

MONTGOMERY COUNTY PUBLIC SCHOOLS

A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



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

- Every child can learn and succeed
- The pursuit of excellence is fundamental and unending
- An ethical school system requires fair treatment, honesty, openness, integrity, and respect
- A high-quality school system strives to be responsive and accountable to the customer

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, 2008

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:

College Gardens 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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INTRODUCTORY SECTION

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MONTGOMERY COUNTY PUBLIC SCHOOLS

www.montgomeryschoolsmd.org

MARYLAND

September 26, 2008

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, 2008.

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

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

Overview of the Report

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

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

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

Office of the Superintendent of Schools

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

Members of the Board of Education

MCPS Profile

The Board of Education of Montgomery County is the elected body, corporate and politic, established under Maryland law to provide public education in kindergarten through twelfth grade to children residing within the borders of Montgomery County, Maryland. The Board is composed of 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. The budget is approved by the Montgomery County Council. The Board of Education has no power to levy and collect taxes or increase the budget. Because of the relationship with Montgomery County, MCPS is considered a component unit of the county government, as defined by GAAP for governmental entities.

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

Factors Affecting Financial Condition

Local economy. MCPS receives approximately 74 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 stabilized after nearly a year of decline. According to the Center for Regional Analysis, the region's economy is expected to grow slowly during 2008. The region added approximately 25,000 new jobs over the past year. The Washington MSA Coincident Index, a measure of the current state of the metropolitan economy, decreased by 4.9 percent during FY 2008. The Washington MSA Leading Index decreased by 2.4 percent in FY 2008, suggesting slower 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 Washington MSA continues to have one of the lowest unemployment rates in the country at 3.4 percent, although this rate has increased significantly over the last year. The federal government comprises approximately 30 percent of the county's economy. Consumer prices in the region increased 4.7 percent in the past year, above the national average of 4.0 percent and higher than the previous year's regional inflation rate of 2.9 percent.

Montgomery County's economy has experienced weak economic performance during the last year. The primary reasons for the county's weak performance were declining employment, weak residential construction, a continued decline in housing sales, weak consumer spending, and a sharp increase in consumer prices, especially for food and fuel. Resident employment declined by 0.15 percent. Payroll employment also was stagnant. However, the county's unemployment rate of 2.6 percent remains one of the lowest in the state, a full percentage point below the state average. Construction activity experienced mixed results, with new projects down 5.0 percent, but total value up 17 percent. The value of new residential construction has decreased 9.1 percent this year, and the number of residential building permits issued decreased by 65 percent. The number of residential sales declined during the year by 34.3 percent. For every ten homes, there was just one buyer. However, average home prices in the county have increased by 2.2 percent this year. While revenue from property taxes continues to increase, revenue from real estate transfer and recordation taxes has sharply decreased in FY 2008. Purchases of non-durable goods, including food and transportation, increased 6.0 percent, but purchases of non-durable goods were down by 10.4 percent.

Long-term financial planning. Six-year budget projections are updated each year, used as a starting point for discussion and planning, and revised each year to reflect trends and factors affecting enrollment. Preliminary projections for FY 2009 through FY 2014 indicate an annual increase for major known

Members of the Board of Education

commitments of \$151.0 million for FY 2010 (including the result of already negotiated collective bargaining agreements), and average projected increases of more than \$65 million for known commitments for FY 2011 through FY 2014, not including the cost of future negotiated agreements. Each 1 percent salary increase will add \$15.4 million in FY 2010. These projections do not include funds to address the initiatives planned in the MCPS strategic plan, *Our Call to Action: Pursuit of Excellence*, to raise the bar and close the achievement gap between racial and ethnic groups.

Negotiated agreements. In February 2007, the Board of Education reached agreement with all three bargaining units on new three-year contracts. All of these contracts will expire on June 30, 2010. The salary agreement calls for 4.8 percent increases effective July 1, 2007, 5.0 percent increases effective July 1, 2008, and 5.3 percent increases effective July 1, 2009. The agreements do not provide for negotiations on any of the terms of the Agreements during the covered period of time.

During fall 2006, the three unions participated in joint negotiations regarding benefits for all employees. These negotiations resulted in agreement on benefits terms for three years, through FY 2010.

During the fall of 2006, the Board of Education approved the establishment of a new bargaining unit, the Montgomery County Business and Operations Administrators (MCBOA), composed of noncertificated supervisory employees. The exclusive representative of the new unit was approved by the Board of Education on June 12, 2007. A contract with MCBOA was approved effective on February 28, 2008, through June 30, 2010.

Enrollment. MCPS enrollment has increased by over 41,000 students in the past 20 years. Total MCPS enrollment in FY 2008 was 137,745. September 30, 2008, enrollment is projected to be 137,763. For the next few years total MCPS enrollment is projected to remain at a plateau. Although elementary enrollment is projected to increase over this period, these increases will be offset by a downward trend in secondary enrollment. Secondary enrollment is projected to begin increasing again in about six years, and when this begins total system enrollment will increase as well.

In regard to school capacity, MCPS is still catching up with enrollment increases that have already occurred, with additional space needs resulting from implementation of full-day kindergarten at all elementary schools, and with implementation of class-size reductions in Kindergarten and Grades 1 and 2 at 62 elementary schools having high levels of Free and Reduced-price Meals Program participation. To relieve overutilization of schools, in FY 2008 MCPS added a total of 64 classrooms to three elementary schools and three high schools, and opened one new elementary school. In FY 2009 MCPS will add another 105 classrooms to nine elementary schools and two middle schools. Further increases in school capacity are programmed for FY 2010 to FY 2014.

Cash management program. MCPS maintains a cash management program for the purpose of achieving maximum financial return on available funds. Temporarily idle cash is invested on a daily basis in a money market mutual fund and in fully collateralized repurchase agreements. Investment earnings were \$1,995,772 in FY 2008. Excess cash during the year is invested by the Montgomery County Government for MCPS. MCPS does not benefit directly from the investment earnings derived from the county's cash management and investment programs.

Risk Management. Page 82 in the statistical section of this report presents the Montgomery County and Board of Education's Self-Insurance Fund. This fund was established in 1954 so that properties of the county, including schools, could be partially self-insured for fire insurance purposes. Effective July 1, 1978, this fund was merged into an expanded self-insurance program to cover workers' compensation, general liability, and boiler and motor vehicle risks. It appears that, based upon experience, this fund is mutually beneficial for all participating agencies. Additional information on MCPS' risk management activity can be found in note 10 of the notes to the financial statements.

Accomplishments and Awards

SAT scores. The systemwide average SAT score in FY 2008 was 1616, with 80.0 percent of seniors taking the SAT and/or ACT test. The average score was 105 points above the national average and 118 points above the Maryland state average. The average included a mathematics score of 549, a critical reading

Members of the Board of Education

score of 532, and a writing score averaging 536. SAT scores continue to show a significant gap between the average scores of White and Asian students and those of African American and Hispanic students.

Academic progress. Students at all levels are demonstrating improved academic achievement. In 2007, 46 percent of the school system's seniors scored a 3 or higher on Advanced Placement exam—three times the national average and double the average in Maryland. Sixty percent of all MCPS seniors took one or more advanced placement exams. African American and Hispanic seniors in MCPS performed significantly better than their peers nationwide on Advanced Placement exams, with more African American students and Hispanic students scoring a 3 or better than the national average for all students. Record numbers of kindergarten students are reading, more than 90 percent in 2007, 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. Fifty-six percent of Grade 8 students successfully completed Algebra 1 in 2007, twice the national average.

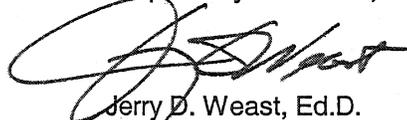
Financial Reporting Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MCPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. In order to be awarded 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 27 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 2008 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.

