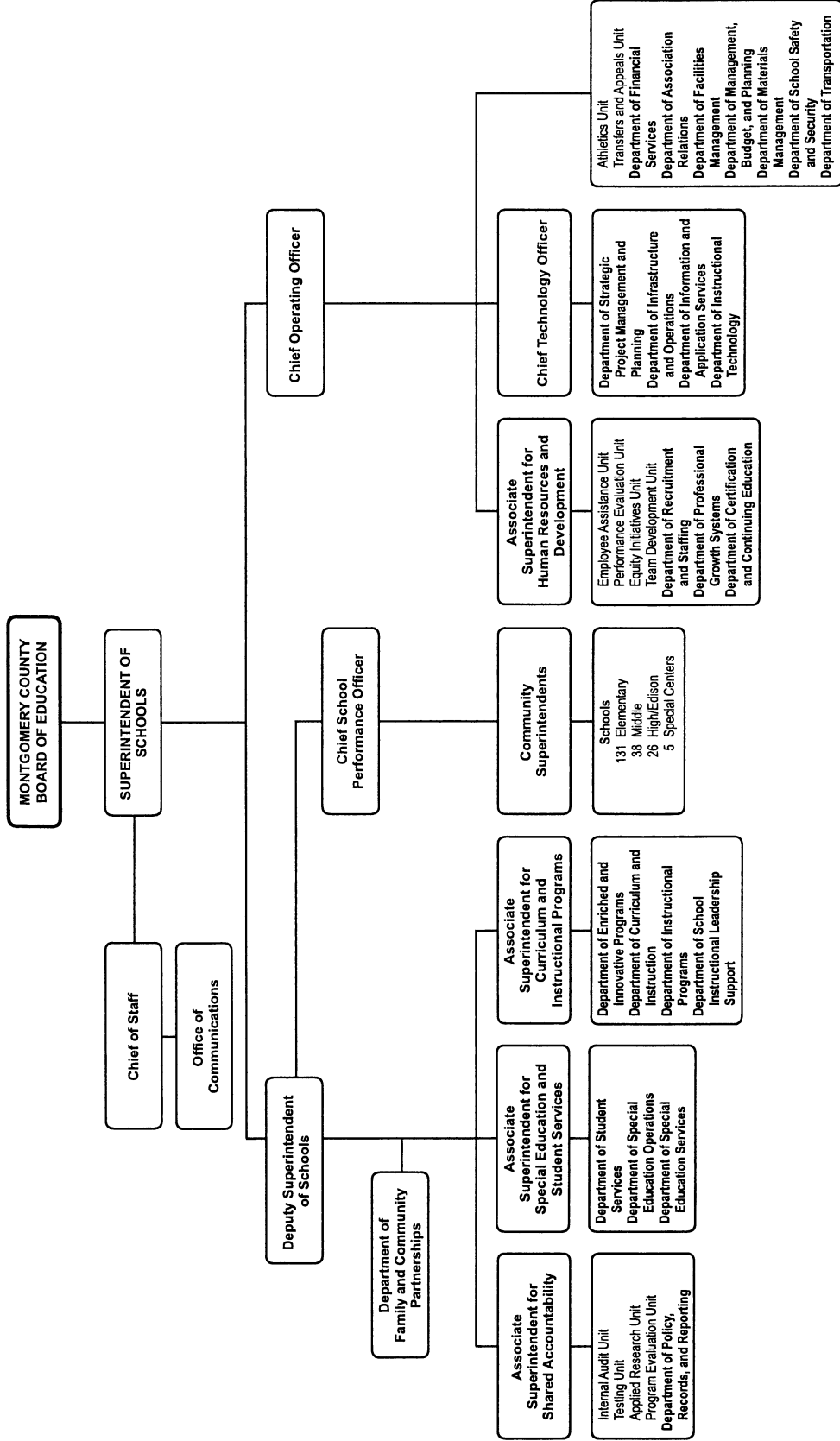
Patricia B. O’Neill, President
Christopher S. Barclay, Vice President
Laura V. Berthiaume
Shirley Brandman
Judith R. Docca (Dr.)
Michael A. Durso
Philip S. Kauffman

Alan Xie, 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
Frank Stetson (Dr.).....Chief School Performance Officer
Sherwin Collette Chief Technology Officer
Erick Lang.....Associate Superintendent for Curriculum and Instructional Programs
Carole C. Goodman..... Associate Superintendent for Human Resources
and Development
Chrisandra A. RichardsonAssociate Superintendent for Special Education
and Student Services
Renee A. Foose..... Associate Superintendent for Shared Accountability
Sean Bulson.....Community Superintendent
Ursula Hermann (Dr.).....Community Superintendent
LaVerne Kimball (Dr.)..... Community Superintendent
Sherry Liebes (Dr.)..... Community Superintendent
Bronda L. Mills..... Community Superintendent
Adrian Talley Community Superintendent

MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION



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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, 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, 2010 and the budgetary comparison for the general fund for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the 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 28, 2010, 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 14 through 24 and the schedules of funding progress and employer and other contributing entities contributions on page 61 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, other 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 28, 2010

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, 2010. 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 1–5 of this report.

Financial Highlights

- The assets of MCPS exceeded its liabilities at June 30, 2010, by \$1,664.7 million, which represents its net assets.
- MCPS' net assets decreased during the year by \$31.5 million.
- 80 percent of capital asset additions were directed toward instructional facilities, including the modernization of two elementary schools and one high school.
- MCPS successfully realized its commitment to the Montgomery County Council to generate \$10.3 million in FY 2010 savings to be used to fund the MCPS FY 2011 Operating Budget. Also, MCPS reduced spending by \$19,700,000 to help Montgomery County build its reserve accounts and maintain its "AAA" credit rating.

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 result only 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 27–29 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 30–34 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 35–37 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 38–39 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 41–61 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 64–74 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 192.1	\$ 218.1	\$ (0.6)	\$ (0.8)	\$ 191.5	\$ 217.3
Capital assets	1,992.5	1,926.3	4.2	4.4	1,996.7	1,930.7
Total assets	<u>2,184.6</u>	<u>2,144.4</u>	<u>3.6</u>	<u>3.6</u>	<u>2,188.2</u>	<u>2,148.0</u>
Long-term liabilities outstanding	328.2	252.9	4.9	3.5	333.1	256.4
Other liabilities	187.8	193.1	2.6	2.3	190.4	195.4
Total liabilities	<u>516.0</u>	<u>446.0</u>	<u>7.5</u>	<u>5.8</u>	<u>523.5</u>	<u>451.8</u>
Net Assets:						
Invested in capital assets, net of related debt	1,972.4	1,901.1	3.9	4.2	1,976.3	1,905.3
Unrestricted	(303.8)	(202.7)	(7.8)	(6.4)	(311.6)	(209.1)
Total net assets	<u>\$ 1,668.6</u>	<u>\$ 1,698.4</u>	<u>\$ (3.9)</u>	<u>\$ (2.2)</u>	<u>\$ 1,664.7</u>	<u>\$ 1,696.2</u>

Government-wide Financial Analysis

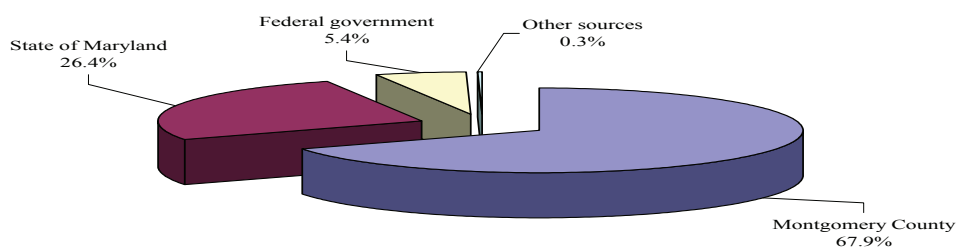
Net assets may serve as a useful indicator of a government's financial position. MCPS' net assets, the amount by which assets exceed liabilities, decreased \$31.5 million to \$1,664.7 million. Most of the decrease came from governmental activities, which decreased by \$29.8 million to \$1,668.6 million. 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 \$71.3 million to \$1,972.4 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 of Maryland.

The unrestricted net assets deficit increased \$102.5 million to a \$311.6 million deficit at June 30, 2010. The increase in unrestricted net assets deficit is primarily attributed to the increase in the net OPEB obligation of \$89.1 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.

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 decreased \$39.0 million (1.6 percent). Intergovernmental revenues decreased \$82.5 million (3.7 percent), and operating grants revenues increased \$48.3 million (62.1 percent). Intergovernmental revenues from Montgomery County decreased \$105.7 million (6.4 percent). In an effort to assist

Montgomery County in responding to a short-fall in tax revenues, MCPS agreed to reduce its revenue appropriation from the County by \$99.2 million. Intergovernmental revenue from the State of Maryland increased \$19.5 million (3.3 percent), related to an increase in unrestricted *Bridge to Excellence* formula-driven grants. The increase in operating grants revenue is attributed to revenue received under the *American Recovery and Reinvestment Act of 2009* (ARRA). ARRA revenue included \$6.3 million for Title I and other programs, \$14.3 million for special education, and \$27.8 million in ARRA State Fiscal Stabilization Fund revenue used to pay utility expenses.

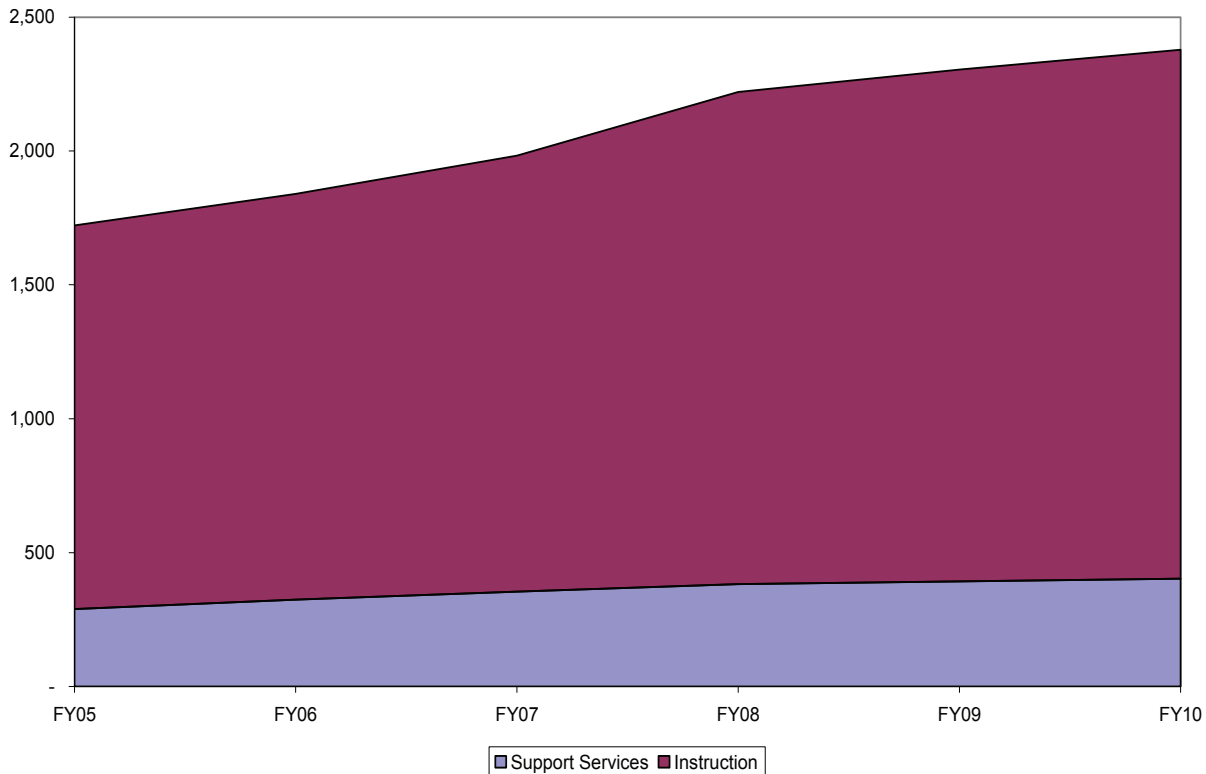
Montgomery County Public Schools Changes in Net Assets
(Amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 4.6	\$ 5.0	\$ 24.7	\$ 28.0	\$ 29.3	\$ 33.0
Operating grants and contributions	126.1	77.8	24.9	21.6	151.0	99.4
Capital grants and contributions	44.3	48.9	0.6	0.4	44.9	49.3
General revenues:						
Intergovernmental	2,173.6	2,256.1			2,173.6	2,256.1
Other	1.0	0.7	0.1	0.1	1.1	0.8
Total revenues	2,349.5	2,388.5	50.3	50.1	2,399.8	2,438.6
Expenses:						
Regular instruction	1,382.0	1,344.8			1,382.0	1,344.8
Special education	382.2	357.7			382.2	357.7
School administration	195.9	192.0			195.9	192.0
Student personnel services	16.6	16.7			16.6	16.7
Health services	-	-			-	-
Student transportation	125.1	122.6			125.1	122.6
Operation of plant	153.3	145.2			153.3	145.2
Maintenance of plant	59.2	57.6			59.2	57.6
Administration	60.9	63.1			60.9	63.1
Community services	2.3	2.2			2.3	2.2
Interest on capital leases	1.8	2.0			1.8	2.0
Food services			45.7	46.5	45.7	46.5
Real estate management			2.6	2.5	2.6	2.5
Field trips			1.7	1.8	1.7	1.8
Entrepreneurial activities			2.0	1.4	2.0	1.4
Total expenses	2,379.3	2,303.9	52.0	52.2	2,431.3	2,356.1
Increase (decrease) in net assets	(29.8)	84.6	(1.7)	(2.1)	(31.5)	82.5
Net Assets—beginning	1,698.4	1,613.8	(2.2)	(0.1)	1,696.2	1,613.7
Net Assets—ending	\$ 1,668.6	\$ 1,698.4	\$ (3.9)	\$ (2.2)	\$ 1,664.7	\$ 1,696.2

Total expenses increased \$75.4 million (3.3 percent) to \$2,379.3 million. In 2010, instructional programs expenses accounted for 83.1 percent, (82.9 percent in 2009), and support services accounted for 16.9 percent (17.1 percent in 2009) 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 \$29.2 million

(8.2 percent), principally due to increased funding of OPEB obligations. Salaries increased \$15.6 million (1.2 percent) as a result of student enrollment increases. Negotiated salary rates were frozen at 2009 rates. Capital project expenditures increased \$50.4 million (26.7 percent).

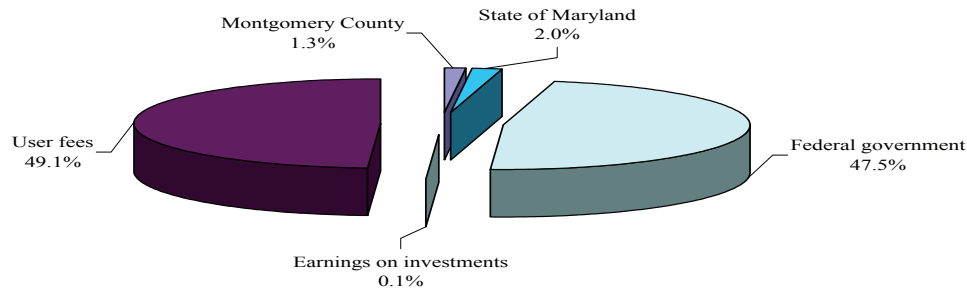
Instruction vs. Support Services Expenses
(Amount expressed in millions)



Business-type activities. Business-type activities decreased MCPS' net assets by \$1.7 million. Total revenues changed little from prior year. Charges for services decreased \$3.3 million (11.8 percent) principally due to additional snow days reducing cafeteria days of operation. The number of reimbursable meals decreased approximately 200,000 (1.5 percent) to 12,900,000. Operating grants related to federal student lunch programs increased \$3.2 million (14.7 percent).