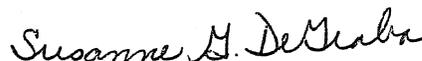
Respectfully submitted,



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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

MONTGOMERY COUNTY PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2007

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

Ernie E. Brandel

President

John D. Munn

Executive Director

MONTGOMERY COUNTY PUBLIC SCHOOLS LISTING OF OFFICIALS

MEMBERS OF THE BOARD OF EDUCATION

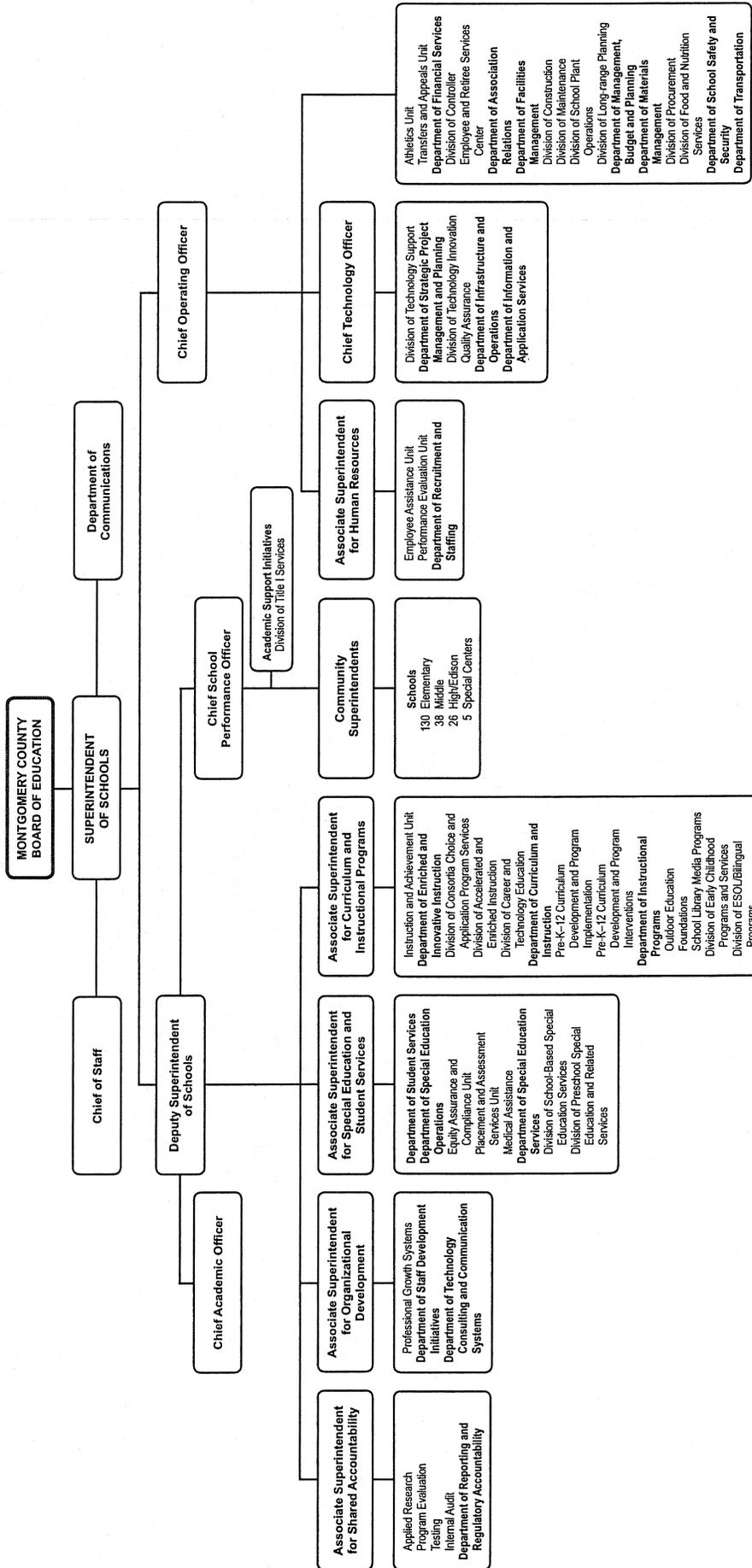
Nancy Navarro, President
Shirley Brandman, Vice President
Stephen Abrams
Christopher S. Barclay
Sharon W. Cox
Judy Docca
Patricia O'Neill

Quratul-Ann Malik, Student Board Member

EXECUTIVE STAFF

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

MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION



FINANCIAL SECTION



Independent Auditor's Report

Board of Education
of Montgomery County Public Schools
Rockville, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, 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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, on our consideration of the Montgomery County Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 12 through 21 and the schedules of funding progress and employer contributions on page 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clifton Henderson LLP

Baltimore, Maryland
September 26, 2008

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, 2008. Readers are encouraged to consider the information presented here in conjunction with additional information presented in the transmittal letter, which can be found on pages 1-4 of this report.

Financial Highlights

- The assets of MCPS exceeded its liabilities at June 30, 2008, by \$1,613.6 million, which represents its net assets.
- MCPS' net assets increased during the year by \$62.4 million.
- 97 percent of capital asset additions were directed toward instructional facilities, including the modernization of six schools and the opening of one elementary school.
- MCPS successfully realized its commitment to the Montgomery County Council to generate \$17.9 million in FY 2008 savings to be used to fund the FY 2009 operating budget.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 23-25 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 26-30 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 31-33 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 34-35 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 37-57 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 60-71 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 186.1	\$ 167.6	\$ (1.1)	\$ (0.5)	\$ 185.0	\$ 167.1
Capital assets	1,794.5	1,661.5	5.3	5.7	1,799.8	1,667.2
Total assets	1,980.6	1,829.1	4.2	5.2	1,984.8	1,834.3
Long-term liabilities outstanding	186.8	111.1	2.5	1.6	189.3	112.7
Other liabilities	180.0	168.4	1.9	2.0	181.9	170.4
Total liabilities	366.8	279.5	4.4	3.6	371.2	283.1
Net Assets:						
Invested in capital assets, net of related debt	1,765.4	1,635.1	5.0	5.2	1,770.4	1,640.3
Unrestricted	(151.6)	(85.5)	(5.2)	(3.6)	(156.8)	(89.1)
Total net assets	\$ 1,613.8	\$ 1,549.6	\$ (0.2)	\$ 1.6	\$ 1,613.6	\$ 1,551.2

Government-wide Financial Analysis

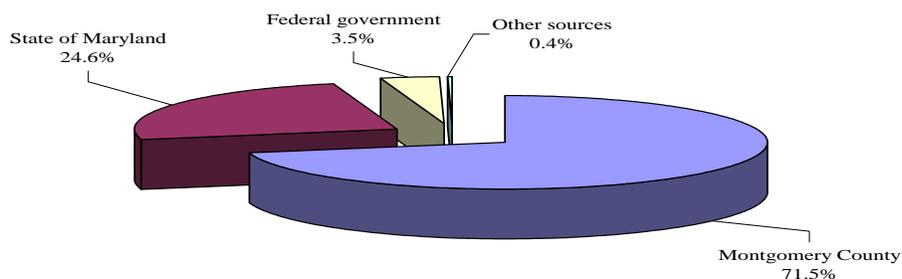
Net assets may serve as a useful indicator of a government's financial position. MCPS' net assets, the amount by which assets exceed liabilities, increased \$62.4 million to \$1,613.6 million. Most of the increase came from governmental activities, which increased by \$64.2 million to \$1,613.8 million. 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 \$130.3 million to \$1,765.4 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.

Unrestricted net assets deficit increased \$67.7 million to a \$156.8 million deficit at June 30, 2008. The increase in unrestricted net assets deficit is primarily attributed to the initial reporting of the net OPEB obligation of \$66.1 million. Net assets increased by \$1.6 million when the effects of the net OPEB obligation are removed.

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

Revenues by Source - Governmental Activities



Governmental activities. Total revenues for MCPS' governmental activities increased \$166.4 million (7.8 percent). Intergovernmental revenues increased \$169.2 million (8.6 percent), and operating program revenues increased \$1.0 million (1.1 percent). Intergovernmental revenues from Montgomery County increased \$124.3 million (8.2 percent) as required to fund the operating and capital budgets. Intergovernmental revenue from the State of Maryland increased

\$41.5 million (8.8 percent), related principally to an increase in the unrestricted Bridge to Excellence funding.

Total expenses increased \$238.2 million (12.0 percent) to \$2,220.8 million. In 2008, instructional programs expenses accounted for 82.7 percent, (82.1 percent in 2007), and support services accounted for 17.3 percent (17.9 percent in 2007), of total governmental activities expenses. Employee healthcare and other postemployment healthcare benefits increased \$96.0 million (34.5 percent), principally due to increased funding of OPEB obligations. Salaries increased \$82.6 million (7.0 percent), as a result of negotiated salary increases and additional positions funded for instructional initiatives. Capital project expenditures increased \$15.9 million (6.9 percent).

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 5.3	\$ 5.2	\$ 28.6	\$ 27.6	\$ 33.9	\$ 32.8
Operating grants and contributions	84.4	83.5	20.0	18.8	104.4	102.3
Capital grants and contributions	48.1	52.3	0.9	0.6	49.0	52.9
General revenues:						
Intergovernmental	2,145.8	1,976.6			2,145.8	1,976.6
Other	1.4	1.0	0.6	0.9	2.0	1.9
Total revenues	2,285.0	2,118.6	50.1	47.9	2,335.1	2,166.5
Expenses:						
Regular instruction	1,300.2	1,160.9			1,300.2	1,160.9
Special education	338.0	293.6			338.0	293.6
School administration	183.9	160.2			183.9	160.2
Student personnel services	15.9	13.9			15.9	13.9
Health services	-	-			-	-
Student transportation	118.0	100.9			118.0	100.9
Operation of plant	144.7	130.3			144.7	130.3
Maintenance of plant	56.4	55.8			56.4	55.8
Administration	59.2	63.1			59.2	63.1
Community services	2.5	2.2			2.5	2.2
Interest on capital leases	2.0	1.7			2.0	1.7
Food services			46.1	42.1	46.1	42.1
Real estate management			2.3	2.9	2.3	2.9
Field trips			1.8	1.6	1.8	1.6
Entrepreneurial activities			1.6	1.4	1.6	1.4
Total expenses	2,220.8	1,982.6	51.8	48.0	2,272.6	2,030.6
Increase (decrease) in net assets	64.2	136.0	(1.7)	(0.1)	62.5	135.9
Net Assets - beginning	1,549.6	1,413.6	1.6	1.7	1,551.2	1,415.3
Net Assets - ending	\$ 1,613.8	\$ 1,549.6	\$ (0.1)	\$ 1.6	\$ 1,613.7	\$ 1,551.2

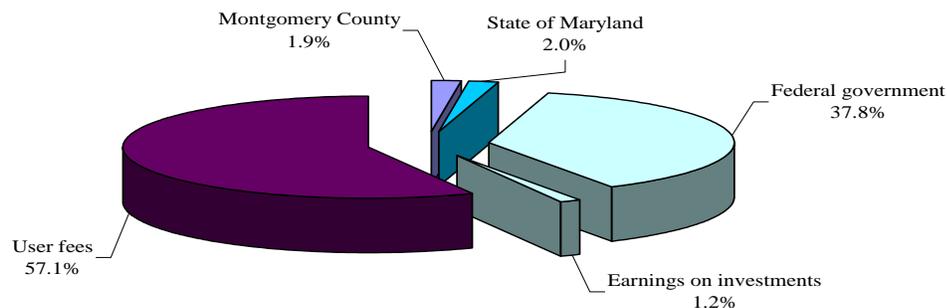
Business-type activities. Business-type activities decreased MCPS' net assets by \$1.7 million. Total revenues increased \$2.2 million (4.6 percent). Moderate increases in sales across the

enterprise funds increased charges for services by \$1.0 million (3.6 percent). The number of reimbursable meals increased 325,000 (2.6 percent) to 12,846,000. Operating grants related to Federal student lunch programs increased \$1.2 million (6.4 percent).

Total expenses increased \$3.8 million (7.9 percent). Food services operating expenses increased \$4.0 million (9.5 percent). Salaries increased \$1.1 million (6.6 percent), principally due to general negotiated increases. Other charges, principally postemployment healthcare benefits, increased \$1.7 million (18.1 percent).

Non-major enterprise funds net assets increased \$0.6 million, due primarily to operating income of \$0.5 million in the Real Estate Management Fund.

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.

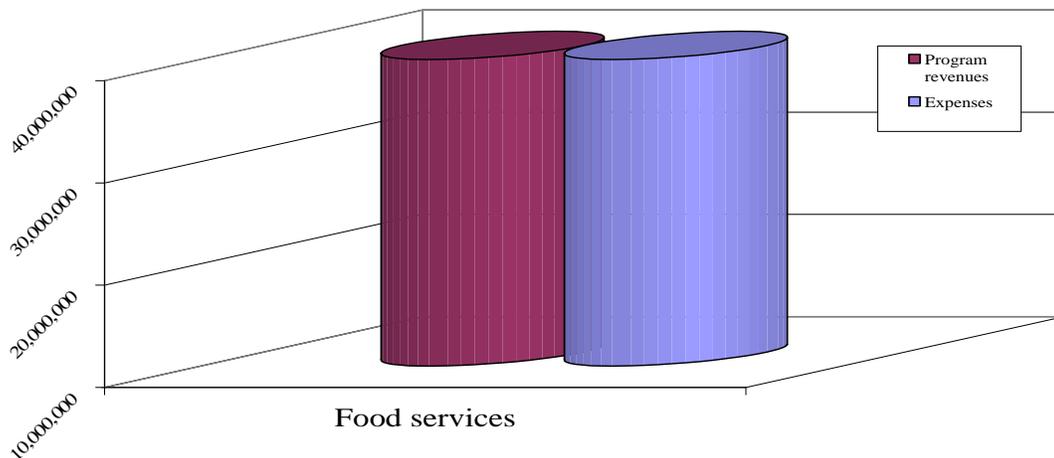
Governmental funds. The focus of MCPS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MCPS' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's 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 \$15.3 million, an increase of \$6.7 million from the prior year. The unreserved, undesignated fund balance was \$2.7 million and the reserved fund balances were \$12.6 million. Reserved fund balances is unavailable for new spending because it has already been reserved to liquidate prior period commitments.

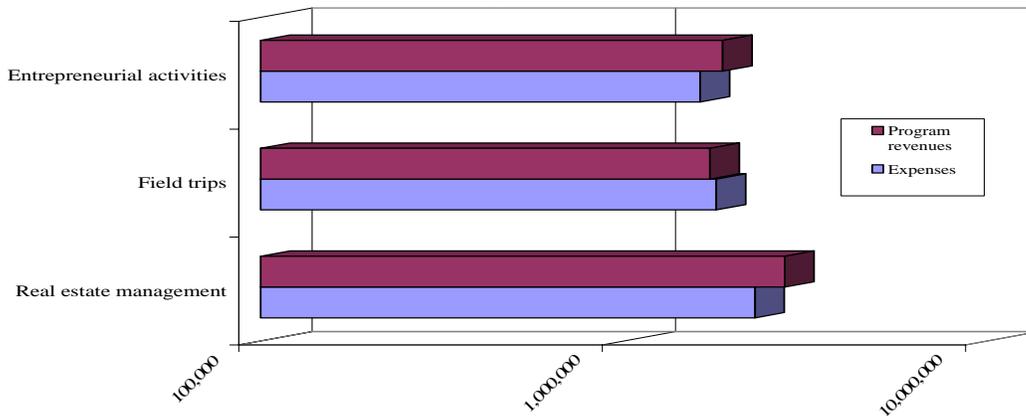
The general fund is the principal operating fund of MCPS. At June 30, 2008, unreserved, undesignated fund balance was \$16.4 million and total fund balance was \$29.0 million. Unreserved, undesignated fund balance increased \$11.5 million, resulting primarily from a decrease in reserved fund balance necessary to cover a decrease of \$4.9 million in encumbrances outstanding at June 30, 2008 and an excess of revenue and other financing sources over expenses of \$6.8 million.