Total expenses decreased \$0.2 million (0.4 percent). Food services operating expenses decreased \$0.8 million (1.7 percent). Food costs decreased \$0.8 million (6.4 percent) due to reduction in cafeteria operating days.

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.

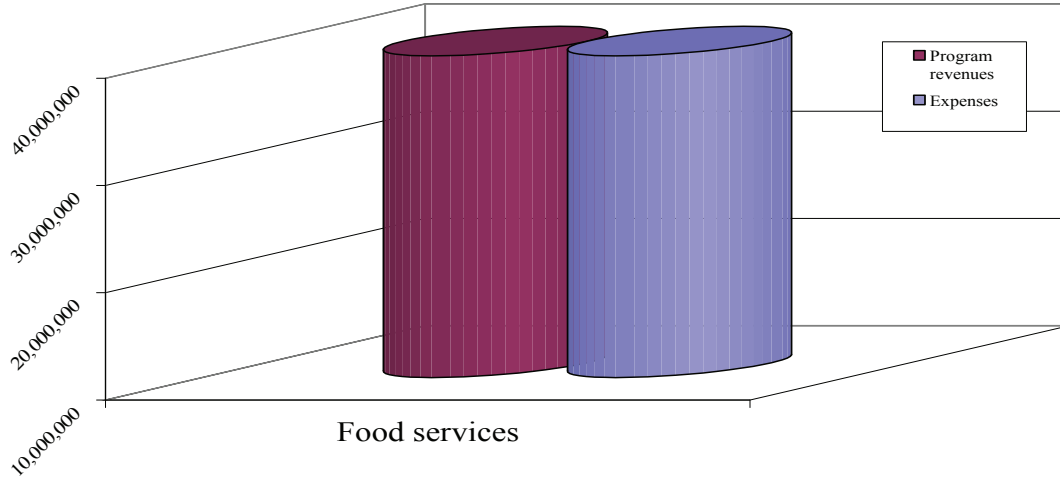
Governmental funds. The focus of MCPS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MCPS' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's 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 \$13.8 million, a decrease of \$29.4 million from the prior year. The unreserved, undesignated fund balance was \$0.4 million and the reserved fund balances were \$13.4 million. Reserved fund balances are unavailable for new spending because it has already been reserved to liquidate prior-period commitments.

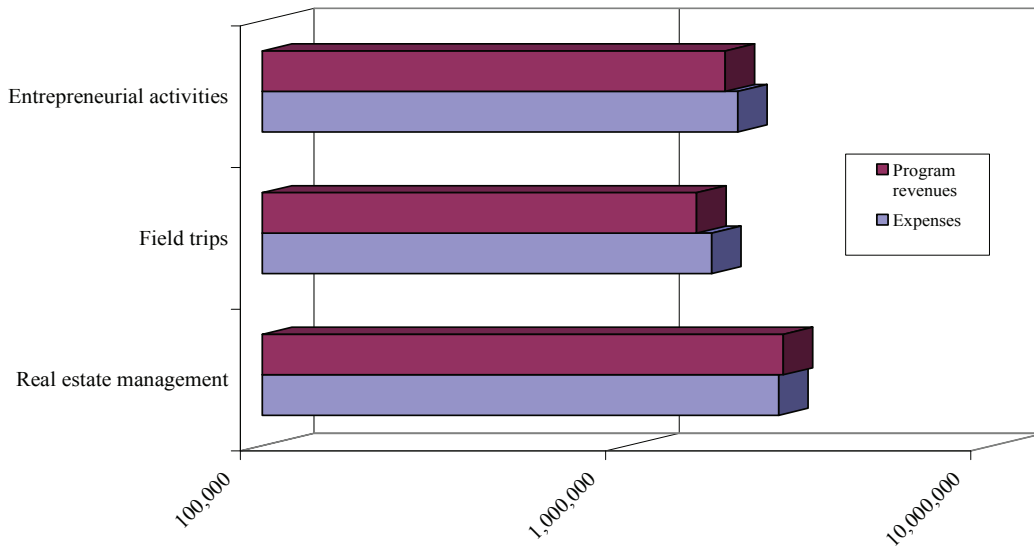
The general fund is the principal operating fund of MCPS. At June 30, 2010, unreserved, undesignated fund balance was \$0.2 million and total fund balance was \$13.5 million. Unreserved, undesignated fund balance decreased \$44.1 million, resulting primarily from the use of \$44.2 million of undesignated fund balance to fund the 2010 appropriation.

The capital projects fund 2009 deficit of \$13.8 million was reduced to zero at June 30, 2010. The deficit reflected school construction funding reversions by the State of Maryland that occurred after the anticipated state funds had been expended. During 2010, Montgomery County contributed \$5.8 million and the MCPS general fund transferred \$8.0 million to replace the \$13.8 million in lost revenue from the state. No additional reversions arose during 2010.

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 FY 2010 was \$1.2 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 decreased by \$47.0 million to \$12.8 million. The decrease in fund balance resulted primarily from the use of \$44.2 million in prior-year fund balance to fund the 2010 operating budget and the transfer of \$8.0 million to reduce the capital projects fund deficit.

Actual revenues were \$112.4 million under budget for the year. Unrestricted revenue from Montgomery County was \$99.2 million under budget, as a result of an effort by MCPS to assist Montgomery County in responding to a shortfall in tax revenues. Unrestricted revenue from the State of Maryland was under budget by \$1.0 million, due to a decrease in funding for students placed in nonpublic facilities. Restricted revenues were \$11.6 million under budget, of which \$2.3 million comprised estimated restricted grants that did not materialize, and \$9.3 million in unrealized revenue for grants that carried forward into 2011.

Actual expenditures were \$123.9 million under budget. Restricted expenditures were \$11.6 million less than the budget, which consisted of \$9.3 million in unspent funds for grants that carry forward into 2011, and \$2.3 million in estimated restricted grants that did not materialize.

Unrestricted expenditures were \$112.3 million under budget. A savings plan implemented during the year reduced expenditures by \$32.8 million. In agreement with the Montgomery County Council, \$19.7 million in savings would be used by Montgomery County to increase its reserve accounts and \$10.3 million would be used in funding the FY 2011 budget. Seventy-nine and one-half million dollars budgeted for county debt service was not spent after the Maryland State Department of Education ruled that debt service expenditures would not qualify for determining the county's maintenance of effort requirement.

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, 2010, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$1,996.6 million, net of accumulated depreciation. This amount represents a net increase of \$65.9 million or 3.4 percent from last year. The net value of buildings, less accumulated depreciation, increased \$145.0 million and construction in progress decreased \$86.0 million.

Montgomery County Public Schools Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 70.2	\$ 68.9	\$	\$	\$ 70.2	\$ 68.9
Buildings	1,614.9	1,469.9			1,614.9	1,469.9
Improvements other than buildings	164.9	152.0			164.9	152.0
Vehicle and equipment	52.0	59.0	4.2	4.4	56.2	63.4
Construction	90.5	176.5			90.5	176.5
Total	\$ 1,992.5	\$ 1,926.3	\$ 4.2	\$ 4.4	\$ 1,996.7	\$ 1,930.7

To relieve overcrowding, reduce the number of relocatable classrooms, and accommodate full-day kindergarten, in FY 2010, MCPS added 40 classrooms to two elementary schools and one high school. In FY 2011, MCPS will add 48 classrooms to five elementary schools and one high school.

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

Long-term debt. At June 30, 2010, MCPS had \$33.1 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 \$6.4 million during 2010. Principal payments on existing capital leases were \$20.3 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).

The FY 2010 UAAL contribution of \$11.9 million was appropriated by the Montgomery County Council, with provision that payment would be made to the OPEB Plan Trust only if county resources were not otherwise required to address a FY 2010 fiscal shortfall. The FY 2010 payment was not made, due to declining county tax revenues. 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 Act* (NCLB). 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 Act* (BTE) (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, 2010

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in pooled cash and investments	\$ 18,337,323	\$ 1,042,135	\$ 19,379,458	\$
Cash and cash equivalents		6,678,135	6,678,135	30,133
Investments - cash equivalents	32,939,818		32,939,818	
Investments				5,435,899
Accounts receivable:				
Montgomery County	85,095,949	76,342	85,172,291	
State of Maryland	6,007,523	118,346	6,125,869	
Federal government	14,991,731	1,368,382	16,360,113	
Other	14,278,790	586,616	14,865,406	
Due from component unit	734,055		734,055	
Internal balances	12,038,378	(12,038,378)	-	
Inventories	6,954,858	1,608,641	8,563,499	
Prepays	266,603		266,603	
Due from employees	437,426		437,426	
Capital assets (net of accumulated depreciation):				
Land and site improvements	235,153,493		235,153,493	
Buildings and additions	1,614,858,192		1,614,858,192	
Construction in progress	90,485,660		90,485,660	
Vehicles and equipment	52,050,143	4,160,388	56,210,531	
Total assets	2,184,629,942	3,600,607	2,188,230,549	5,466,032
Liabilities				
Accounts payable and other current liabilities	149,953,641	402,771	150,356,412	
Due to primary government				734,055
Due to fiduciary funds	11,892,211		11,892,211	
Unearned revenue	1,738,816	2,033,266	3,772,082	
Noncurrent liabilities:				
Due within one year	24,205,637	173,373	24,379,010	
Due in more than one year	328,247,582	4,888,051	333,135,633	
Total liabilities	516,037,887	7,497,461	523,535,348	734,055
Net Assets (Deficit)				
Invested in capital assets, net of related debt	1,972,419,863	3,951,552	1,976,371,415	
Restricted for:				
Instructional Programs, Expendable				554,629
Scholarships, Non-Expendable				821,862
Unrestricted	(303,827,808)	(7,848,406)	(311,676,214)	3,355,486
Total net assets (deficit)	\$ 1,668,592,055	\$ (3,896,854)	\$ 1,664,695,201	\$ 4,731,977

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,382,022,729	\$ 3,895,329	\$ 46,302,669	\$ 20,877,685
Special education	382,151,880	370,247	43,021,719	
School administration	195,915,953		3,421,673	
Student personnel services	16,590,455		1,805,083	
Health services	40,091			
Total instruction	<u>1,976,721,108</u>	<u>4,265,576</u>	<u>94,551,144</u>	<u>20,877,685</u>
Support services:				
Student transportation	125,139,197	351,421	1,504,486	-
Operation of plant	153,349,143		27,845,486	5,331,537
Maintenance of plant	59,180,621		109,622	12,688,556
Administration	60,891,077		323,407	5,359,498
Community services	2,291,223		1,764,907	
Interest on capital leases	1,750,321			
Total support services	<u>402,601,582</u>	<u>351,421</u>	<u>31,547,908</u>	<u>23,379,591</u>
Total governmental activities	<u>2,379,322,690</u>	<u>4,616,997</u>	<u>126,099,052</u>	<u>44,257,276</u>
Business-type activities:				
Food services	45,687,584	18,621,337	24,871,047	641,790
Real estate management	2,591,862	2,667,604		
Field trips	1,697,423	1,543,871		
Entrepreneurial activities	2,001,442	1,849,158		
Total business-type activities	<u>51,978,311</u>	<u>24,681,970</u>	<u>24,871,047</u>	<u>641,790</u>
Total primary government	<u>\$ 2,431,301,001</u>	<u>\$ 29,298,967</u>	<u>\$ 150,970,099</u>	<u>\$ 44,899,066</u>
Component Unit:				
Educational Foundation	<u>\$ 1,512,857</u>	<u>\$ -</u>	<u>\$ 1,248,208</u>	<u>\$ -</u>
General revenues:				
Unrestricted intergovernmental:				
Montgomery County				
State of Maryland				
Federal government				
Other income				
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			
Governmental Activities	Primary Government		Component Unit Educational Foundation
	Business-Type Activities	Total	
\$ (1,310,947,046)	\$ -	\$ (1,310,947,046)	\$ -
(338,759,914)		(338,759,914)	
(192,494,280)		(192,494,280)	
(14,785,372)		(14,785,372)	
(40,091)		(40,091)	
<u>(1,857,026,703)</u>	<u>-</u>	<u>(1,857,026,703)</u>	<u>-</u>
(123,283,290)		(123,283,290)	
(120,172,120)		(120,172,120)	
(46,382,443)		(46,382,443)	
(55,208,172)		(55,208,172)	
(526,316)		(526,316)	
(1,750,321)		(1,750,321)	
<u>(347,322,662)</u>	<u>-</u>	<u>(347,322,662)</u>	<u>-</u>
<u>(2,204,349,365)</u>	<u>-</u>	<u>(2,204,349,365)</u>	<u>-</u>
	(1,553,410)	(1,553,410)	
	75,742	75,742	
	(153,552)	(153,552)	
	(152,284)	(152,284)	
<u>-</u>	<u>(1,783,504)</u>	<u>(1,783,504)</u>	<u>-</u>
<u>(2,204,349,365)</u>	<u>(1,783,504)</u>	<u>(2,206,132,869)</u>	<u>-</u>
			(264,649)
1,550,665,251		1,550,665,251	
616,478,426		616,478,426	
6,454,228		6,454,228	
985,888	70,501	1,056,389	
<u>2,174,583,793</u>	<u>70,501</u>	<u>2,174,654,294</u>	<u>-</u>
(29,765,572)	(1,713,003)	(31,478,575)	(264,649)
1,698,357,627	(2,183,851)	1,696,173,776	4,996,626
<u>\$ 1,668,592,055</u>	<u>\$ (3,896,854)</u>	<u>\$ 1,664,695,201</u>	<u>\$ 4,731,977</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 18,337,323	\$ -	\$ -	\$ 18,337,323
Accounts receivable:				
Montgomery County	69,370,494	15,725,455		85,095,949
State of Maryland	4,070,397	1,937,126		6,007,523
Federal government	14,991,731			14,991,731
Other	14,160,453	117,405		14,277,858
Due from other funds	4,834,529	6,931,147	296,968	12,062,644
Due from fiduciary funds	674,992			674,992
Due from component unit	734,055			734,055
Inventories	6,954,858			6,954,858
Prepays	266,603			266,603
Due from employees	437,426			437,426
Total assets	<u>\$ 134,832,861</u>	<u>\$ 24,711,133</u>	<u>\$ 296,968</u>	<u>\$ 159,840,962</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 25,192,750	\$ 18,691,056	\$ 26,023	\$ 43,909,829
Retainage payable		6,000,883		6,000,883
Accrued salaries and withholdings	78,345,934			78,345,934
Due to other funds	9,864,981	19,194	5,072	9,889,247
Unearned revenue	1,738,816			1,738,816
Compensated absences	6,158,881			6,158,881
Total liabilities	<u>121,301,362</u>	<u>24,711,133</u>	<u>31,095</u>	<u>146,043,590</u>
Fund Balances:				
Reserved for:				
Encumbrances	6,104,012		25,885	6,129,897
Inventories	6,954,858			6,954,858
Prepays	266,603			266,603
Unreserved, undesignated, reported in:				
General Fund	206,026			206,026
Capital Projects Fund		-		-
Special Revenue Fund			239,988	239,988
Total unreserved, undesignated	<u>206,026</u>	<u>-</u>	<u>239,988</u>	<u>446,014</u>
Total fund balances	<u>13,531,499</u>	<u>-</u>	<u>265,873</u>	<u>13,797,372</u>
Total liabilities and fund balances	<u>\$ 134,832,861</u>	<u>\$ 24,711,133</u>	<u>\$ 296,968</u>	<u>\$ 159,840,962</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, 2010