Capital projects fund deficit increased by \$0.1 million during 2008 to a deficit of \$13.8 million at June 30, 2008. The deficit reflects school construction funding reversions by the State occurring after the anticipated State funds had been expended. The deficit will be eliminated as Montgomery County adjusts revenue sources from state to local funding for the affected projects.

Program Revenues and Expenses - Major Fund Business-type Activities



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



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

General Fund Budgetary Highlights

The final amended budget for fiscal year 2008 was \$3.5 million higher than the original budget. The increase was a result of a supplemental appropriation for restricted program grants received during the year.

Actual budgetary fund balance increased by \$11.3 million. The increase in fund balance resulted from a plan to generate \$17.9 million in current year savings, to be applied toward funding the 2009 operating budget.

Actual revenues were \$9.3 million under budget for the year. Restricted revenues were \$13.0 million under budget, of which \$1.5 million comprised estimated restricted grants that did not materialize, and \$10.1 million in unrealized revenue for grants that carried forward into 2009.

Unrestricted revenues were \$3.7 million above budget. Revenues above budget included investment income (\$0.6 million) and State non formula-based grants (\$2.7 million).

Actual expenditures were \$27.9 million under budget. Restricted expenditures were \$13.0 million less than the budget, which consisted of \$10.1 million in unspent funds for grants that carry forward into 2009, and \$1.5 million in estimated restricted grants that did not materialize.

Unrestricted expenditures were \$14.9 million under budget, due to a savings plan implemented during the year that, in agreement with the Montgomery County Council, would generate internal savings for use in funding 2009 budget initiatives.

Capital Asset and Debt Administration

Capital Assets. Capital assets include land and site improvements, schools and administrative buildings, school buses, and other vehicles and equipment. At June 30, 2008, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$1,799.8 million, net of accumulated depreciation. This amount represents a net increase of \$132.6 million, or 8.0 percent from last year. The net value of buildings, cost less accumulated depreciation, increased \$142.9 million and construction in progress decreased \$21.4 million.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 68.9	\$ 68.1	\$ -	\$ -	\$ 68.9	\$ 68.1
Buildings	1,372.9	1,230.0	-	-	1,372.9	1,230.0
Site improvements	132.8	122.8	-	-	132.8	122.8
Vehicle and equipment	64.7	64.0	5.3	5.7	70.0	69.7
Construction in progress	155.2	176.6	-	-	155.2	176.6
Total	\$ 1,794.5	\$ 1,661.5	\$ 5.3	\$ 5.7	\$ 1,799.8	\$ 1,667.2

To relieve overcrowding, reduce the number of releasable classrooms, and accommodate full-day kindergarten, in FY 2008, MCPS added 64 classrooms to three elementary and three high schools and opened one elementary school, adding an additional 28 classrooms. In FY 2009, MCPS will add 105 classrooms to nine elementary schools and two middle schools.

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

Long-term debt. At June 30, 2008, MCPS had \$49.8 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 \$27.6 million during 2008. Principal payments on existing capital leases were \$23.8 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.

Post-employment Healthcare Benefits. The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* (OPEB) in June 2004. The Statement is effective in FY 2008 for MCPS. The Statement establishes 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.

In preparation for the July 1, 2007, implementation date, MCPS participated with the county and other county agencies for the purpose of developing a common approach toward reporting and funding OPEB that would be acceptable to the Montgomery County Council, the funding authority for MCPS. MCPS agreed with the County Council to phase in full funding of the annual OPEB cost over a five year period. The 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.

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

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

Bridge to Excellence. The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The Bridge to Excellence Act (S. B. 856) provides an additional \$1.3 billion statewide 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 2008, MCPS received an increase of \$53.5 million as a result of this legislation. MCPS can expect smaller annual increases in state resources in future years now that the legislation, except for the Geographic Cost of Education Index funding, has been fully implemented.

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in pooled cash and investments	\$ 52,543,731	\$ 1,107,974	\$ 53,651,705	\$
Cash and cash equivalents		8,592,835	8,592,835	32,107
Investments - cash equivalents	38,384,641		38,384,641	
Investments				5,458,632
Accounts receivable:				
Montgomery County	46,974,459	417,460	47,391,919	
State of Maryland	15,348,839	33,845	15,382,684	
Federal government	5,033,815	652,890	5,686,705	
Other	5,839,046	915,516	6,754,562	
Due from component unit	513,810		513,810	
Internal balances	14,130,429	(14,130,429)	-	
Inventories	6,526,573	1,267,526	7,794,099	
Prepays	344,177		344,177	
Due from employees	538,256		538,256	
Capital assets (net of accumulated depreciation):				
Land and site improvements	201,745,359		201,745,359	
Buildings and additions	1,372,890,758	2,675	1,372,893,433	
Construction in progress	155,190,543		155,190,543	
Vehicles and equipment	64,656,442	5,350,621	70,007,063	
Total assets	1,980,660,878	4,210,913	1,984,871,791	5,490,739
Liabilities				
Accounts payable and other current liabilities	137,149,371	181,467	137,330,838	
Due to primary government				513,810
Due to fiduciary funds	13,667,983		13,667,983	
Unearned revenue	3,758,694	1,483,909	5,242,603	
Noncurrent liabilities:				
Due within one year	25,417,727	206,055	25,623,782	
Due in more than one year	186,834,211	2,527,661	189,361,872	
Total liabilities	366,827,986	4,399,092	371,227,078	513,810
Net Assets (deficit)				
Invested in capital assets, net of related debt	1,765,406,793	5,019,355	1,770,426,148	
Restricted for:				
Instructional Programs, Expendable				535,622
Scholarships, Non-Expendable				821,862
Unrestricted	(151,573,901)	(5,207,535)	(156,781,436)	3,619,445
Total net assets (deficit)	\$ 1,613,832,892	\$ (188,180)	\$ 1,613,644,712	\$ 4,976,929

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,300,214,158	\$ 4,634,191	\$ 49,861,492	\$ 26,199,271
Special education	337,981,003	300,535	26,415,562	
School administration	183,915,725		3,919,325	
Student personnel services	15,923,429		1,070,620	
Health services	39,372			
Total instruction	<u>1,838,073,687</u>	<u>4,934,726</u>	<u>81,266,999</u>	<u>26,199,271</u>
Support services:				
Student transportation	117,962,721	397,677	230,639	-
Operation of plant	144,731,021		1,998	3,725,989
Maintenance of plant	56,469,713		558,156	14,459,081
Administration	59,171,446		392,891	3,731,925
Community services	2,470,942		1,898,848	
Interest on capital leases	1,970,020			
Total support services	<u>382,775,863</u>	<u>397,677</u>	<u>3,082,532</u>	<u>21,916,995</u>
Total governmental activities	<u>2,220,849,550</u>	<u>5,332,403</u>	<u>84,349,531</u>	<u>48,116,266</u>
Business-type activities:				
Food services	46,125,487	22,219,798	19,955,950	927,082
Real estate management	2,290,554	2,765,022		
Field trips	1,792,660	1,722,208		
Entrepreneurial activities	1,619,087	1,866,786		
Total business-type activities	<u>51,827,788</u>	<u>28,573,814</u>	<u>19,955,950</u>	<u>927,082</u>
Total primary government	<u>\$ 2,272,677,338</u>	<u>\$ 33,906,217</u>	<u>\$ 104,305,481</u>	<u>\$ 49,043,348</u>
Component Unit:				
Educational Foundation	<u>\$ 1,042,724</u>	<u>\$ -</u>	<u>\$ 1,473,520</u>	<u>\$ -</u>