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

Total fund balances - governmental funds		\$	13,797,372
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		\$ 2,861,158,426	
Accumulated depreciation is		<u>(868,610,938)</u>	
			1,992,547,488
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.			
			8,541,533
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		(32,784,825)	
Compensated absences	\$ (104,966,323)		
Compensated absences-Governmental Funds	<u>6,158,881</u>		
		(98,807,442)	
OPEB obligation		<u>(214,702,071)</u>	
			<u>(346,294,338)</u>
Total net assets - governmental activities		\$	<u>1,668,592,055</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, 2010

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,428,500,970	\$ 164,968,991	\$ -	\$ 1,593,469,961
State of Maryland	591,809,227	27,575,873		619,385,100
Federal government	125,610,476	1,619,597		127,230,073
Other sources	<u>6,195,606</u>	<u>330,086</u>	<u>1,581,510</u>	<u>8,107,202</u>
Total revenues	<u>2,152,116,279</u>	<u>194,494,547</u>	<u>1,581,510</u>	<u>2,348,192,336</u>
Expenditures:				
Current:				
Administration	39,543,392			39,543,392
Mid-level administration	133,865,561			133,865,561
Instructional salaries and wages	851,338,027			851,338,027
Instructional textbooks and supplies	26,674,306			26,674,306
Other instructional costs	11,456,405			11,456,405
Special education	273,368,914			273,368,914
Student personnel services	11,289,494			11,289,494
Health services	38,695			38,695
Student transportation	87,252,913			87,252,913
Operation of plant	115,639,206			115,639,206
Maintenance of plant	34,612,073			34,612,073
Fixed charges	596,364,990			596,364,990
Community services	196,240		1,560,714	1,756,954
Debt service:				
Capital lease principal	10,727,473	9,450,969		20,178,442
Capital lease interest	1,100,454	649,867		1,750,321
Capital outlay		<u>178,597,204</u>		<u>178,597,204</u>
Total expenditures	<u>2,193,468,143</u>	<u>188,698,040</u>	<u>1,560,714</u>	<u>2,383,726,897</u>
Excess (deficiency) of revenues over expenditures	<u>(41,351,864)</u>	<u>5,796,507</u>	<u>20,796</u>	<u>(35,534,561)</u>
Other financing (uses) sources:				
Capital lease financing	6,125,021			6,125,021
Transfers in (out)	<u>(8,061,864)</u>	<u>8,061,864</u>		<u>-</u>
Total other financing (uses) sources	<u>(1,936,843)</u>	<u>8,061,864</u>	<u>-</u>	<u>6,125,021</u>
Net change in fund balances	(43,288,707)	13,858,371	20,796	(29,409,540)
Fund balances - beginning	<u>56,820,206</u>	<u>(13,858,371)</u>	<u>245,077</u>	<u>43,206,912</u>
Fund balances - ending	<u>\$ 13,531,499</u>	<u>\$ -</u>	<u>\$ 265,873</u>	<u>\$ 13,797,372</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, 2010

Total net change in fund balances - governmental funds \$ (29,409,540)

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 (\$178,597,204 less non-capitalized items of \$42,892,494) plus capital outlays for general fund assets (\$6,056,398) exceed depreciation expense (\$71,136,187) in the current period. 70,624,921

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. (4,423,181)

Some of the capital assets and assets below the capitalization threshold acquired this year were financed with capital leases. The amount financed by capital 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. 14,053,421

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	\$ (87,877,722)	
Compensated absences	(1,575,300)	
Change in net pension obligation	<u>3,098,291</u>	(86,354,731)

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. 5,743,538

Change in net assets of governmental activities \$ (29,765,572)

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, 2010

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
Revenues:						
Montgomery County	\$ -	\$ 1,529,554,447	\$ 1,529,554,447	\$ 1,527,741,218	\$ 1,428,500,970	\$ (99,240,248)
State of Maryland	-	440,634,651	440,634,651	443,357,968	441,828,070	(1,529,898)
Federal government	-	122,774,167	122,774,167	129,036,106	121,005,063	(8,031,043)
Other sources	-	15,829,526	15,829,526	9,849,194	6,195,606	(3,653,588)
Total revenues	-	2,108,792,791	2,108,792,791	2,109,984,486	1,997,529,709	(112,454,777)
Expenditures and encumbrances:						
Current:						
Administration	381,246	42,173,221	42,554,467	41,405,464	40,354,063	1,051,401
Mid-level administration	57,251	135,908,208	135,965,459	136,177,234	133,899,019	2,278,215
Instructional salaries and wages	-	859,241,565	859,241,565	857,226,130	849,084,941	8,141,189
Instructional textbooks and supplies	768,140	32,330,555	33,098,695	33,629,532	27,754,863	5,874,669
Other instructional costs	1,054,081	17,258,555	18,312,636	17,889,933	13,241,848	4,648,085
Special education	2,635,191	282,084,131	284,719,322	286,757,086	273,565,942	13,191,144
Student personnel services	75	11,175,378	11,175,453	11,398,828	11,289,494	109,334
Health services	-	41,002	41,002	41,002	38,957	2,045
Student transportation	524,815	93,643,361	94,168,176	95,497,314	91,565,161	3,932,153
Operation of plant	283,867	118,589,104	118,872,971	118,874,971	117,888,916	986,055
Maintenance of plant	478,751	33,938,236	34,416,987	35,186,987	34,940,317	246,670
Fixed charges	341	446,732,250	446,732,591	446,456,538	442,615,356	3,841,182
Community services	-	339,903	339,903	289,903	196,240	93,663
Debit service	-	79,537,322	79,537,322	79,537,322	-	79,537,322
Total expenditures and encumbrances	6,183,758	2,152,992,791	2,159,176,549	2,160,368,244	2,036,435,117	123,933,127
Excess (deficiency) of revenues over expenditures and encumbrances	(6,183,758)	(44,200,000)	(50,383,758)	(50,383,758)	(38,905,408)	11,478,350
Other financing uses:						
Transfers out	-	-	-	-	(8,061,864)	(8,061,864)
Total other financing uses	-	-	-	-	(8,061,864)	(8,061,864)
Excess (deficiency) of revenues over expenditures and encumbrances and other financing uses	(6,183,758)	(44,200,000)	(50,383,758)	(50,383,758)	(46,967,272)	3,416,486
Fund balance - beginning	6,183,758	44,200,000	50,383,758	50,383,758	59,803,639	9,419,881
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 12,836,367	\$ 12,836,367

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, 2010

	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	\$ -	\$ 1,042,135	\$ 1,042,135	\$ -
Cash and cash equivalents	6,678,135		6,678,135	
Investments - cash equivalents				32,939,818
Accounts receivable:				
Montgomery County	76,342		76,342	
State of Maryland	118,346		118,346	
Federal government	1,368,382		1,368,382	
Other		586,616	586,616	932
Due from other funds				9,864,981
Inventories	1,601,641	7,000	1,608,641	
Total current assets	<u>9,842,846</u>	<u>1,635,751</u>	<u>11,478,597</u>	<u>42,805,731</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	4,155,196	5,192	4,160,388	
Total noncurrent assets	<u>4,155,196</u>	<u>5,192</u>	<u>4,160,388</u>	<u>-</u>
Total assets	<u>13,998,042</u>	<u>1,640,943</u>	<u>15,638,985</u>	<u>42,805,731</u>
Liabilities				
Current liabilities:				
Accounts payable	118,769	284,002	402,771	226,554
Claims payable				18,380,085
Due to employees, advance premium withholdings				3,090,356
Due to other funds	11,840,285	198,093	12,038,378	
Due to fiduciary funds				12,567,203
Unearned revenue	1,768,621	264,645	2,033,266	
Capital leases - current	113,961		113,961	
Compensated absences - current	59,412		59,412	
Total current liabilities	<u>13,901,048</u>	<u>746,740</u>	<u>14,647,788</u>	<u>34,264,198</u>
Noncurrent liabilities:				
Net OPEB obligation	3,048,508		3,048,508	
Capital leases payable	173,381		173,381	
Compensated absences	1,435,856	230,306	1,666,162	
Total noncurrent liabilities	<u>4,657,745</u>	<u>230,306</u>	<u>4,888,051</u>	<u>-</u>
Total liabilities	<u>18,558,793</u>	<u>977,046</u>	<u>19,535,839</u>	<u>34,264,198</u>
Net Assets (Deficit)				
Invested in capital assets, net of related debt	3,946,360	5,192	3,951,552	
Unrestricted (deficit)	<u>(8,507,111)</u>	<u>658,705</u>	<u>(7,848,406)</u>	<u>8,541,533</u>
Total net assets (deficit)	<u>\$ (4,560,751)</u>	<u>\$ 663,897</u>	<u>\$ (3,896,854)</u>	<u>\$ 8,541,533</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, 2010

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 18,621,337	\$ -	\$ 18,621,337	\$ -
Rent and fees		6,060,633	6,060,633	
Employer's contributions				225,694,101
Members' contributions				21,491,083
Total operating revenues	<u>18,621,337</u>	<u>6,060,633</u>	<u>24,681,970</u>	<u>247,185,184</u>
Operating expenses:				
Salaries and wages	18,338,587	2,521,654	20,860,241	
Contracted services	997,808	584,701	1,582,509	
Supplies and materials	1,464,514	808,504	2,273,018	
Food purchases	11,678,666		11,678,666	
USDA commodities	2,426,383		2,426,383	
Other charges	9,758,214	2,364,663	12,122,877	1,358,433
Depreciation	1,023,412	11,205	1,034,617	
Benefits paid to plan members				188,920,070
Premiums paid to insurance companies				51,185,321
Total operating expenses	<u>45,687,584</u>	<u>6,290,727</u>	<u>51,978,311</u>	<u>241,463,824</u>
Operating income (loss)	<u>(27,066,247)</u>	<u>(230,094)</u>	<u>(27,296,341)</u>	<u>5,721,360</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	21,440,146		21,440,146	
State funds	1,004,518		1,004,518	
USDA commodities	2,426,383		2,426,383	
Investment income	70,501		70,501	22,178
Total nonoperating revenues	<u>24,941,548</u>	<u>-</u>	<u>24,941,548</u>	<u>22,178</u>
Income (loss) before contributions	<u>(2,124,699)</u>	<u>(230,094)</u>	<u>(2,354,793)</u>	<u>5,743,538</u>
Capital contributions - equipment	641,790		641,790	
Change in net assets	<u>(1,482,909)</u>	<u>(230,094)</u>	<u>(1,713,003)</u>	<u>5,743,538</u>
Total net assets (deficit) - beginning	<u>(3,077,842)</u>	<u>893,991</u>	<u>(2,183,851)</u>	<u>2,797,995</u>
Total net assets (deficit) - ending	<u>\$ (4,560,751)</u>	<u>\$ 663,897</u>	<u>\$ (3,896,854)</u>	<u>\$ 8,541,533</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, 2010

	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	\$ 18,754,549	\$ 6,270,815	\$ 25,025,364	\$ 21,604,159
Receipts from assessments made to other funds			-	221,548,218
Payments to suppliers	(21,133,412)	(1,368,379)	(22,501,791)	(51,171,195)
Payments to employees	(18,640,945)	(2,684,381)	(21,325,326)	
Payments for insurance claims			-	(189,041,475)
Payments for assessments made by other funds	(6,424,137)	(312,252)	(6,736,389)	
Payments for other operating expenses	(1,679,880)	(1,868,877)	(3,548,757)	(1,358,432)
Net cash provided by (used for) operating activities	<u>(29,123,825)</u>	<u>36,926</u>	<u>(29,086,899)</u>	<u>1,581,275</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	22,217,114		22,217,114	
Transfers (to) from other funds		-	-	(3,522,355)
Net cash provided by (used for) noncapital financing activities	<u>22,217,114</u>	<u>-</u>	<u>22,217,114</u>	<u>(3,522,355)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	303,737		303,737	
Purchases of capital assets	(169,658)		(169,658)	
Principal paid on capital leases	(168,015)	-	(168,015)	
Interest paid on capital leases	(9,810)		(9,810)	
Net cash (used for) capital and related financing activities	<u>(43,746)</u>	<u>-</u>	<u>(43,746)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	70,501	-	70,501	83,288
Net cash provided by investing activities	<u>70,501</u>	<u>-</u>	<u>70,501</u>	<u>83,288</u>
Net increase (decrease) in cash and cash equivalents	(6,879,956)	36,926	(6,843,030)	(1,857,792)
Cash and cash equivalents - beginning	13,558,091	1,005,209	14,563,300	34,797,610
Cash and cash equivalents - ending	<u>\$ 6,678,135</u>	<u>\$ 1,042,135</u>	<u>\$ 7,720,270</u>	<u>\$ 32,939,818</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (27,066,247)	\$ (230,094)	\$ (27,296,341)	\$ 5,721,360
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,023,412	11,205	1,034,617	
USDA commodities used	2,426,383		2,426,383	
Effects of changes in assets and liabilities:				
Receivables	-	77,147	77,147	
Due from other funds			-	(4,145,883)
Non USDA inventories	(136,841)		(136,841)	
Accounts payable	33,628	117,569	151,197	14,126
Claims payable			-	(121,404)
Advance premium withholdings			-	113,076
Due to other funds	(6,889,211)	(92,743)	(6,981,954)	
Deferred revenue	133,212	133,035	266,247	
Net OPEB obligation	1,273,841		1,273,841	
Compensated absences	77,998	20,807	98,805	
Net cash provided by (used for) operating activities	<u>\$ (29,123,825)</u>	<u>\$ 36,926</u>	<u>\$ (29,086,899)</u>	<u>\$ 1,581,275</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 641,790	\$ -	\$ 641,790	\$ -
USDA commodities received	(2,426,383)		(2,426,383)	

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, 2010

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 3,545,201
Investments:		
Common and preferred stocks	482,784,313	
Short-term investments	14,977,832	
U.S. government and agency securities	100,068,313	
Fixed income securities	176,075,589	
Real estate	51,207,662	
Participation contract	3,513,053	
Private equity	8,913,821	
Securities lending short-term investment pool	23,401,156	
Maryland local government investment pool		11,808,607
Montgomery County investment pool		965,600
Total investments	<u>860,941,739</u>	<u>12,774,207</u>
Accounts receivable	438	1,740,198
Due from General Fund	406,268	
Due from Internal Service Fund	12,567,203	
Inventories		<u>222,952</u>
Total assets	<u>873,915,648</u>	<u>\$ 18,282,558</u>
LIABILITIES		
Accounts payable	36,176	1,461,649
Claims payable	7,424,499	
Due to general fund	1,081,260	
Liability for collateral received under securities lending agreements	23,401,156	
Due to student groups		<u>16,820,909</u>
Total liabilities	<u>31,943,091</u>	<u>\$ 18,282,558</u>
NET ASSETS		
Held in trust for pension/other postemployment benefits	<u>\$ 841,972,557</u>	\$ -

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, 2010

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 103,615,748
Members	40,710,348
Federal government - Medicare Part D	<u>4,605,413</u>
Total contributions	<u>148,931,509</u>
Investment earnings:	
Net appreciation in fair value of investments	76,103,559
Interest and dividends	13,294,253
Securities lending income	<u>126,803</u>
Total investment earnings	<u>89,524,615</u>
Less investment expense:	
Investment fees and other	(1,626,630)
Securities lending fees	<u>(66,644)</u>
Total investment expense	<u>(1,693,274)</u>
Net investment earnings	<u>87,831,341</u>
Total additions	<u>236,762,850</u>
DEDUCTIONS	
Benefits paid to plan members	120,507,313
Premiums paid to insurance companies	11,121,058
Administrative expenses	<u>2,448,240</u>
Total deductions	<u>134,076,611</u>
Change in net assets	102,686,239
Net assets - beginning	<u>739,286,318</u>
Net assets - ending	<u><u>\$ 841,972,557</u></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, 2010**

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. 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 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 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 is 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 210 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 postemployment 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 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. 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 USDA 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 postemployment benefits expenses and refunds are recognized when due and payable. Agency funds, which have no measurement focus, also use the accrual basis of accounting to recognize assets and liabilities.

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, and 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 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 expense/ expenditure 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 2010, supplemental appropriations increasing the operating budget by \$1,191,695 and increasing the capital budget by \$29,890,784 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 postemployment 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	\$ 1,997,529,709	\$ 2,036,435,117	\$ (8,061,864)	\$ (46,967,272)
Reconciling items:				
2010 Encumbrances outstanding		(6,104,012)		6,104,012
Increase in compensated absences		2,425,447		(2,425,447)
State of Maryland retirement contributions	149,981,157	149,981,157		-
Federal Medicare Part D contributions	4,605,413	4,605,413		-
Capital lease financing		6,125,021	6,125,021	-
As reported – GAAP basis	<u>\$ 2,152,116,279</u>	<u>\$ 2,193,468,143</u>	<u>\$ (1,936,843)</u>	<u>\$ (43,288,707)</u>

Capital Projects Fund encumbrances of \$175,783,057 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 instructional materials, 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, 2010, \$29,442,817 of such purchase orders had been issued.

c) Deficit Fund Equity

The Entrepreneurial Activities Fund increased its deficit by \$152,284, to a deficit in net assets of \$671,174 at June 30, 2010. 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, 2010, are summarized as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 19,379,458	\$
Cash and cash equivalents	6,678,135	30,133
Cash-fiduciary funds	3,545,201	
Investments – cash equivalents	32,939,818	
Investments		5,435,899
Investments-fiduciary funds	873,715,946	
Total	<u>\$ 936,258,558</u>	<u>\$ 5,466,032</u>
Deposits and Investments Summary:		
Deposits	\$ 6,002,066	\$ 30,133
Investments	930,250,429	5,435,899
Cash on hand	6,063	
Total	<u>\$ 936,258,558</u>	<u>\$ 5,466,032</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, 2010, the reported balance of MCPS' deposits was \$6,002,066 and the bank balance was \$10,350,737. 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, 2010, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Common and preferred stocks	\$ 458,237,543
Short-term investments	14,977,832
U.S. Government and agency securities	100,068,313
Fixed income securities	169,779,721
Real estate	51,207,662
Participation contract	3,513,053
Private equity	8,913,821
Securities lending short-term investment pool	23,401,156
Subtotal Pension Trust Investments	<u>830,099,101</u>
OPEB Plan Trust Investments:	
Equities index funds	24,546,770
Bond index fund	6,295,868
Subtotal OPEB Plan Trust investments	<u>30,842,638</u>
Other Investments:	
Repurchase agreements	477,067
Mutual funds	56,057,416
Maryland Local Government Investment Pool	11,808,607
Montgomery County investment pool	965,600
Total investments	<u>\$ 930,250,429</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 Bank of New York Mellon (BNY), its custodial bank, to lend its securities to broker-dealers and banks pursuant to a form of borrowing agreement.

During 2010, BNY lent Pension Trust securities for which it is custodian. Pension Trust securities not under the custodianship of BNY are not part of the Securities Lending Authorization Agreement. BNY may receive from borrowers both cash and non-cash collateral. Non-cash collateral includes United States government securities and irrevocable letters of credit. BNY 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 of the market value of the borrowed securities (105 percent if the borrowed securities and collateral are denominated in non-U.S. currencies).

The following represents the balances relating to securities lending transactions at June 30, 2010.

	<u>Underlying Securities</u>	<u>Cash Collateral Investment Value</u>
Securities lent for cash collateral:		
U.S. Government	\$ 7,405,758	\$ 7,558,744
Domestic equities	10,709,542	11,001,033
International Equities	1,004,593	1,068,019
Domestic fixed-income	3,682,536	3,773,360
Total	<u>\$ 22,802,429</u>	<u>\$ 23,401,156</u>

BNY indemnifies the Pension Trust against any losses, damages or expenses it may incur if BNY is unable to recover the borrowed securities, and distributions made with respect to those securities, as a result of BNY's failure to make a reasoned determination of borrower creditworthiness or to demand adequate and appropriate collateral. During 2010, 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 BNY Pooled Employee ASL Short-Term Fund (the "Fund"). The Fund invests only in instruments that are eligible investments for a money market mutual fund under SEC Rule 2a-7. The Fund is accounted for on an amortized cost basis. BNY believes that the value of the Pension Trust's position in the Fund on an amortized cost basis approximates the valuation of the Fund if valued at fair value.

Because loans are terminable at will, their duration does 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, 2010, fixed income investments had the following sensitivity to interest rates:

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 37,202,244	9.84
U.S. agencies	2,900,718	5.86
Government mortgage-backed securities	59,965,351	2.58
Asset-backed securities	14,822,675	2.28
Commercial mortgage-backed securities	16,148,191	2.76
Collateralized mortgage obligations	11,139,799	3.96
Corporate bonds	88,563,872	5.29
Municipal/sovereign bonds	3,648,524	10.12
Mutual Funds	35,456,659	N/A
Short-term	14,977,832	N/A
Sub-total Pension Trust Investments	<u>284,825,865</u>	
Other Investments:		
OPEB Plan Trust bond index fund	6,295,868	N/A
Repurchase agreements	477,067	N/A
Mutual funds	56,057,416	N/A
Pooled Investments	12,774,207	N/A
Total	<u>\$ 360,430,423</u>	

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, 2010, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	34.9 %	\$ 99,256,263
AAA	15.5	44,214,012
AA	6.4	18,363,900
A	10.3	29,231,959
BBB	7.1	20,147,713
BB	1.5	4,208,558
B	1.5	4,387,082
CCC	1.1	3,215,049
CC/D	0.1	382,825
Not rated	21.6	61,418,504
Total	100.0 %	\$ 284,825,865

* 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, 2010, is as follows:

Currency	Equities	Fixed Income	Private Equity	Total Fair Value
European Currency Unit	\$ 18,615,119	\$ (77,235)	\$ 2,777,763	\$ 21,315,647
Japanese Yen	12,735,819			12,735,819
British Pound Sterling	12,476,697	232,682		12,709,380
Hong Kong Dollar	4,051,984			4,051,984
Swiss Franc	3,975,541			3,975,541
South Korean Won	2,402,674			2,402,674
Danish Krone	2,050,723			2,050,723
Canadian Dollar	1,793,420			1,793,420
Norwegian Krone	1,604,830			1,604,830
Australian Dollar	1,372,067			1,372,067
Swedish Krona	1,136,660			1,136,660
Indian Rupee	1,062,308			1,062,308
Taiwan New Dollar	1,052,945			1,052,945
Singapore Dollar	1,034,175			1,034,175
South African Rand	820,487			820,487
Brazilian Real	676,948			676,948
Turkish Lira	671,774			671,774
Thai Baht	420,077			420,077
Israeli New Shekel	324,478			324,478
Polish Zloty	286,666			286,666
Other currencies	348,125			348,125
Total	\$ <u>68,913,517</u>	\$ <u>155,447</u>	\$ <u>2,777,763</u>	\$ <u>71,846,727</u>

c) Cash on Hand

At year-end, the primary government had \$6,063 on hand in petty cash accounts.

4. Interfund Receivables and Payables

Balances due to/from other funds at June 30, 2010, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 24,266
Due to the general fund from enterprise funds representing advances of pooled cash	12,038,378
Due to the internal service fund from the general fund for employer and employee benefit plan contributions	9,864,981
Due to pension and employee benefits trust funds representing OPEB investments held in a non irrevocable trust by the internal service fund	12,973,471
Total	\$ <u>34,901,096</u>

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

Due from other funds, Balance Sheet-Governmental Funds	\$ 12,062,644
Due from other funds, Statement of Net Assets-Proprietary Funds	9,864,981
Due from general and internal service funds, Statement of Net Assets-Fiduciary Funds	12,973,471
Total	\$ <u>34,901,096</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 the general fund to the capital projects fund to cover a shortfall in State of Maryland school construction funding \$ 8,061,864

5. Due From Employees

The \$437,426 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, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 68,857,319	\$ 1,364,782	\$ 214,816,091	\$ 70,222,101
Construction in progress	<u>176,514,372</u>	<u>128,787,379</u>	<u>214,816,091</u>	<u>90,485,660</u>
Total nondepreciable capital assets	<u>245,371,691</u>	<u>130,152,161</u>	<u>214,816,091</u>	<u>160,707,761</u>
Depreciable capital assets:				
Buildings and improvements	2,158,250,285	204,781,680	16,656,514	2,346,375,451
Site improvements	190,460,099	16,951,742		207,411,841
Vehicles and equipment	<u>145,095,835</u>	<u>6,056,398</u>	<u>4,488,860</u>	<u>146,663,373</u>
Total depreciable capital assets	<u>2,493,806,219</u>	<u>227,789,820</u>	<u>21,145,374</u>	<u>2,700,450,665</u>
Less accumulated depreciation for:				
Buildings and improvements	688,339,767	54,465,028	11,287,536	731,517,259
Site improvements	38,388,318	4,092,131		42,480,449
Vehicles and equipment	<u>86,104,076</u>	<u>12,579,028</u>	<u>4,069,874</u>	<u>94,613,230</u>
Total accumulated depreciation	<u>812,832,161</u>	<u>71,136,187</u>	<u>15,357,410</u>	<u>868,610,938</u>
Total depreciable capital assets, net	<u>1,680,974,058</u>	<u>156,653,633</u>	<u>5,787,964</u>	<u>1,831,839,727</u>
Government activities capital assets, net	<u>\$ 1,926,345,749</u>	<u>\$ 286,805,794</u>	<u>\$ 220,604,055</u>	<u>\$ 1,992,547,488</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Depreciable capital assets:				
Buildings	\$ 17,831	\$ 829,415	\$ 469,225	\$ 17,831
Vehicles and equipment	<u>16,594,248</u>	<u>829,415</u>	<u>469,225</u>	<u>16,954,438</u>
Total depreciable capital assets	<u>16,612,079</u>	<u>829,415</u>	<u>469,225</u>	<u>16,972,269</u>
Less accumulated depreciation for:				
Buildings	16,939	892		17,831
Vehicles and equipment	<u>12,211,583</u>	<u>1,033,725</u>	<u>451,258</u>	<u>12,794,050</u>
Total accumulated depreciation	<u>12,228,522</u>	<u>1,034,617</u>	<u>451,258</u>	<u>12,811,881</u>
Business-type activities capital assets, net	<u>\$ 4,383,557</u>	<u>\$ (205,202)</u>	<u>\$ 17,967</u>	<u>\$ 4,160,388</u>

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

Governmental Activities:	
Regular instruction	\$ 59,930,656
Special education	234,941
School administration	50,023
Student personnel services	3,532
Student transportation	8,733,365
Operation of plant	147,795
Maintenance of plant	1,105,866
Administration	930,009
Total depreciation expense-governmental activities	<u>\$ 71,136,187</u>
Business-Type Activities:	
Food services	\$ 1,023,412
Entrepreneurial	8,830
Real estate management	2,375
Total depreciation expense-business-type activities	<u>\$ 1,034,617</u>

Commitments for ongoing construction in progress at June 30, 2010, are \$175,783,057.

7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2010 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 44,136,383	\$ 402,771	\$ 44,539,154
Retainage payable	6,000,883		6,000,883
Accrued salaries and withholdings	78,345,934		78,345,934
Claims payable	18,380,085		18,380,085
Due to employees-advance premium withholding	3,090,356		3,090,356
Total accounts payable and other current liabilities	<u>\$ 149,953,641</u>	<u>\$ 402,771</u>	<u>\$ 150,356,412</u>

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$5,849,000 in 2010. Commitments for fiscal year 2011 under lease agreements are approximately \$3,175,000. 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 2010 were \$11,827,927 for the General Fund, \$10,100,836 for the Capital Projects Fund and \$177,825 for the Enterprise Fund.

Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Enterprise Fund</u>
Vehicles and equipment	\$ 35,155,852	\$ 289,470
Less: accumulated depreciation	<u>(8,466,582)</u>	<u>(29,035)</u>
Total	<u>\$ 26,689,270</u>	<u>\$ 260,435</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Fiscal year ending June 30	<u>Governmental Activities</u>	<u>Enterprise Fund</u>
2011	\$ 16,573,342	\$ 124,085
2012	10,629,283	103,090
2013	4,957,444	40,262
2014	2,098,657	40,262
2015	<u>741,940</u>	
Total minimum lease payments	35,000,666	307,699
Less : Amount representing interest	<u>(2,215,841)</u>	<u>(20,356)</u>
Present value of future minimum lease payments	<u>\$ 32,784,825</u>	<u>\$ 287,343</u>

\$20,127,625 of outstanding capital lease obligations for governmental activities at June 30, 2010, was used to acquire capital assets.

9. Long-Term Liabilities

Long-term liability activities during 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 46,838,246	\$ 6,125,021	\$ 20,178,442	\$ 32,784,825	\$ 15,376,174
Compensated absences	100,965,576	12,341,445	8,340,698	104,966,323	8,829,463
Net OPEB obligation	126,824,349	94,822,167	6,944,445	214,702,071	-
Net pension obligation	3,098,291	232,372	3,330,663	-	-
Total	<u>\$ 277,726,462</u>	<u>\$ 113,521,005</u>	<u>\$ 38,794,248</u>	<u>\$ 352,453,219</u>	<u>\$ 24,205,637</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Capital leases	\$ 151,621	\$ 303,737	\$ 168,015	\$ 287,343	\$ 113,961
Compensated absences	1,626,769	157,229	58,425	1,725,573	59,412
Net OPEB obligation	1,774,667	1,372,444	98,603	3,048,508	-
Total	<u>\$ 3,553,057</u>	<u>\$ 1,833,410</u>	<u>\$ 325,043</u>	<u>\$ 5,061,424</u>	<u>\$ 173,373</u>

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 \$18,380,085 and \$7,424,499 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2010, 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 2009 and 2010 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
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>
2010				
Internal Service Fund	\$ 18,501,490	\$ 188,920,070	\$ (189,041,475)	\$ 18,380,085
Fiduciary Funds	5,986,167	62,465,725	(61,027,393)	7,424,499
Total	<u>\$ 24,487,657</u>	<u>\$ 251,385,795</u>	<u>\$ (250,068,868)</u>	<u>\$ 25,804,584</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 \$149,981,157, \$124,897,387 and \$115,507,019 in 2010, 2009 and 2008, 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 only after five years of creditable service.