General revenues:
 Unrestricted intergovernmental:
 Montgomery County
 State of Maryland
 Federal government
 Investment earnings
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit Educational Foundation
	Business-Type Activities	Total	
\$ (1,219,519,204)	\$ -	\$ (1,219,519,204)	\$ -
(311,264,906)		(311,264,906)	
(179,996,400)		(179,996,400)	
(14,852,809)		(14,852,809)	
(39,372)		(39,372)	
<u>(1,725,672,691)</u>	<u>-</u>	<u>(1,725,672,691)</u>	<u>-</u>
(117,334,405)		(117,334,405)	
(141,003,034)		(141,003,034)	
(41,452,476)		(41,452,476)	
(55,046,630)		(55,046,630)	
(572,094)		(572,094)	
(1,970,020)		(1,970,020)	
<u>(357,378,659)</u>	<u>-</u>	<u>(357,378,659)</u>	<u>-</u>
<u>(2,083,051,350)</u>	<u>-</u>	<u>(2,083,051,349)</u>	<u>-</u>
	(3,022,657)	(3,022,657)	
	474,468	474,468	
	(70,452)	(70,452)	
	247,699	247,699	
<u>-</u>	<u>(2,370,942)</u>	<u>(2,370,942)</u>	<u>-</u>
<u>(2,083,051,350)</u>	<u>(2,370,942)</u>	<u>(2,085,422,292)</u>	<u>-</u>
			430,796
1,631,686,296		1,631,686,296	
510,142,429		510,142,429	
4,015,914		4,015,914	
1,378,734	617,038	1,995,772	
21,428	(21,428)	-	
<u>2,147,244,801</u>	<u>595,610</u>	<u>2,147,840,411</u>	<u>-</u>
64,193,451	(1,775,332)	62,418,119	430,796
1,549,639,441	1,587,152	1,551,226,593	4,546,133
<u>\$ 1,613,832,892</u>	<u>\$ (188,180)</u>	<u>\$ 1,613,644,712</u>	<u>\$ 4,976,929</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 52,543,731	\$ -	\$ -	\$ 52,543,731
Accounts receivable:				
Montgomery County	3,377,432	43,597,027		46,974,459
State of Maryland	5,750,729	9,598,110		15,348,839
Federal government	5,033,815			5,033,815
Other	5,683,140	51,392		5,734,532
Due from other funds	57,676,497		145,589	57,822,086
Due from fiduciary funds	999,881			999,881
Due from component unit	513,810			513,810
Inventories	6,526,573			6,526,573
Prepays	344,177			344,177
Due from employees	538,256			538,256
Total assets	<u>\$ 138,988,041</u>	<u>\$ 53,246,529</u>	<u>\$ 145,589</u>	<u>\$ 192,380,159</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 20,207,139	\$ 10,122,832	\$ 9,215	\$ 30,339,186
Retainage payable		13,228,548		13,228,548
Accrued salaries and withholdings	74,225,905			74,225,905
Due to other funds	7,352,883	43,691,657		51,044,540
Unearned revenue	3,758,694			3,758,694
Compensated absences	4,482,076			4,482,076
Total liabilities	<u>110,026,697</u>	<u>67,043,037</u>	<u>9,215</u>	<u>177,078,949</u>
Fund Balances:				
Reserved for:				
Encumbrances	5,701,090			5,701,090
Inventories	6,526,573			6,526,573
Prepays	344,177			344,177
Unreserved, undesignated (deficit), reported in:				
General Fund	16,389,504			16,389,504
Capital Projects Fund		(13,796,508)		(13,796,508)
Special Revenue Fund			136,374	136,374
Total unreserved, undesignated (deficit)	<u>16,389,504</u>	<u>(13,796,508)</u>	<u>136,374</u>	<u>2,729,370</u>
Total fund balances	<u>28,961,344</u>	<u>(13,796,508)</u>	<u>136,374</u>	<u>15,301,210</u>
Total liabilities and fund balances	<u>\$ 138,988,041</u>	<u>\$ 53,246,529</u>	<u>\$ 145,589</u>	<u>\$ 192,380,159</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, 2008

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

Total fund balances - governmental funds		\$	15,301,210
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	\$ 2,555,156,023	
	Accumulated depreciation is	<u>(760,672,921)</u>	
			1,794,483,102
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.			
			11,818,442
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	(49,420,506)	
	Compensated absences	\$ (93,534,908)	
	Compensated absences-Governmental Funds	<u>4,482,076</u>	
		(89,052,832)	
	Net pension obligation	(3,722,929)	
	OPEB obligation	(65,245,175)	
	Technology investment loans	<u>(328,420)</u>	
			<u>(207,769,862)</u>
Total net assets - governmental activities		\$	<u>1,613,832,892</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, 2008

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,449,835,388	\$ 183,275,964	\$ -	\$ 1,633,111,352
State of Maryland	511,954,653	49,833,373		561,788,026
Federal government	81,098,923			81,098,923
Other sources	<u>7,397,034</u>	<u>108,401</u>	<u>1,521,000</u>	<u>9,026,435</u>
Total revenues	<u>2,050,285,998</u>	<u>233,217,738</u>	<u>1,521,000</u>	<u>2,285,024,736</u>
Expenditures:				
Current:				
Administration	40,223,462			40,223,462
Mid-level administration	128,825,484			128,825,484
Instructional salaries and wages	801,621,226			801,621,226
Instructional textbooks and supplies	30,676,046			30,676,046
Other instructional costs	17,748,901			17,748,901
Special education	245,993,338			245,993,338
Student personnel services	11,051,597			11,051,597
Health services	32,162			32,162
Student transportation	92,544,044			92,544,044
Operation of plant	112,699,200			112,699,200
Maintenance of plant	31,498,027			31,498,027
Fixed charges	531,185,474			531,185,474
Community services	353,674		1,549,238	1,902,912
Debt service:				
Capital lease principal	11,536,264	11,973,917		23,510,181
Capital lease interest	1,224,026	745,994		1,970,020
Capital outlay		<u>234,409,417</u>		<u>234,409,417</u>
Total expenditures	<u>2,057,212,925</u>	<u>247,129,328</u>	<u>1,549,238</u>	<u>2,305,891,491</u>
Excess (deficiency) of revenues over expenditures	<u>(6,926,927)</u>	<u>(13,911,590)</u>	<u>(28,238)</u>	<u>(20,866,755)</u>
Other financing sources:				
Capital lease financing	13,746,638	13,783,891		27,530,529
Transfers in	<u>21,428</u>			<u>21,428</u>
Total other financing sources	<u>13,768,066</u>	<u>13,783,891</u>	<u>-</u>	<u>27,551,957</u>
Net change in fund balances	6,841,139	(127,699)	(28,238)	6,685,202
Fund balances - beginning	<u>22,120,205</u>	<u>(13,668,809)</u>	<u>164,612</u>	<u>8,616,008</u>
Fund balances - ending	<u>\$ 28,961,344</u>	<u>\$ (13,796,508)</u>	<u>\$ 136,374</u>	<u>\$ 15,301,210</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, 2008