At July 1, 2009, the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	10,720
Terminated plan members entitled to benefits but not yet receiving them	3,976
Active plan members	<u>21,979</u>
Total	<u>36,675</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)	\$ 60,024,115
Interest on net pension obligation	232,372
ARC adjustment	<u>(273,932)</u>
Annual pension cost	59,982,555
Contributions made	<u>63,080,846</u>
Decrease in net pension obligation	(3,098,291)
Net pension obligation-beginning of year	<u>3,098,291</u>
Net pension obligation-end of year	<u>\$ -</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
2008	\$ 58,447,592	101 %	\$ 3,722,929
2009	60,780,525	101	3,098,291
2010	59,982,555	105	-

The annual required contribution for the current year was determined as part of the July 1, 2008 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, 2009
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: 27 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, 2009, was as follows (dollar amounts in thousands):

Actuarial accrued liability (AAL)	\$ 1,344,071
Actuarial value of plan assets	966,296
Unfunded actuarial accrued liability (UAAL)	<u>\$ 377,775</u>
Funded ratio (actuarial value of plan assets/AAL)	71.9%
Covered payroll (active plan members)	\$ 1,352,101
UAAL as a percentage of covered payroll	27.9%

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 over time 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. 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 2010, plan members and beneficiaries receiving benefits contributed \$24,397,574 (approximately 35.1 percent of current contributions). MCPS and other contributing entities' contributed \$45,140,315 (approximately 64.9 percent of current contributions) for current premiums, claims and administrative expenses. 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 \$1,361.0 million and the unfunded AAL (UAAL) was \$1,326.4 million. Actuarial plan assets were \$34.6 million. The annual covered payroll of active employees covered by the plan was \$1,352.1 million, and the ratio of the UAAL to covered payroll was 98.1 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. Due to county economic pressures, the Montgomery County Council directed MCPS to not fund the FY 2010 amortization, as appropriated. The following table shows the components of MCPS' annual OPEB cost and changes in the net OPEB obligation.

Annual required contribution	\$ 131,690,000
Interest on net OPEB obligation	9,644,926
Adjustment to annual required Contribution	<u>(7,043,048)</u>
Annual OPEB cost	134,291,878
Contributions made	<u>45,140,315</u>
Increase in net OPEB obligation	89,151,563
Net OPEB obligation – beginning of year	<u>128,599,016</u>
Net OPEB obligation – end of year	\$ <u>217,750,579</u>

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

Year ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2009	\$ 124,021,673	49.7 %	\$ 128,599,016
2010	134,291,878	33.9	217,750,579

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	29 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	\$ 830,099,101	\$ 43,816,547	\$ 873,915,648
Total assets	<u>830,099,101</u>	<u>43,816,547</u>	<u>873,915,648</u>
Liabilities:			
Total liabilities	<u>24,482,416</u>	<u>7,460,675</u>	<u>31,943,091</u>
Net Assets:			
Held in trust for pension/ Other postemployment benefits	\$ <u>805,616,685</u>	\$ <u>36,355,872</u>	\$ <u>841,972,557</u>

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 79,393,620	\$ 69,537,889	\$ 148,931,509
Net investment earnings	83,972,809	3,858,532	87,831,341
Total additions	163,366,429	73,396,421	236,762,850
Deductions:			
Benefit and premium payments	58,041,590	73,586,781	131,628,371
Administrative expenses	2,173,757	274,483	2,448,240
Total deductions	60,215,347	73,861,264	134,076,611
Change in net assets	103,151,082	(464,843)	102,686,239
Net assets - beginning	702,465,603	36,820,715	739,286,318
Net assets - ending	\$ 805,616,685	\$ 36,355,872	\$ 841,972,557

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)
7/1/2004	\$ 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
7/1/2009	966,296	1,344,071	377,775	71.9	1,352,101	27.9

Schedule of Employer Contributions
(000'S omitted)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
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
2010	60,024	105	-

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	
2009	\$ 122,819	48.0%	2.1%	\$ 128,599
2010	131,690	30.8	3.5	217,751

SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2010

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 298,082,167	\$ 345,113,399	249,117,941	\$ (95,995,458)
State of Maryland	47,313,059	30,172,611	30,112,097	(60,514)
Federal	1,800,000	1,800,000	1,619,597	(180,403)
Other sources	698,373	698,373	330,088	(368,285)
Total revenues	347,893,599	377,784,383	281,179,723	(96,604,660)
Expenditures and encumbrances:				
Capital outlay	347,893,599	377,784,383	275,383,216	102,401,167
Total expenditures and encumbrances	347,893,599	377,784,383	275,383,216	102,401,167
Excess of revenues over expenditures and encumbrances	-	-	5,796,507	5,796,507
Other financing sources:				
Transfers in	-	-	8,061,864	8,061,864
Total other financing sources	-	-	8,061,864	8,061,864
Excess of revenues and other financing sources over expenditures and encumbrances	-	-	13,858,371	13,858,371
Fund balance - beginning	-	-	(13,858,371)	(13,858,371)
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

**MONTGOMERY COUNTY PUBLIC SCHOOL
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2010**

Project Name	Project Authorization	Expended to Jun 30, 2010	Committed	Available for Future Expenditure
ADA Compliance:MCPS	\$ 1,171,668	\$ 79,829	\$ 381,950	\$ 709,889
Albert Einstein HS Signature Improvements	5,458,279	5,453,992	-	4,287
Asbestos Abatement:MCPS	228,226	-	140,776	87,450
Ashburton ES Addition	7,404,000	6,769,981	9,125	624,894
Bethesda-Chevy Chase HS Addition	1,042,000	1,039,441	1,320	1,239
Brookhaven ES Addition	7,919,000	1,409,455	3,015,804	3,493,741
Building Modifications & Program Impr	8,426,360	1,646,643	381,418	6,398,299
Carderock Springs ES	154,648	-	-	154,648
Clarksburg/Damascus ES #8	24,401,000	24,272,040	121,778	7,182
County Water Quality Compliance	199,436	-	67,317	132,119
Current Replacements/Modernizations	555,676,042	406,004,144	121,060,220	28,611,678 *
Curmt Mods-Walter Johnson HS Turf Contrib	335,000	330,088	-	4,912
Design and Construction Management	364,583	-	1,253	363,330
East Silver Spring ES Addition	12,298,000	11,174,421	283,411	840,168
Educational Technology:Global Access	63,289	-	63,289	-
Energy Conservation:MCPS	2,544,208	-	281,455	2,262,753
Facility Planning:MCPS	677,951	-	212,866	465,085
Fairland ES Addition	7,729,000	914,085	4,489,483	2,325,432
Fallsmead ES Addition	9,064,000	8,788,506	15,918	259,576
Fields Road ES Addition	9,368,000	9,249,214	13,514	105,272
Fire Safety Code Upgrades:MCPS	3,044	-	1,616	1,428
Fox Chapel ES Addition	11,996,000	2,280,353	4,005,357	5,710,290
Gaithersburg HS Addition	10,272,000	10,201,934	38,601	31,465
Harmony Hills ES Addition	9,849,000	1,400,801	3,157,221	5,290,978
HVAC Replacements:MCPS	17,657,261	11,074,594	4,424,128	2,158,539
Improved (Safe) Access to Schools	1,778,564	129,576	426,187	1,222,801
Jackson Road ES Addition	11,036,000	2,978,702	2,417,237	5,640,061
Land Acquisition:MCPS	2,135,847	-	-	2,135,847
Luxmanor ES Addition	8,897,000	8,505,356	14,072	377,572
Montgomery Knolls ES Addition	11,511,000	1,996,590	6,652,136	2,862,274
Northwood High School	42,808,000	41,382,611	97,012	1,328,377
Planned Life-Cycle Asset Replacmnt	5,524,733	4,916,629	608,104	-
Poolesville HS Lab Upgrades and Addition	8,561,932	8,421,876	30,356	109,700
Redland MS Improvements	14,233,000	8,847,843	5,169,141	216,016
Rehab and Renovation of Closed Schools	49,336,931	48,087,472	622,478	626,981
Relocatable Classrooms:MCPS	5,227,381	-	1,300,259	3,927,122
Restroom Renovations	63,219	-	-	63,219
Ridgeview MS Improvements	7,866,000	1,204,708	420,149	6,241,143
Rock View ES Addition	8,105,000	1,244,335	2,654,236	4,206,429
Roof Replacement:MCPS	8,724,218	1,628,376	3,891,650	3,204,192
School Gymnasiums:MCPS	30,253,499	23,192,929	2,805,302	4,255,268
School Security Systems:MCPS	358,617	-	358,617	-
Seven Locks ES Addition/Modernization	2,758,529	2,164,362	327,998	266,169
Sherwood ES Addition	7,447,000	4,190,676	204,807	3,051,517
Sherwood HS Addition	12,051,789	12,004,325	13,986	33,478
Silver Spring Int'l/Sligo Creek ES Addition	1,224,982	1,217,876	7,106	-
Stadium Lighting:MCPS	350,872	-	-	350,872
Stedwick ES Addition	9,825,000	9,345,450	100,759	378,791
Stormwater Discharge Management:MCPS	1,514,798	118,790	9,693	1,386,315
Takoma Park ES Addition	15,592,000	9,530,413	1,394,063	4,667,524
Technology Modernization	6,166,574	-	110,819	6,055,755
Thomas W Pyle MS Addition	7,111,000	7,049,410	8,969	52,621
Travilah ES Addition	6,117,000	6,084,026	14,294	18,680
Washington Grove ES Addition	13,937,000	13,892,146	-	44,854
Water and Indoor Air Quality Improvmnts	2,638,285	796,830	457,526	1,383,929
Wayside ES Addition	7,146,000	6,981,761	4,316	159,923
Westland MS Addition	4,023,000	3,906,518	13,511	102,971
Whetstone ES Addition	8,552,000	1,864,764	3,480,454	3,206,782
Total Open & Interim Projects	1,027,178,765	733,773,871	175,783,057	117,621,837
Capitalized land, equipment and furniture, and items not capitalized	(21,507,443)	(21,507,443)		
Interim closing of open projects **	(621,780,768)	(621,780,768)		
Total construction in progress	\$ 383,890,554	\$ 90,485,660	\$ 175,783,057	\$ 117,621,837

* 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, 2010

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

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, 2010

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,581,510	\$ 1,581,510	\$ 1,581,510	\$ -
Total revenues	-	1,581,510	1,581,510	1,581,510	-
Expenditures and encumbrances:					
Community services	107,432	1,581,510	1,688,942	1,586,599	102,343
Total expenditures and encumbrances	107,432	1,581,510	1,688,942	1,586,599	102,343
Excess of revenues over expenditures and encumbrances	(107,432)		(107,432)	(5,089)	102,343
Fund balance - beginning	107,432		107,432	245,077	137,645
Fund balance - ending	\$ -	\$ -	\$ -	239,988	\$ 239,988
Reconciliation to GAAP fund balance: 2010 encumbrances outstanding				25,885	
Fund balance - GAAP basis				\$ 265,873	

NONMAJOR ENTERPRISE FUNDS

June 30, 2010

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, 2010

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 1,042,135	\$ -	\$ -	\$ 1,042,135
Accounts receivable:				
Other	354,719	231,897		586,616
Inventories			7,000	7,000
Total current assets	<u>1,396,854</u>	<u>231,897</u>	<u>7,000</u>	<u>1,635,751</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	5,192			5,192
Total noncurrent assets	<u>5,192</u>	<u>-</u>	<u>-</u>	<u>5,192</u>
Total assets	<u>1,402,046</u>	<u>231,897</u>	<u>7,000</u>	<u>1,640,943</u>
Liabilities				
Current liabilities:				
Accounts payable	155,248		128,754	284,002
Due to other funds	(18,374)	22,773	193,694	198,093
Unearned revenue			264,645	264,645
Total current liabilities	<u>136,874</u>	<u>22,773</u>	<u>587,093</u>	<u>746,740</u>
Noncurrent liabilities:				
Compensated absences	70,712	68,513	91,081	230,306
Total noncurrent liabilities	<u>70,712</u>	<u>68,513</u>	<u>91,081</u>	<u>230,306</u>
Total liabilities	<u>207,586</u>	<u>91,286</u>	<u>678,174</u>	<u>977,046</u>
Net Assets				
Invested in capital assets, net of related debt	5,192			5,192
Unrestricted	1,189,268	140,611	(671,174)	658,705
Total net assets	<u>\$ 1,194,460</u>	<u>\$ 140,611</u>	<u>\$ (671,174)</u>	<u>\$ 663,897</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, 2010

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 2,667,604	\$ 1,543,871	\$ 1,849,158	\$ 6,060,633
Total operating revenues	<u>2,667,604</u>	<u>1,543,871</u>	<u>1,849,158</u>	<u>6,060,633</u>
Operating expenses:				
Salaries and wages	426,173	1,209,242	886,239	2,521,654
Contracted services	143,411	47,053	394,237	584,701
Supplies and materials	28,255	286,967	493,282	808,504
Other charges	1,991,648	154,161	218,854	2,364,663
Depreciation	2,375		8,830	11,205
Total operating expenses	<u>2,591,862</u>	<u>1,697,423</u>	<u>2,001,442</u>	<u>6,290,727</u>
Operating income (loss)	<u>75,742</u>	<u>(153,552)</u>	<u>(152,284)</u>	<u>(230,094)</u>
Change in net assets	75,742	(153,552)	(152,284)	(230,094)
Total net assets - beginning	1,118,718	294,163	(518,890)	893,991
Total net assets - ending	<u>\$ 1,194,460</u>	<u>\$ 140,611</u>	<u>\$ (671,174)</u>	<u>\$ 663,897</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,611,805	\$ 1,657,306	\$ 2,001,704	\$ 6,270,815
Payments to suppliers	(148,353)	(310,311)	(909,715)	(1,368,379)
Payments to employees	(451,238)	(1,291,537)	(941,606)	(2,684,381)
Payments for assessments made by other funds	(98,745)	(72,024)	(141,483)	(312,252)
Payments for other operating expenses	(1,859,977)	-	(8,900)	(1,868,877)
Net cash provided by (used for) operating activities	<u>53,492</u>	<u>(16,566)</u>	<u>-</u>	<u>36,926</u>
Cash and cash equivalents - beginning	988,643	16,566	-	1,005,209
Cash and cash equivalents - ending	<u>\$ 1,042,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,135</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 75,742	\$ (153,552)	\$ (152,284)	\$ (230,094)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,375		8,830	11,205
Effects of changes in assets and liabilities:				
Receivables	(55,799)	113,435	19,511	77,147
Accounts payable	21,551	-	96,018	117,569
Due to other funds	1,762	23,709	(118,214)	(92,743)
Deferred revenue			133,035	133,035
Compensated absences	7,861	(158)	13,104	20,807
Net cash provided by (used for) operating activities	<u>\$ 53,492</u>	<u>\$ (16,566)</u>	<u>\$ -</u>	<u>\$ 36,926</u>

FIDUCIARY FUNDS

June 30, 2010

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, 2010

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Common and preferred stocks	\$ 458,237,543	\$ 24,546,770	\$ 482,784,313
Short-term investments	14,977,832		14,977,832
U.S. government and agency securities	100,068,313		100,068,313
Fixed income securities	169,779,721	6,295,868	176,075,589
Real estate	51,207,662		51,207,662
Participation contract	3,513,053		3,513,053
Private equity	8,913,821		8,913,821
Securities lending short-term investment pool	23,401,156		23,401,156
Total investments	<u>830,099,101</u>	<u>30,842,638</u>	<u>860,941,739</u>
Accounts receivable		438	438
Due from General Fund		406,268	406,268
Due from Internal Service Fund		12,567,203	12,567,203
Total assets	<u>830,099,101</u>	<u>43,816,547</u>	<u>873,915,648</u>
LIABILITIES			
Accounts payable		36,176	36,176
Claims payable		7,424,499	7,424,499
Due to general fund	1,081,260		1,081,260
Liability for collateral received under securities lending agreements	23,401,156		23,401,156
Total liabilities	<u>24,482,416</u>	<u>7,460,675</u>	<u>31,943,091</u>
NET ASSETS			
Held in trust for pension/other postemployment benefits	<u>\$ 805,616,685</u>	<u>\$ 36,355,872</u>	<u>\$ 841,972,557</u>

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, 2010

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 63,080,846	\$ 40,534,902	\$ 103,615,748
Members	16,312,774	24,397,574	40,710,348
Federal government - Medicare Part D		4,605,413	4,605,413
Total contributions	<u>79,393,620</u>	<u>69,537,889</u>	<u>148,931,509</u>
Investment earnings:			
Net appreciation in fair value of investments	72,956,937	3,146,622	76,103,559
Interest and dividends	12,582,343	711,910	13,294,253
Securities lending income	126,803		126,803
Total investment income	<u>85,666,083</u>	<u>3,858,532</u>	<u>89,524,615</u>
Less investment expense:			
Investment fees and other	(1,626,630)	-	(1,626,630)
Securities lending fees	(66,644)		(66,644)
Total investment expense	<u>(1,693,274)</u>	<u>-</u>	<u>(1,693,274)</u>
Net investment earnings	<u>83,972,809</u>	<u>3,858,532</u>	<u>87,831,341</u>
Total additions	<u>163,366,429</u>	<u>73,396,421</u>	<u>236,762,850</u>
DEDUCTIONS			
Benefits paid to plan members	58,041,590	62,465,723	120,507,313
Premiums paid to insurance companies		11,121,058	11,121,058
Administrative expenses	2,173,757	274,483	2,448,240
Total deductions	<u>60,215,347</u>	<u>73,861,264</u>	<u>134,076,611</u>
Change in net assets	103,151,082	(464,843)	102,686,239
Net assets - beginning	<u>702,465,603</u>	<u>36,820,715</u>	<u>739,286,318</u>
Net assets - ending	<u>\$ 805,616,685</u>	<u>\$ 36,355,872</u>	<u>\$ 841,972,557</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Assets				
Cash and investments	\$ 16,019,035	\$ 32,093,300	\$ 31,792,927	\$ 16,319,408
Accounts receivable	1,708,311	1,740,198	1,708,311	1,740,198
Inventories	<u>224,226</u>	<u>222,952</u>	<u>224,226</u>	<u>222,952</u>
Total assets	<u>\$ 17,951,572</u>	<u>\$ 34,056,450</u>	<u>\$ 33,725,464</u>	<u>\$ 18,282,558</u>
Liabilities				
Accounts payable	\$ 2,391,953	\$ 1,461,649	\$ 2,391,953	\$ 1,461,649
Due to student groups	<u>15,559,619</u>	<u>32,594,801</u>	<u>31,333,511</u>	<u>16,820,909</u>
Total liabilities	<u>\$ 17,951,572</u>	<u>\$ 34,056,450</u>	<u>\$ 33,725,464</u>	<u>\$ 18,282,558</u>

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 NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2002	2003	2004	2005	2006
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	\$ 1,509,775,923
Unrestricted	(49,845,395)	(80,455,530)	(90,516,500)	(92,864,100)	(96,127,805)
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>	<u>\$ 1,413,648,118</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 5,629,503	\$ 5,137,266	\$ 4,829,951	\$ 5,182,162	\$ 5,052,458
Unrestricted	(581,616)	(1,626,627)	(2,850,401)	(2,755,479)	(3,354,942)
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>	<u>\$ 1,697,516</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	\$ 1,514,828,381
Unrestricted	(50,427,011)	(82,082,157)	(93,366,901)	(95,619,579)	(99,482,747)
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>	<u>\$ 1,415,345,634</u>

	2007	2008	2009	2010
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 1,635,087,567	\$ 1,765,406,793	\$ 1,901,060,879	\$ 1,972,419,863
Unrestricted	(85,448,126)	(151,573,901)	(202,703,251)	(303,827,808)
Total governmental activities net assets	<u>\$ 1,549,639,441</u>	<u>\$ 1,613,832,892</u>	<u>\$ 1,698,357,628</u>	<u>\$ 1,668,592,055</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 5,215,924	\$ 5,019,355	\$ 4,231,936	\$ 3,951,552
Unrestricted	(3,628,772)	(5,207,535)	(6,415,787)	(7,848,406)
Total business-type activities net assets	<u>\$ 1,587,152</u>	<u>\$ (188,180)</u>	<u>\$ (2,183,851)</u>	<u>\$ (3,896,854)</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 1,640,303,491	\$ 1,770,426,148	\$ 1,905,292,815	\$ 1,976,371,415
Unrestricted	(89,076,898)	(156,781,436)	(209,119,038)	(311,676,214)
Total primary government net assets	<u>\$ 1,551,226,593</u>	<u>\$ 1,613,644,712</u>	<u>\$ 1,696,173,777</u>	<u>\$ 1,664,695,201</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 NINE 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	2010
\$	1,088,588,014	\$ 1,160,855,790	\$ 1,300,214,158	\$ 1,344,807,372	\$ 1,382,022,729
	266,912,970	293,576,065	337,981,003	357,740,728	382,151,880
	146,798,786	160,163,136	183,915,725	192,005,481	195,915,953
	13,416,179	13,944,662	15,923,429	16,709,007	16,590,455
	42,357	53,540	39,372	31,477	40,091
	<u>1,515,758,306</u>	<u>1,628,593,193</u>	<u>1,838,073,687</u>	<u>1,911,294,065</u>	<u>1,976,721,108</u>
	96,768,183	100,930,995	117,962,721	122,633,059	125,139,197
	120,228,320	130,303,214	144,731,021	145,189,882	153,349,143
	48,872,594	55,832,785	56,469,713	57,587,517	59,180,621
	54,688,573	63,053,976	59,171,446	63,094,864	60,891,077
	2,110,374	2,176,910	2,470,942	2,168,062	2,291,223
	1,372,132	1,742,075	1,970,020	2,040,350	1,750,321
	<u>324,040,176</u>	<u>354,039,955</u>	<u>382,775,863</u>	<u>392,713,734</u>	<u>402,601,582</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>	<u>2,379,322,690</u>
	40,757,291	42,161,738	46,125,487	46,457,265	45,687,584
	1,516,881	(48,642)	-	-	-
	2,102,497	2,926,351	2,290,554	2,489,426	2,591,862
	1,579,472	1,629,297	1,792,660	1,772,511	1,697,423
	1,266,811	1,376,930	1,619,087	1,444,433	2,001,442
	<u>47,222,952</u>	<u>48,045,674</u>	<u>51,827,788</u>	<u>52,163,635</u>	<u>51,978,311</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>	<u>2,431,301,001</u>
\$	60,734,138	\$ 71,138,709	\$ 80,694,954	\$ 75,289,449	71,075,683
	27,405,520	28,927,739	26,716,097	27,842,735	43,391,966
	3,619,197	3,731,020	3,919,325	3,554,521	3,421,673
	1,055,541	1,095,801	1,070,620	1,139,523	1,805,083
	-	-	-	-	-
	<u>92,814,396</u>	<u>102,893,269</u>	<u>112,400,996</u>	<u>107,826,228</u>	<u>119,694,406</u>
	1,101,741	603,479	628,316	589,251	1,855,907
	7,512,643	6,157,844	3,727,987	2,364,657	33,177,023
	15,186,848	19,447,697	15,017,237	12,793,235	12,798,178
	9,932,129	10,026,551	4,124,816	6,395,547	5,682,905
	1,783,601	1,846,277	1,898,848	1,753,178	1,764,907
	<u>35,496,962</u>	<u>38,081,848</u>	<u>25,397,204</u>	<u>23,895,868</u>	<u>55,278,919</u>
	<u>128,311,358</u>	<u>140,975,117</u>	<u>137,798,200</u>	<u>131,722,096</u>	<u>174,973,325</u>
	38,997,786	41,462,534	43,102,830	44,161,931	44,134,174
	1,614,777	-	-	-	-
	2,212,736	2,625,031	2,765,022	2,397,720	2,667,604
	1,491,097	1,543,101	1,722,208	1,578,741	1,543,871
	1,481,574	1,436,778	1,866,786	1,872,573	1,849,158
	<u>45,777,970</u>	<u>47,067,444</u>	<u>49,456,846</u>	<u>50,010,965</u>	<u>50,194,807</u>
\$	<u>174,089,328</u>	<u>188,042,561</u>	<u>187,255,046</u>	<u>181,733,061</u>	<u>225,168,132</u>
	(1,711,487,124)	(1,841,658,031)	(2,083,051,350)	(2,172,285,703)	(2,204,349,364)
	(1,444,982)	(978,230)	(2,370,942)	(2,152,670)	(1,783,504)
	<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>	<u>(2,085,422,292)</u>	<u>(2,174,438,373)</u>	<u>(2,206,132,869)</u>
\$	1,457,150,730	\$ 1,507,402,033	\$ 1,631,686,296	\$ 1,656,384,034	\$ 1,550,665,251
	411,828,686	468,650,022	510,142,429	597,009,068	616,478,426
	1,027,578	539,841	4,015,914	2,728,591	6,454,228
	632,532	929,696	1,378,734	684,245	985,888
	-	-	-	-	-
	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>	<u>2,174,583,793</u>
	751,031	995,628	617,038	161,500	70,501
	-	-	-	-	-
	(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>70,501</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>	<u>2,174,654,294</u>
	159,187,618	135,991,323	64,193,451	84,524,736	(29,765,572)
	(729,167)	(110,364)	(1,775,332)	(1,995,671)	(1,713,003)
\$	<u>158,458,451</u>	<u>135,880,959</u>	<u>62,418,119</u>	<u>82,529,065</u>	<u>(31,478,575)</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund:					
Reserved	\$ 11,221,140	\$ 12,536,487	\$ 10,086,228	\$ 11,379,515	\$ 13,197,236
Unreserved	(4,651,246)	5,447,168	(5,625,651)	(171,197)	3,263,757
Total general fund	<u>\$ 6,569,894</u>	<u>\$ 17,983,655</u>	<u>\$ 4,460,577</u>	<u>\$ 11,208,318</u>	<u>\$ 16,460,993</u>
All other governmental funds					
Reserved	\$ 41,510	\$ 82,777	\$ 5,436	\$ 6,913	\$ 5,053
Unreserved, reported in:					
Special revenue funds	16,294	17,115	82,633	85,935	87,033
Capital projects funds	(7,602,793)	(7,768,903)	(8,133,947)	(10,802,854)	(12,604,232)
Total all other governmental funds	<u>\$ (7,544,989)</u>	<u>\$ (7,669,011)</u>	<u>\$ (8,045,878)</u>	<u>\$ (10,710,006)</u>	<u>\$ (12,512,146)</u>
<hr/>					
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 21,989,545	\$ 17,240,840	\$ 12,571,840	\$ 12,473,676	\$ 13,325,473
Unreserved	(3,047,043)	4,879,365	16,389,504	44,346,530	206,026
Total general fund	<u>\$ 18,942,502</u>	<u>\$ 22,120,205</u>	<u>\$ 28,961,344</u>	<u>\$ 56,820,206</u>	<u>\$ 13,531,499</u>
All other governmental funds					
Reserved	\$ 3,473	\$ 741,649	\$ -	\$ 107,432	\$ 25,885
Unreserved, reported in:					
Special revenue funds	91,238	146,750	136,374	137,645	239,988
Capital projects funds	(13,472,262)	(14,392,596)	(13,796,508)	(13,858,371)	-
Total all other governmental funds	<u>\$ (13,377,551)</u>	<u>\$ (13,504,197)</u>	<u>\$ (13,660,134)</u>	<u>\$ (13,613,294)</u>	<u>\$ 265,873</u>

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

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,041,378,917	\$ 1,148,280,914	\$ 1,137,558,192	\$ 1,233,511,048
State of Maryland	297,395,004	305,836,841	339,814,082	350,931,179
Federal Government	36,547,569	43,866,688	56,379,262	59,737,638
Other	6,387,329	4,332,529	4,827,458	4,970,961
Total Revenue	<u>1,381,708,819</u>	<u>1,502,316,972</u>	<u>1,538,578,994</u>	<u>1,649,150,826</u>
Expenditures				
Current:				
Administration	32,279,103	28,106,692	27,666,368	26,965,317
Mid-level administration	81,091,469	86,442,046	93,633,242	96,088,892
Instructional salaries and wages	544,038,808	594,976,886	635,877,265	654,152,515
Instructional textbooks and supplies	23,841,371	25,094,764	25,599,461	25,646,985
Other instructional costs	13,344,517	19,113,591	13,014,528	13,133,928
Special education	141,404,178	155,739,680	170,576,458	178,834,273
Student personnel services	5,123,414	5,814,326	6,227,216	8,623,619
Health services	37,938	37,150	104,058	32,474
Student transportation	55,606,074	58,249,923	56,900,115	59,958,528
Operation of plant	67,824,772	73,460,791	77,846,881	80,456,510
Maintenance of plant	24,835,900	24,929,368	25,833,275	25,714,753
Fixed charges	264,617,039	272,754,398	305,913,265	346,990,115
Community services	986,926	1,246,430	1,324,417	1,360,072
Debt service:				
Capital lease principal	8,743,607	11,358,196	11,841,404	15,124,117
Capital lease interest	1,136,580	1,801,781	1,027,855	1,324,991
Capital outlay	136,115,527	148,902,723	113,557,576	128,053,894
Total expenditures	<u>1,401,027,223</u>	<u>1,508,028,745</u>	<u>1,566,943,384</u>	<u>1,662,460,983</u>
Excess of Revenues (under) expenditures	(19,318,404)	(5,711,773)	(28,364,390)	(13,310,157)
Other financing sources				
Capital lease financing	11,401,958	16,377,140	13,447,873	16,783,521
Technology loans from Montgomery County	22,500	85,857	12,836	
Transfers in	378,928	538,515	13,852	16,584
Transfers out			629,884	593,755
Total other financing sources	<u>11,803,386</u>	<u>17,001,512</u>	<u>14,104,445</u>	<u>17,393,860</u>
Net change in fund balances	<u>\$ (7,515,018)</u>	<u>\$ 11,289,739</u>	<u>\$ (14,259,945)</u>	<u>\$ 4,083,703</u>
Debt service as a percentage of noncapital expenditures	0.8%	1.0%	0.8%	1.1%