Total net change in fund balances - governmental funds	\$	6,685,202
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 (\$234,409,416 less non-capitalized items of \$48,444,685) plus capital outlays for general fund assets (\$14,192,163) exceed depreciation expense (\$62,856,573) in the current period.		137,300,321
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.		(4,292,836)
Some of the capital assets and assets below the capitalization threshold acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. Also, expenditures for principal repayment of capital leases are measured by the amount of financial resources used by governmental funds and have no effect on net assets.		(4,020,348)
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	(65,245,175)	
Compensated absences	(6,135,069)	
Change in net pension obligation	313,683	
Other	328,420	(70,738,141)
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.		(740,747)
Change in net assets of governmental activities	\$	64,193,451

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 1,449,614,120	\$ 1,449,865,096	\$ 1,449,835,388	\$ (29,708)
State of Maryland	391,235,571	394,955,390	396,447,634	1,492,244
Federal government	79,422,250	86,950,580	77,327,848	(9,622,732)
Other sources	16,583,937	8,584,812	7,397,034	(1,187,778)
Total revenues	1,936,855,878	1,940,355,878	1,931,007,904	(9,347,974)
Expenditures and encumbrances:				
Current:				
Administration	43,534,390	41,583,842	40,642,956	940,886
Mid-level administration	131,291,855	129,000,498	128,055,349	945,149
Instructional salaries and wages	816,299,238	812,719,676	802,034,315	10,685,361
Instructional textbooks and supplies	36,503,249	34,883,682	30,119,903	4,763,779
Other instructional costs	22,918,232	22,727,537	17,873,029	4,854,508
Special education	244,002,288	247,890,511	245,730,892	2,159,619
Student personnel services	11,202,544	11,302,544	11,051,991	250,553
Health services	46,138	46,138	32,162	13,976
Student transportation	84,868,369	89,414,168	89,157,839	256,329
Operation of plant	112,335,403	112,384,521	111,895,974	488,547
Maintenance of plant	33,040,430	33,040,430	31,714,886	1,325,544
Fixed charges	407,753,685	412,052,274	411,095,327	956,947
Community services	358,510	608,510	353,674	254,836
Total expenditures and encumbrances	1,944,154,331	1,947,654,331	1,919,758,297	27,896,034
Excess (deficiency) of revenues over expenditures and encumbrances	(7,298,453)	(7,298,453)	11,249,607	18,548,060
Other financing sources:				
Transfers in			21,428	21,428
Total other financing sources	-	-	21,428	21,428
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances	(7,298,453)	(7,298,453)	11,271,035	18,569,488
Fund balance - beginning	7,298,453	7,298,453	15,721,295	8,422,842
Fund balance - ending	\$ -	\$ -	\$ 26,992,330	\$ 26,992,330

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, 2008

	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	\$ -	\$ 1,107,974	\$ 1,107,974	\$ -
Cash and cash equivalents	8,592,835		8,592,835	
Investments - cash equivalents				38,384,641
Accounts receivable:				
Montgomery County	222,117	195,343	417,460	
State of Maryland	33,845		33,845	
Federal government	652,890		652,890	
Other	76,515	839,000	915,515	104,514
Due from other funds				7,352,883
Inventories	1,260,526	7,000	1,267,526	
Total current assets	<u>10,838,728</u>	<u>2,149,317</u>	<u>12,988,045</u>	<u>45,842,038</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings and improvements	-	2,675	2,675	
Machinery and equipment	5,324,131	26,490	5,350,621	
Total noncurrent assets	<u>5,324,131</u>	<u>29,165</u>	<u>5,353,296</u>	<u>-</u>
Total assets	<u>16,162,859</u>	<u>2,178,482</u>	<u>18,341,341</u>	<u>45,842,038</u>
Liabilities				
Current liabilities:				
Accounts payable		168,370	168,370	238,361
Claims payable				16,438,489
Accrued interest payable	13,097		13,097	
Due to employees, advance premium withholdings				2,678,883
Due to other funds	13,155,633	974,796	14,130,429	
Due to fiduciary funds				14,667,863
Unearned revenue	1,455,703	28,206	1,483,909	
Capital leases - current	169,131	18,294	187,425	
Compensated absences - current	18,630		18,630	
Total current liabilities	<u>14,812,194</u>	<u>1,189,666</u>	<u>16,001,860</u>	<u>34,023,596</u>
Noncurrent liabilities:				
Net OPEB Obligation	912,983		912,983	
Capital leases payable	151,621		151,621	
Compensated absences	1,225,568	237,489	1,463,057	
Total noncurrent liabilities	<u>2,290,172</u>	<u>237,489</u>	<u>2,527,661</u>	<u>-</u>
Total liabilities	<u>17,102,366</u>	<u>1,427,155</u>	<u>18,529,521</u>	<u>34,023,596</u>
Net Assets (Deficit)				
Invested in capital assets, net of related debt	5,008,484	10,871	5,019,355	
Unrestricted (deficit)	(5,947,991)	740,456	(5,207,535)	11,818,442
Total net assets (deficit)	<u>\$ (939,507)</u>	<u>\$ 751,327</u>	<u>\$ (188,180)</u>	<u>\$ 11,818,442</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, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 22,219,798	\$ -	\$ 22,219,798	\$ -
Rent and fees		6,354,016	6,354,016	
Employer's contributions				190,717,204
Members' contributions				21,357,832
Total operating revenues	<u>22,219,798</u>	<u>6,354,016</u>	<u>28,573,814</u>	<u>212,075,036</u>
Operating expenses:				
Salaries and wages	17,703,199	2,424,310	20,127,509	
Contracted services	812,040	222,800	1,034,840	
Supplies and materials	1,754,310	1,054,434	2,808,744	
Food purchases	11,063,870		11,063,870	
USDA commodities	2,521,355		2,521,355	
Other charges	11,098,256	1,981,314	13,079,570	972,557
Depreciation and amortization	1,159,360	19,443	1,178,803	
Benefits paid to plan members				155,476,980
Premiums paid to insurance companies				58,766,324
Total operating expenses	<u>46,112,390</u>	<u>5,702,301</u>	<u>51,814,691</u>	<u>215,215,861</u>
Operating income (loss)	<u>(23,892,592)</u>	<u>651,715</u>	<u>(23,240,877)</u>	<u>(3,140,825)</u>
Nonoperating revenues (expenses):				
National school lunch and other food programs:				
Federal funds	16,424,050		16,424,050	
State funds	1,010,545		1,010,545	
USDA commodities	2,521,355		2,521,355	
Interest expense	(13,097)		(13,097)	
Investment income	595,610	21,428	617,038	2,400,078
Total nonoperating revenues, net	<u>20,538,463</u>	<u>21,428</u>	<u>20,559,891</u>	<u>2,400,078</u>
Income (loss) before contributions and transfers	<u>(3,354,129)</u>	<u>673,143</u>	<u>(2,680,986)</u>	<u>(740,747)</u>
Capital contributions - equipment	927,082		927,082	
Transfers out		(21,428)	(21,428)	
Change in net assets	<u>(2,427,047)</u>	<u>651,715</u>	<u>(1,775,332)</u>	<u>(740,747)</u>
Total net assets - beginning	1,487,540	99,612	1,587,152	12,559,189
Total net assets (deficit) - ending	<u>\$ (939,507)</u>	<u>\$ 751,327</u>	<u>\$ (188,180)</u>	<u>\$ 11,818,442</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, 2008