2005	2006	2007	2008	2009	2010
\$ 1,356,035,517	\$ 1,498,345,349	\$ 1,558,647,046	\$ 1,633,111,352	\$ 1,704,483,481	\$ 1,593,469,961
366,552,766	417,013,817	474,951,016	561,788,026	602,257,843	619,385,100
70,605,126	74,573,378	75,177,789	81,098,923	73,709,427	127,230,073
8,194,694	8,999,000	9,547,103	9,026,435	8,081,214	8,107,202
<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>	<u>2,348,192,336</u>
28,439,926	36,625,851	43,163,115	40,223,462	41,116,832	39,543,392
101,729,773	109,442,018	118,650,653	128,825,484	133,558,653	133,865,561
686,486,182	719,934,184	760,940,050	801,621,226	835,121,087	851,338,027
28,751,450	33,245,147	36,680,260	30,676,046	27,836,308	26,674,306
22,110,271	16,855,159	18,687,106	17,748,901	13,416,424	11,456,405
193,353,038	207,149,010	227,023,151	245,993,338	259,846,857	273,368,914
9,111,032	9,936,670	10,264,691	11,051,597	11,544,552	11,289,494
34,127	36,530	44,821	32,162	31,125	38,695
71,323,679	79,509,617	81,298,925	92,544,044	87,139,938	87,252,913
85,739,412	92,411,740	102,598,137	112,699,200	113,847,318	115,639,206
26,776,709	28,718,901	30,815,334	31,498,027	34,797,983	34,612,073
388,327,283	419,075,926	463,825,658	531,185,474	557,052,644	596,364,990
1,326,568	1,731,259	1,750,520	1,902,912	1,662,113	1,756,954
19,300,633	22,597,421	23,997,477	23,510,181	24,465,455	20,178,442
1,262,669	1,372,132	1,742,075	1,970,020	2,040,350	1,750,321
159,336,986	244,402,835	218,839,987	234,409,417	239,036,321	178,597,204
<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>	<u>2,383,726,897</u>
(22,021,635)	(24,112,856)	(21,999,006)	(20,866,755)	6,018,005	(35,534,561)
25,456,831	25,693,744	24,922,301	27,530,529	21,883,195	6,125,021
15,339	35,216	127,762	21,428	4,501	-
<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>6,125,021</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>	<u>\$ (29,409,540)</u>
1.3%	1.4%	1.4%	1.2%	1.3%	1.0%

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, 2009 *

Operating revenues:	
Contributions by other agencies	\$ 24,261,188
Contributions by the Board of Education	<u>7,800,400</u>
Total operating revenues	<u>32,061,588</u>
Operating expenses:	
Self-insurance losses, net of recoveries	36,034,153
Other costs at risk	5,222,499
Commercial insurance	2,858,804
Other operating expenses	<u>3,486,206</u>
Total operating expenses	<u>47,601,662</u>
Operating (loss)	<u>(15,540,074)</u>
Nonoperating income :	
Interest on investments	1,740,521
Other revenue	<u>224,286</u>
Total nonoperating income before transfers	<u>1,964,807</u>
Transfers in	
Transfers in:	<u>24,030</u>
Total transfers in	<u>24,030</u>
Change in net assets	<u>(13,551,237)</u>
Total net assets - beginning of year	<u>14,321,685</u>
Total net assets - end of year	<u>\$ 770,448</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	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2001	\$ 784,285,708	\$ (407,158)	\$ 783,878,550	\$ 777,057,655	99.08 %	\$ (1,799,238)	\$ 775,258,417	98.90 %
2002	821,038,153	(873,130)	820,165,023	805,329,587	98.09	(2,723,031)	802,606,556	97.86
2003	867,011,819	(1,904,701)	865,107,118	861,862,819	99.41	(3,713,961)	858,148,858	99.20
2004	927,789,542	(1,513,957)	926,275,585	924,992,688	99.70	1,116,696	926,109,384	99.98
2005	1,006,556,130	(495,241)	1,006,060,889	1,005,935,155	99.94	(2,908,677)	1,003,026,478	99.70
2006	1,032,231,333	(2,107,793)	1,030,123,540	1,031,967,800	99.97	(3,797,942)	1,028,169,858	99.81
2007	1,087,613,905	(1,720,443)	1,085,893,462	1,081,566,118	99.44	(711,119)	1,080,854,999	99.54
2008	1,137,590,824	(3,660,937)	1,133,929,887	1,132,548,519	99.56	(2,152,199)	1,130,396,320	99.69
2009	1,282,437,423	2,379,015	1,284,816,438	1,278,337,019	99.68	3,104,376	1,281,441,395	99.74
2010	1,344,626,102	-	1,344,626,102	1,343,140,289	99.89	-	1,343,140,289	99.89

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 FY 2005.

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

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 (4)
	Residential (2)		Commercial/Other		Total		
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	
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	62,829,002,582	19,709,436,172	21,400,039,274	77,574,947,550	84,229,041,856	1.005
2003	61,732,348,676	69,991,325,030	20,674,989,155	23,441,030,788	82,407,337,831	93,432,355,818	1.004
2004	67,348,233,048	74,009,047,306	21,914,772,219	24,082,167,274	89,263,005,267	98,091,214,580	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	101,120,006,917	29,141,169,512	30,514,313,625	125,710,776,118	131,634,320,542	0.902
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,472	164,038,891,569	0.902
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904

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 (4)	Assessed Value		Estimated Actual Value
	Individuals	Corporations	Operating Property	Domestic Shares					
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	88,430,386,446	92.48
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	97,660,210,218	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	102,055,016,190	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
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2.247	171,220,840,149	179,277,920,655	95.51

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
	County	Fire Tax District	Transit District	Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District			
Real Property:												
2001	\$ 1.857	\$.293	\$.100	\$.003	\$ 2.253	\$.069	\$.010	\$.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	
2010	.683	.105	.037	.001	.826	.019	.003	.018	.050	.078	.904	
Personal Property:												
2001	\$ 1.857	\$.293	\$.100	\$.003	\$ 2.253	\$.069	\$.010	\$.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	
2010	1.707	.262	.092	.003	2.064	.047	.007	.045	.125	.183	2.247	

NOTES:

- * The Tax rates are per \$100 of assessed value.
- * The charter requires that revenues from real property taxes cannot exceed last year's revenues adjusted by the rate of inflation excluding revenues from new construction. The Council can adopt tax rates that exceed this limit by a supermajority of seven out of nine councilmembers.
- * No discounts are allowed.
- * Taxes are levied as of July 1, are due by September 30, and become delinquent the following October 1 for non-owner occupied property.
- * Unless homeowners elect to pay their real property taxes annually, taxes are paid on a semi-annual basis with payment due by September 30 and December 31 for owner occupied property.
- * Interest and penalty at 20 percent are assessed on delinquent tax bills.
- * Revised tax bills based upon certifications from the State received after September 1 may be paid within thirty days without interest.
- * Delinquent taxes on real property are collected by sale. Taxes on personal property are enforced by legal action. Corporations may lose charter for failure to pay taxes.
- * Costs of tax sale, which vary, are added to tax bills. The last sale cost \$50 per parcel.
- * Tax sale date: second Monday in June.
- * Personal property tax rates are applied to 100 percent of the property assessment.

- (1) Rates classified as substantially county-wide represent those tax rates that are levied against all of the County's assessable base, except those incorporated cities and municipalities that provide their own such service.
- (2) M-NCPPC County property tax rates are included in the County's direct rate since the County Council has the power to set, modify, or approve these tax rates for this joint venture organization.
- (3) 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 and subsequent years 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:											
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
2010	.28	.18	.24	.24	.024	.012	.03	.080	.080	.086	.137
Personal Property:											
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	-	-
2010	.70	.45	.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				
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo
Real Property:								
2001	\$.53	\$.805	\$ 1.605	\$.20	\$.45	\$.13	\$.50	\$.35
2002	.212	.322	.642	.08	.20	.04	.20	.14
2003	.212	.322	.660	.08	.20	.037	.20	.14
2004	.212	.322	.660	.078	.20	.035	.20	.14
2005	.212	.322	.660	.072	.20	.033	.20	.13
2006	.212	.322	.630	.065	.15	.029	.20	.12
2007	.212	.312	.630	.060	.15	.026	.19	.12
2008	.212	.302	.610	.054	.15	.023	.19	.12
2009	.212	.292	.605	.054	.15	.021	.19	.13
2010	.212	.292	.580	.049	.15	.010	.192	.13
Personal Property:								
2001	\$.53	\$.805	\$ 1.605	\$.20	\$.45	\$.13	\$.50	\$.35
2002	.53	.805	1.605	.20	.45	.10	.50	.80
2003	.53	.805	1.605	.20	.45	.10	.50	.80
2004	.53	.805	1.650	.20	.45	.10	.50	.80
2005	.53	.805	1.650	.20	.45	.10	.50	.80
2006	.53	.805	1.575	.20	.45	.10	1.000	.80
2007	.53	.805	1.575	.20	.45	.10	1.000	.80
2008	.53	.805	1.525	.20	.45	.10	1.000	.80
2009	.53	.805	1.513	.20	.45	.10	1.000	.80
2010	.53	.805	1.450	.20	.45	.10	1.000	.80

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:					
2001	\$.50	\$.31	\$.60	\$.22	\$.60
2002	.20	.125	.24	.05	.235
2003	.193	.132	.24	.05	.235
2004	.187	.160	.24	.05	.217
2005	.170	.160	.23	.05	.217
2006	.155	.160	.221	.045	.202
2007	.147	.140	.200	.040	.202
2008	.139	.140	.180	.040	.202
2009	.130	.120	.160	.040	.181
2010	.122	.110	.150	.040	.181
Personal Property:					
2001	\$.50	\$.31	\$.60	\$.22	\$.60
2002	.50	.31	.60	.22	.60
2003	.50	.33	.60	.22	.60
2004	.50	.35	.60	.22	.60
2005	.50	.35	.60	.22	.60
2006	.50	.35	.60	.22	.60
2007	.50	.35	.60	.22	.60
2008	.50	.35	.60	.22	.60
2009	.50	.33	.60	1.000	.60
2010	.50	.31	.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 Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase
Real Property:									
2001	\$.125	\$.05	\$ -	\$.08	\$.25	\$.12	\$.22	\$.02	\$.13
2002	.05	.02	-	.03	.10	.048	.08	.008	.052
2003	.05	.02	-	.03	.12	.048	.07	.008	.052
2004	.05	.02	-	.025	.14	.048	.06	.008	.052
2005	.05	.02	-	.025	.14	.048	.06	.008	.052
2006	.05	.02	-	.023	.13	.048	.05	.008	.052
2007	.05	.02	-	.023	.123	.048	.04	.008	.052
2008	.05	.02	-	.022	.111	.048	.04	.008	.052
2009	.05	.02	-	.022	.103	.048	.04	.008	.052
2010	.05	.02	-	.022	.096	.048	.04	.008	.052
Personal Property:									
2001	\$.125	\$.05	\$ -	\$.08	\$.25	\$.12	\$.22	\$.02	\$.13
2002	.125	.05	-	-	.10	.12	.08	.008	.13
2003	.125	.05	-	-	.50	.12	.07	.008	.13
2004	.125	.05	-	-	.50	.12	.06	.008	.13
2005	.125	.05	-	-	.60	.12	.06	.008	.13
2006	.125	.05	-	-	.60	.12	.05	.008	.13
2007	.125	.05	-	-	.66	.12	.04	.008	.13
2008	.125	.05	-	-	.66	.12	.04	.500	.13
2009	.125	.05	-	-	.66	.12	.04	.500	.13
2010	.125	.05	-	-	.66	.12	.04	.500	.13

NOTES:

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

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

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

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

For the Fiscal Year Ended June 30, 2010				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Verizon - Maryland	\$ 762,804,022	\$ 34,133,332	\$ 728,670,690	0.45%
Potomac Electric Power Co.	676,189,850	6,099,000	670,090,850	0.39%
Montgomery Mall LLC	404,053,458	403,612,698	440,760	0.24%
Washington Gas Light Co.	252,714,250	-	252,714,250	0.15%
7501 Wisconsin Avenue LLC	220,920,832	220,920,832	-	0.13%
Camalier, Anne D et al, Trustee	219,422,703	219,422,703	-	0.13%
Federal Realty Investment Trust	210,320,090	208,164,430	2,155,660	0.12%
Chevy Chase Land Co	209,028,264	209,028,264	-	0.12%
Democracy Associates	203,221,000	203,221,000	-	0.12%
Mirant Mid-Atlantic, LLC	200,467,380	75,951,600	124,515,780	0.12%
Total	\$ 3,359,141,849	\$ 1,580,553,859	\$ 1,778,587,990	1.96%
Total Assessable Base	\$ 171,220,840,150			100.00%

For the Fiscal Year Ended June 30, 2001				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 971,603,190	\$ 24,356,150	\$ 947,247,040	2.88%
Verizon/Bell Atlantic	663,852,350	23,191,550	640,660,800	1.97%
Washington Gas Light Co.	178,488,430	5,765,720	172,722,710	0.53%
International Business Machines	89,842,750	17,586,810	72,255,940	0.27%
Montgomery Mall	87,598,710	87,294,580	304,130	0.26%
Bryant F. Foulger, Trustee	81,238,800	81,238,800	-	0.24%
Albert & R Abramson, et al	51,868,910	51,868,910	-	0.15%
Lake Forest Associates	50,491,660	50,491,660	-	0.15%
Marbeth Partnership	48,884,710	48,884,710	-	0.14%
Democracy Associates	46,909,410	46,909,410	-	0.14%
Total	\$ 2,270,778,920	\$ 437,588,300	\$ 1,833,190,620	6.73%
Total Assessable Base	\$ 33,726,860,968			100.00%

Source: State of Maryland Department of Assessments and Taxation

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

Fiscal Year	General Bonded Debt Outstanding (1)			Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Taxable BABs General Obligations (2)			
2001	\$ 1,178,708,034	\$ -	\$ -	\$ 1,178,708,034	1.42 %	\$ 1,320
2002	1,242,553,054	-	-	1,242,553,054	1.41	1,371
2003	1,288,293,054	-	-	1,288,293,054	1.32	1,408
2004	1,329,778,054	-	-	1,329,778,054	1.30	1,444
2005	1,415,208,054	-	-	1,415,208,054	1.30	1,524
2006	1,393,888,054	100,000,000	-	1,493,888,054	1.14	1,597
2007	1,512,675,607	100,000,000	-	1,612,675,607	1.12	1,713
2008	1,366,758,054	100,000,000	-	1,466,758,054	0.92	1,538
2009	1,496,561,371	100,000,000	-	1,596,561,371	0.89	1,668
2010	1,437,839,285	100,000,000	232,000,000	1,769,839,285	0.99	1,832

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, variable rate demand obligations and build america bonds are comprised of both governmental and business-type activities.

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

	2001	2002	2003	2004
Assessed Value				
Real property	\$ 29,649,012,878	\$ 77,574,947,550	\$ 82,407,337,831	\$ 89,263,005,267
Personal property	4,077,848,090	4,201,344,590	4,227,854,400	3,963,801,610
Total Assessed Value	<u>\$ 33,726,860,968</u>	<u>\$ 81,776,292,140</u>	<u>\$ 86,635,192,231</u>	<u>\$ 93,226,806,877</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior)	\$ 4,447,351,932	\$ 4,654,496,853	\$ 4,944,440,270	\$ 5,355,780,316
For personal property at 15%	611,677,214	630,201,689	634,178,160	594,570,242
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>5,059,029,146</u>	<u>5,284,698,542</u>	<u>5,578,618,430</u>	<u>5,950,350,558</u>
Debt Applicable to Limit:				
General obligation bonds	1,178,708,054	1,242,553,054	1,288,293,054	1,329,778,054
Variable Rate Demand Obligation	-	-	-	-
Taxable BABs General Obligation	-	-	-	-
Bond anticipation notes	125,000,000	125,000,000	125,000,000	150,000,000
Long-term notes payable	1,625,240	1,408,951	1,341,206	1,270,924
Total Debt Applicable to Limit	<u>1,305,333,294</u>	<u>1,368,962,005</u>	<u>1,414,634,260</u>	<u>1,481,048,978</u>
Legal Debt Margin	<u>\$ 3,753,695,852</u>	<u>\$ 3,915,736,537</u>	<u>\$ 4,163,984,170</u>	<u>\$ 4,469,301,580</u>
Legal Debt Margin as a Percentage of Debt Limit	74%	74%	75%	75%

NOTES:

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.

2005	2006	2007	2008	2009	2010
\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472	\$ 167,096,843,537
3,902,612,110	3,831,629,230	3,948,949,550	3,970,547,370	3,920,171,020	4,123,996,612
<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>	<u>171,220,840,149</u>
\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612
585,391,817	574,744,385	592,342,433	595,582,106	588,025,653	618,599,492
<u>6,482,295,300</u>	<u>7,206,499,332</u>	<u>8,134,989,000</u>	<u>9,133,968,242</u>	<u>10,076,035,141</u>	<u>10,644,410,104</u>
1,415,208,054	1,393,888,054	1,512,675,607	1,366,758,054	1,496,561,371	1,437,839,285
-	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
-	-	-	-	-	232,000,000
-	100,000,000	150,000,000	300,000,000	300,000,000	425,000,000
1,198,385	-	-	-	-	-
<u>1,416,406,439</u>	<u>1,593,888,054</u>	<u>1,762,675,607</u>	<u>1,766,758,054</u>	<u>1,896,561,371</u>	<u>2,194,839,285</u>
<u>\$ 5,065,888,861</u>	<u>\$ 5,612,611,278</u>	<u>\$ 6,372,313,393</u>	<u>\$ 7,367,210,188</u>	<u>\$ 8,179,473,770</u>	<u>8,449,570,819</u>
78%	78%	78%	81%	81%	79%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 556,900	100.00	% \$ 556,900
Poolesville - bonds	1,917,608	100.00	1,917,608
Rockville:			
Bonds	36,552,304	100.00	36,552,304
Certificates or notes	178,467	100.00	178,467
Takoma Park:			
Bonds	5,398,992	100.00	5,398,992
Certificates or notes	152,260	100.00	152,260
Capital leases	201,978	100.00	201,978
Component Units (2):			
MCPS - capital leases	32,900,935	100.00	32,900,935
MCC - capital leases	47,110,000	100.00	47,110,000
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	105,926,154	28.02	29,680,000
Advance land acquisition bonds	2,970,000	90.24	2,680,000
Notes payable	3,184,479	66.90	2,130,365
Loan payable	113,600	100.00	113,600
Development Districts (2):			
Kingsview Village Center - bonds	1,995,000	100.00	1,995,000
West Germantown - bonds	14,815,000	100.00	<u>14,815,000</u>
Total Overlapping Debt			176,383,409
Montgomery County direct debt			<u>2,418,199,833</u>
Total Direct and Overlapping Debt			<u>\$ 2,594,583,242</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, 2010*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2010
General bonded indebtedness:					
Consolidated Public Improvement Refunding	2.75 - 5.8	7/1/1992	1993-10	\$ 124,229,500	\$ 586,612
Consolidated Public Improvement	4.0 - 5.0	2/1/2001	2002-21	74,978,422	3,748,920
Consolidated Public Improvement Refunding	3.6 - 5.25	11/15/2002	2003-19	61,667,788	48,112,461
Consolidated Public Improvement	3.0 - 5.0	2/1/2001	2003-22	76,000,000	11,400,000
Consolidated Public Improvement Refunding	2.75 - 5.25	11/15/2002	2005-13	58,187,994	27,575,496
Consolidated Public Improvement	1.50 - 4.0	5/1/2003	2004-23	86,500,000	47,575,000
Consolidated Public Improvement Refunding	2.0 - 5.0	5/1/2003	2004-11	25,633,689	5,278,971
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	34,540,000
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	47,180,609
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	36,602,500
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	30,000,000
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	97,240,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	28,585,200
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	120,650,000
Consolidated Public Improvement Refunding	2.00 - 5.0	11/3/2009	2011-20	78,095,307	78,095,307
Consolidated Public Improvement Build America Bonds	3.75 - 5.5	11/3/2009	2015-29	130,000,000	130,000,000
Consolidated Public Improvement	2.00 - 5.0	11/17/2009	2010-14	29,000,000	29,000,000
Total				\$ <u>1,420,398,624</u>	\$ <u>902,635,316</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, 2010

MONTGOMERY COUNTY, MARYLAND
DEMOGRAPHIC STATISTICS
LAST TEN 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)
2001	893,275	\$ 45,483,059	\$ 50,917	490,213	475,049	3.1 %	134,180
2002	906,145	47,069,098	51,944	496,101	478,782	3.5	136,832
2003	914,893	48,728,619	53,262	496,223	479,675	3.3	138,891
2004	920,965	52,392,771	56,889	497,204	481,248	3.2	139,203
2005	928,916	56,016,278	60,303	508,251	492,431	3.1	139,337
2006	935,168	60,472,607	64,665	517,532	502,959	2.8	139,387
2007	941,491	62,901,647	66,811	516,790	502,904	2.7	137,798
2008	953,685	64,403,687	67,531	519,944	502,940	3.3	137,745
2009	957,200	66,060,000	69,014	513,689	486,329	5.3	137,763
2010	966,000	67,430,000	69,803	509,320	479,590	5.6	140,500

NOTES:

- (1) Sources: Data for 2001-2008 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2009 and 2010 are estimated by the Montgomery County Department of Finance from Round 7.2A Cooperative Estimates and pertain to population in households. Estimates for 2001-2008 revised by BEA in April 2010.
- (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 2001-2007 were revised by BEA and data for 2008 are a preliminary estimate from BEA. Data for 2009 and 2010 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 2005 - 2009. Data for 2010 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2009 to the first half of CY2010.
- (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 2005-2009 revised by BLS. Data for 2010 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2009 to the first half of CY2010.
- (6) The unemployment rates for 2005 and 2009 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2010 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2010.
- (7) Source: County Executive's Recommended FY11 Operating Budget, Office of Management and Budget, Montgomery County, p 10-5.

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

Employer	Fiscal Year 2010			Fiscal Year 2001		
	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	8.64 %	28,429	1	6.18 %
Montgomery County Public Schools	20,744	2	4.48	21,744	2	4.72
U.S. Department of Defense	14,709	3	3.18	14,521	3	3.15
Montgomery County Government	8,827	4	1.91	7,592	4	1.65
U.S. Department of Commerce	8,749	5	1.89	7,300	5	1.59
Adventist Healthcare	6,911	6	1.49	6,000	6	1.30
Lockheed Martin	5,025	7	1.09	3,700	10	0.80
Marriott International, Inc. (Headquarters)	3,957	8	0.85	*		
Giant Food Corporation	3,890	9	0.84	4,900	7	1.06
Montgomery College	3,000	10	0.65	*		
Verizon	*		-	4,700	8	1.02
Chevy Chase Bank	*		-	4,700	8	1.02
Total	<u>115,791</u>		<u>25.02 %</u>	<u>103,586</u>		<u>22.50 %</u>

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 FY10 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 FY01 was 460,341, and in FY10, 462,830.

Source: Montgomery County Department of Economic Development.

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:							
Instruction:							
Total enrollment ⁽¹⁾	139,203	139,337	139,387	137,798	137,745	139,276	141,777
Regular students ⁽⁴⁾	130,852	130,601	130,444	128,511	128,478	130,371	140,065
ESOL students ⁽¹⁾	12,200	12,905	13,200	14,718	15,961	16,685	17,664
Special education students ⁽⁴⁾	8,114	8,520	8,645	8,888	8,853	8,534	9,107
Cost per pupil (accrual basis) ⁽⁵⁾	\$ 11,628	12,361 \$	13,199 \$	14,388 \$	16,081 \$	16,543	16,914
Number of teaching stations ⁽³⁾	6,430	6,598	6,817	7,098	7,379	7,660	7,085
Average teacher salary ⁽⁶⁾	\$ 61,962	62,608 \$	65,173 \$	67,439 \$	71,039 \$	75,517	76,499
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	14:1	14:1	14:1	13:1	13:1	14:1	13.5:1
Average SAT score ⁽¹⁾	1,094	1,102	1,101	1,634	1,624	1,616	1,615
Seniors taking SAT ⁽¹⁾	81 %	80 %	77 %	76 %	79 %	74 %	81 %
Building capacity used ⁽³⁾ *	100 %	107 %	104 %	100 %	100 %	100 %	98.3 %
Support services:							
Student transportation:							
Number of buses ⁽¹⁾	1,202	1,230	1,252	1,264	1,272	1,271	1,270
Students transported ⁽¹⁾	96,000	93,845	95,962	95,711	96,000	96,700	97,100
Operation of plant:							
School buildings ⁽¹⁾	191	192	194	199	200	199	200
Square footage ⁽³⁾	18.9 million	19.6 million	20.0 million	20.9 million	21.1 million	21.1 million	21.4 million
Number of rooms ⁽³⁾	6,961	7,140	7,357	7,377	7,385	7,458	7,652
Maintenance of plant:							
Work orders	58,172	58,885	64,550	63,380	60,156	59,393	60,322
Average building age (years) ⁽³⁾ +	20	21	21	22	22	22	23
Administration:							
Payments issued	61,458	62,909	67,125	69,653	70,328	65,060	66,412
Purchased orders issued	42,621	46,843	48,343	49,609	43,233	58,858	49,870
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	12.9 million
Free & Reduced meals	5.6 million	5.7 million	5.6 million	6.4 million	7.0 million	7.5 million	8.1 million
Real Estate Management:							
Square footage under lease	98,114	84,618	104,426	103,567	188,248	168,949	162,389
Average annual rental months	11	10	11	11	11	11	11.1
Field Trip:							
Number of trips run	NA	NA	7,224	7,392	8,004	9,277	9,800
Trip miles	NA	NA	259,977	270,741	298,324	366,796	385,878
Entrepreneurial activities:							
Science kits sold	3,239	3,922	4,356	12,621	5,871	7,975	4,806

Notes:

NA - Data not readily available.

Data for FY 2001 - 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) FY2010 Annual Report on Our Call to Action: Pursuit of Excellence (The Strategic Plan for the Montgomery County Public Schools)

(2) Citizens Report 2010

(3) FY2010 Educational Facilities Master Plan and the Amended FY2009-2014 Capital Improvements Program

(4) The Superintendent's FY2010 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

(6) FY2010 Fact Sheet Prepared by Employee and Retiree Service Center

MONTGOMERY COUNTY PUBLIC SCHOOLS
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2001	2002	2003	2004
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	8,490	8,974	9,197	9,257
Other staff	1,467	1,488	1,400	1,343
Total Regular instruction	<u>9,957</u>	<u>10,462</u>	<u>10,597</u>	<u>10,600</u>
Special education:				
Teachers	1,538	1,587	1,665	1,708
Other staff	921	1,052	1,117	1,166
Total Special education	<u>2,459</u>	<u>2,639</u>	<u>2,782</u>	<u>2,874</u>
School administration	1,383	1,432	1,486	1,498
Student personnel services	77	88	89	121
Total Instruction	<u>13,876</u>	<u>14,621</u>	<u>14,954</u>	<u>15,093</u>
Support services:				
Student transportation	1,459	1,503	1,522	1,620
Operation of plant	1,189	1,243	1,272	1,280
Maintenance of plant	373	371	368	363
Administration	326	337	321	326
Total Support services	<u>3,347</u>	<u>3,454</u>	<u>3,483</u>	<u>3,589</u>
Special Revenue:				
Instructional TV	13	13	14	14
Business-Type Activities:				
Food Service	503	520	545	575
Adult Education	7	6	8	8
Real Estate Management	4	4	4	4
Field Trips	3	3	3	3
Entrepreneurial activities	5	5	6	7
Position Grand total	<u>17,758</u>	<u>18,626</u>	<u>19,017</u>	<u>19,293</u>

Source:

The Superintendent's FY 2010 Operating Budget Summary and Personnel Complement

2005	2006	2007	2008	2009	2010
9,302	9,546	9,679	9,666	9,589	9,690
<u>1,354</u>	<u>1,354</u>	<u>1,392</u>	<u>1,429</u>	<u>1,371</u>	<u>1,374</u>
<u>10,656</u>	<u>10,900</u>	<u>11,071</u>	<u>11,095</u>	<u>10,960</u>	<u>11,064</u>
1,775	1,867	1,985	2,024	2,047	2,094
<u>1,206</u>	<u>1,269</u>	<u>1,377</u>	<u>1,412</u>	<u>1,424</u>	<u>1,514</u>
<u>2,981</u>	<u>3,136</u>	<u>3,362</u>	<u>3,436</u>	<u>3,471</u>	<u>3,608</u>
1,543	1,610	1,675	1,691	1,677	1,662
<u>121</u>	<u>122</u>	<u>120</u>	<u>122</u>	<u>118</u>	<u>111</u>
<u>15,301</u>	<u>15,768</u>	<u>16,228</u>	<u>16,344</u>	<u>16,226</u>	<u>16,445</u>
1,688	1,728	1,750	1,751	1,745	1,742
1,285	1,322	1,390	1,405	1,403	1,398
380	389	377	380	396	389
<u>334</u>	<u>345</u>	<u>363</u>	<u>377</u>	<u>369</u>	<u>358</u>
<u>3,687</u>	<u>3,784</u>	<u>3,880</u>	<u>3,913</u>	<u>3,913</u>	<u>3,887</u>
14	14	14	14	14	14
577	590	601	602	605	584
6	5	-	-	-	-
4	5	4	4	7	7
3	3	3	3	4	5
<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>8</u>	<u>10</u>
<u>19,601</u>	<u>20,178</u>	<u>20,740</u>	<u>20,890</u>	<u>20,777</u>	<u>20,952</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE
as of June 30, 2010

Type of Coverage	Name of Company	Policy Period	Policy Number	From
To	Coverage			
Comprehensive General Liability Comprehensive Auto Liability	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/10-07/01/11	\$100,000
Workers' Compensation	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/10-07/01/11	As required by Maryland Statutes plus \$100,000 Insurance Fund
Boiler and Machinery	FM Global	LP893	07/01/010-06/30/10	Extra expense \$25,000 deductible
Property All Risk Coverage	FM Global	LP893	07/01/09-06/30/11	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	07/01/98-07/01/11	Same as above
Commercial Crime Policy Bond Coverage - all employees	Zurich Insurance.	CCP006103407	07/01/10-06/30/11	\$1,000,000 per loss \$500,000 forgery/alteration \$5,000 deductible
Public Official Bond	Travelers	103962416	07/01/08-07/01/11	\$10,000
Tackle Football for Students	United Healthcare	N/A	08/15/10-08/15/11	\$100,000 medical expense After 52 weeks after accident - \$2,500 death
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG9100883	08/01/10-08/01/11	\$5,000,000 Medical expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/10-06/30/11	No limit
Fiduciary Liability	AIG	02-192-1311	07/01/10-06/30/11	\$5,000,000
Excess Liability Auto and General retention	Everest National Insurance Co.	71A2190001-01	07/01/10-06/30/11	\$10,000,000 \$3,000,000 Self-Insurance Fund Pays 1 st \$3 million
Business Auto	Hartford Insurance Co.	42UENJC0028	07/01/10-06/30/11	\$1,000,000

N/A – Not Applicable

Source: Department of Financial Services