	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	\$ 20,967,854	\$ 5,990,572	\$ 26,958,426	\$ 21,537,112
Receipts from assessments made to other funds			-	185,324,209
Payments to suppliers	(9,211,953)	(1,446,033)	(10,657,986)	(58,580,369)
Payments to employees	(20,177,139)	(2,587,475)	(22,764,614)	
Payments for insurance claims			-	(157,002,981)
Payments for assessments made by other funds	(7,493,157)	(247,252)	(7,740,409)	
Payments for other operating expenses	(1,927,583)	(1,545,941)	(3,473,524)	(972,557)
Net cash provided by (used for) operating activities	<u>(17,841,978)</u>	<u>163,871</u>	<u>(17,678,107)</u>	<u>(9,694,586)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	17,382,196		17,382,196	
Transfers (to) from other funds		(21,428)	(21,428)	8,857,417
Net cash provided by (used for) noncapital financing activities	<u>17,382,196</u>	<u>(21,428)</u>	<u>17,360,768</u>	<u>8,857,417</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	2,149,779		2,149,779	
Purchases of capital assets	84,661		84,661	
Principal paid on capital leases	(228,966)	(17,636)	(246,602)	
Interest paid on capital leases	(16,635)		(16,635)	
Net cash provided by (used for) capital and related financing activities	<u>1,988,839</u>	<u>(17,636)</u>	<u>1,971,203</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	595,610	21,428	617,038	2,417,682
Net cash provided by investing activities	<u>595,610</u>	<u>21,428</u>	<u>617,038</u>	<u>2,417,682</u>
Net increase in cash and cash equivalents	2,124,667	146,235	2,270,902	1,580,513
Cash and cash equivalents - beginning	5,223,970	961,739	6,185,709	36,804,128
Cash and cash equivalents - ending	<u>\$ 7,348,637</u>	<u>\$ 1,107,974</u>	<u>\$ 8,456,611</u>	<u>\$ 38,384,641</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (23,892,592)	\$ 651,715	\$ (23,240,877)	\$ (3,140,825)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,159,360	19,443	1,178,803	
USDA commodities used	2,521,355		2,521,355	
Effects of changes in assets and liabilities:				
Receivables	72,885	(254,495)	(181,610)	
Due from other funds			-	(5,392,995)
Non USDA inventories	(102,489)	13,250	(89,239)	
Accounts payable	(103,739)	(9,171)	(112,910)	185,955
Claims payable			-	(1,526,001)
Advance premium withholdings			-	179,280
Due to other funds	4,624,495	(172,878)	4,451,617	
Deferred revenue	(1,324,829)	(108,949)	(1,433,778)	
Net OPEB Obligation	912,983		912,983	
Compensated absences	(796,424)	24,956	(771,468)	
Net cash provided by (used for) operating activities	<u>\$ (16,928,995)</u>	<u>\$ 163,871</u>	<u>\$ (16,765,124)</u>	<u>\$ (9,694,586)</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 927,082	\$ -	\$ 927,082	\$ -
USDA commodities received	(2,521,355)		(2,521,355)	
Initiation of capital lease, net of down payment	81,476		81,476	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ 2,148	\$ 3,386,888
Investments:		
Common and preferred stocks	514,318,184	
Short-term investments	5,156,769	
U.S. government and agency securities	33,340,720	3,324,188
Fixed income securities	243,601,138	
Real estate	84,647,076	
Participation contract	7,082,938	
Private equity	5,276,324	
Securities lending short-term investment pool	38,790,395	
Maryland local government investment pool		7,763,379
Montgomery County investment pool		947,710
Total investments	932,213,544	12,035,277
Accounts receivable	610,654	1,735,555
Due from internal service fund	14,667,863	
Due from general fund	579,560	
Inventories		232,265
Total assets	948,073,769	\$ 17,389,985
LIABILITIES		
Accounts payable	32,907	1,991,791
Claims payable	6,852,279	
Due to general fund	1,579,441	
Liability for collateral received under securities lending agreements	38,790,395	
Due to student groups		15,398,194
Total liabilities	47,255,022	\$ 17,389,985
NET ASSETS		
Held in trust for pension/other postemployment benefits	\$ 900,818,747	

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, 2008

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 112,132,042
Members	37,094,747
Federal government - Medicare Part D	<u>3,771,075</u>
Total contributions	<u>152,997,864</u>
Investment earnings:	
Net (depreciation) in fair value of investments	(87,260,911)
Interest and dividends	17,227,619
Securities lending income	<u>1,769,460</u>
Total investment loss	<u>(68,263,832)</u>
Less investment expense:	
Investment fees and other	(775,799)
Securities lending fees	<u>(1,641,171)</u>
Total investment expense	<u>(2,416,970)</u>
Net investment loss	<u>(70,680,802)</u>
Reassignment of retiree balances	<u>5,801,619</u>
Total additions	<u>88,118,681</u>
DEDUCTIONS	
Benefits paid to plan members	103,394,297
Premiums paid to insurance companies	10,980,415
Administrative expenses	<u>2,648,124</u>
Total deductions	<u>117,022,836</u>
Change in net assets	(28,904,155)
Net assets - beginning	<u>929,722,902</u>
Net assets - ending	<u>\$ 900,818,747</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, 2008

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 as reported in the total column of that statement. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenue and other items not properly included among program revenues are reported as general revenues.

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

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

MCPS reports the following major governmental funds:

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

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

MCPS reports the following major proprietary fund:

The food services fund accounts for the operations of 209 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 the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c) Measurement focus, basis of accounting

The government-wide, proprietary, and certain fiduciary (pension and other employee benefit trust) fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds, which have no measurement focus, also use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenue from USDA commodities is considered earned when the commodities are used. The value of unused commodities is reported as unearned revenue. Employee, employer and other contributing entities' contributions to the pension and other employee benefit trust funds are recognized as revenue in the period that the contributions are due. Pension and other postemployment benefits expenses and refunds are recognized when due and payable.

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

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

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

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

d) Cash and Investments

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

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

OPEB Plan Trust investments, consisting of a money market mutual fund and index funds, are stated at fair value.

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

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

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

e) Inventories and Prepaid Items

Inventories are stated at the lower of cost or market. For supplies, instructional materials, transportation parts, food, and food related inventories, cost is determined by the average cost method; for transportation fuels, cost is determined by the first-in, first-out method. Commodities received from the U.S. Department of Agriculture (USDA) are stated at fair market value. Unused USDA commodities in inventory at year end are reported as deferred revenue as title does not pass to MCPS until the commodities are used. The cost of all inventories is recorded as an expenditure/expense at the time the individual inventory items are consumed.

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

f) Capital Assets

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

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

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

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

g) Compensated Absences

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

h) Long-Term Obligations

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

i) Fund Equity

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

j) Accounting Changes

MCPS has adopted *GASB Statements No. 43 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and *No. 45 Accounting and Financial reporting by Employers for Postemployment Benefits Other Than Pensions*. The primary impact of the statements on MCPS' financial statements relates to the determination of annual postemployment healthcare benefits costs and the reporting and disclosure requirements for MCPS' postemployment healthcare benefits activities. MCPS established a fiduciary fund, the OPEB Plan Trust, to account for and report on its postemployment healthcare benefits activities.

Establishment of the OPEB Plan Trust resulted in the reassignment of \$5,801,619 in retiree postemployment benefit balances from the Internal Service Fund to the OPEB Plan Trust.

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 2008, supplemental appropriations increasing the operating budget by \$3,500,000 and increasing the capital budget by \$1,220,000 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.
- 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	\$ 1,931,007,904	\$ 1,919,758,297	\$ 21,428	\$ 11,271,035
Reconciling items:				
2008 Encumbrances outstanding		(5,701,090)		5,701,090
Expenditures of prior year encumbrances		10,577,102		(10,577,102)
Decrease in compensated absences		(446,116)		446,116
State of Maryland retirement contributions	115,507,019	115,507,019		-
Federal Medicare Part D contributions	3,771,075	3,771,075		-
Capital lease financing		13,746,638	13,746,638	-
As reported - GAAP basis	<u>\$ 2,050,285,998</u>	<u>\$ 2,057,212,925</u>	<u>\$ 13,768,066</u>	<u>\$ 6,841,139</u>

Capital Projects Fund encumbrances of \$174,535,890 are not reflected in the governmental fund balance sheet as the offsetting revenues are not available until the expenditures on a GAAP basis are incurred.

Beginning June 15 of each fiscal year, MCPS issues purchase orders and begins shipment of inventory to various locations for items such as supplies, textbooks, and construction contracts that will be charged to the budget of the next fiscal year. These obligations and warehouse shipments are not reflected in the accompanying financial statements. At June 30, 2008, \$13,048,209 of such purchase orders had been issued.

c) Deficit Fund Equity

The Capital Projects Fund had an unreserved, undesignated fund deficit of \$13,796,508. The deficit reflects school construction funding reversions by the State of Maryland that occurred after the anticipated funds had been spent. The deficit will be eliminated as Montgomery County applies adjustments to revenue sources from state to local funding for the affected capital projects. The Entrepreneurial Activities Fund reduced its deficit by \$247,699, to a deficit in net assets of \$947,030 at June 30, 2008. It is anticipated that the deficit will be eliminated, over time, as the level of fund activity expands and cost cutting measures continue.

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

a) Deposits and Investments

Cash and investments at June 30, 2008, are summarized as follows:

	Primary Government	Component Unit
Equity in pooled cash and investments	\$ 53,651,705	\$
Cash and cash equivalents	8,592,835	32,107
Cash-fiduciary funds	3,389,036	
Investments – cash equivalents	38,384,641	
Investments		5,458,632
Investments-fiduciary funds	944,248,821	
Total	\$ 1,048,267,038	\$ 5,490,739
Deposits and Investments Summary:		
Deposits	\$ 6,264,458	\$ 32,107
Investments	1,041,975,988	5,458,632
Cash on hand	26,592	
Total	\$ 1,048,267,038	\$ 5,490,739

b) 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, 2008, the reported balance of MCPS' deposits was \$6,264,458 and the bank balance was \$13,188,240. The bank balance was fully collateralized by federal depository insurance or by collateral held by MCPS' agent in MCPS' name, except for a Food Services Fund depository account of \$1,450,000 that was under collateralized by \$350,000 at June 30, 2008.

c) Investments

Investments as of June 30, 2008, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Common and preferred stocks	\$ 503,144,790
Short-term investments	5,156,769
U.S. Government and agency securities	33,340,720
Fixed income securities	240,257,417
Real estate	84,647,076
Participation contract	7,082,938
Private equity	5,276,324
Securities lending short-term investment pool	38,790,395
Subtotal Pension Trust Investments	917,696,429
OPEB Plan Trust Investments:	
Equities index funds	11,173,394
Bond index fund	3,343,721
Subtotal OPEB plan trust investments	14,517,115
Other Investments:	
U.S. Government securities	3,324,188
Repurchase agreements	57,323
Mutual funds	97,669,844
Maryland Local Government Investment Pool	7,763,379
Montgomery County investment pool	947,710
Total investments	\$ 1,041,975,988

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

During 2008, Northern lent Pension Trust securities for which it is custodian. Pension Trust securities not under the custodianship of Northern are not part of the Securities Lending Authorization Agreement. Northern receives from borrowers both cash and non-cash collateral. Non-cash collateral includes United States government securities and irrevocable letters of credit. Northern does not have the ability to pledge or sell collateral unless the borrower is in default under the agreement. Borrowers are required to deliver cash and/or non-cash collateral having a market value of not less than 102 percent, 105 percent if the borrowed securities and collateral are denominated in non-U.S. currencies) of the market value of the borrowed securities. The Pension Trust did not impose any restriction during 2008 on the amount of securities Northern may lend.

The following represents the balances relating to securities lending transactions at June 30, 2008.

Securities Lent	<u>Underlying Securities</u>	<u>Cash Collateral Investment Value</u>
Lent for cash collateral:		
U.S. Government	\$ 736,495	\$ 753,121
Domestic equities	31,087,847	31,912,931
U.S. Agencies	1,677,300	1,714,029
Domestic fixed-income	4,296,513	4,410,314
	<hr/>	<hr/>
Total	\$ 37,798,155	\$ 38,790,395

Northern indemnifies the Pension Trust against any losses, damages or expenses it may incur if Northern is unable to recover the borrowed securities, and distributions made with respect to those securities, as a result of Northern's failure to make a reasoned determination of borrower creditworthiness or to demand adequate and appropriate collateral. During 2008, there were no losses resulting either from borrower default or investment losses in collateral pools. The Pension Trust and the borrowers maintain the right to terminate all securities lending transactions on demand.

The cash collateral is invested in the Northern Core USA Collateral Section (Fund). Fund investments include United States government securities, domestic and foreign bankers' acceptances, certificates of deposit and time deposits, and U.S. dollar denominated obligations issued or guaranteed by foreign governments. The fund is accounted for on an amortized cost basis. The fund is not registered with the Securities and Exchange Commission, but operates in accordance with the requirements of SEC Rule 2a-7. Northern 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 did not generally match the duration of the investments made with cash collateral. At June 30, 2008, the Pension trust had no credit risk exposure to borrowers.

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 duration 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 Lehman Brothers Aggregate Bond Index. The OPEB Plan Trust investment policy requires that the weighted average duration of the portfolio not vary from the Lehmann Brothers Aggregate Bond Index by more than plus or minus 20 percent.

The following represents fixed-income investments held at June 30, 2008, with related maturity schedule.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
Pension Trust Investments:					
U.S. Government	\$ 21,409,368	\$	\$ 14,269,966	\$ 2,693,735	\$ 4,445,667
U.S. agencies	11,931,352		1,287,531	537,015	10,106,806
Asset-backed securities	15,977,122		8,589,803	2,498,651	4,888,668
Collateralized Mortgage obligations	60,838,916		436,727	745,150	59,657,039
Corporate bonds	51,335,066	1,185,052	18,371,377	15,075,631	16,703,006
Government mortgage-backed securities	63,907,073	17,503,253	260,513	516,214	45,627,093
Bond index fund	47,544,542	47,544,542			
Municipal bonds	654,698				654,698
Short-term	5,156,769	5,156,769			
Sub-total Pension Trust Investments	278,754,906	71,389,616	43,215,917	22,066,396	142,082,977
Other Investments:					
OPEB Plan Trust mutual funds	14,517,115	14,517,115			
U.S. Government	3,324,188	3,324,188			
Repurchase agreements	57,323	57,323			
U.S. Government mutual funds	97,669,844	97,669,844			
Maryland Local Government Investment Pool	7,763,379	7,763,379			
Montgomery County Investment Pool	947,710	947,710			
Total	\$ 403,034,465	\$ 195,669,175	\$ 43,215,917	\$ 22,066,396	\$ 142,082,977

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, 2008, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
AAA/Aaa	38.6 %	\$ 107,666,341
AA	5.7	15,801,517
A	7.4	20,517,254
B	0.2	616,163
BB/Ba	0.3	788,593
BBB/Baa	4.9	13,666,867
Not rated	18.1	50,390,748
Total	75.2 %	\$ 209,447,483

Pension Trust investments include \$69,307,423 in 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 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 manager's are, to diversify the portfolio under their management to minimize the risk of large losses. The system's foreign currency risk at June 30, 2008, is as follows:

Currency	Equities	Fixed Income	Private Equity	Total Fair Value
European Euro	\$ 19,189,109	\$ (200,968)	\$ 2,405,260	\$ 21,393,401
Japanese Yen	8,832,770	1,373,339		10,206,109
British Pound Sterling	8,307,748			8,307,748
Canadian Dollar	3,075,426			3,075,426
Korean Won	3,028,243			3,028,243
Brazilian Real	2,295,204			2,295,204
Russian Rouble	2,096,624			2,096,624
Taiwan Dollar	1,866,464			1,866,464
Chinese Yuan	1,171,086			1,171,086
Norwegian Kroner	1,030,198			1,030,198
Swedish Krona	673,033			673,033
Swiss Franc	537,800	30,154		567,954
Australian Dollar	555,240			555,240
South African Rand	537,803			537,803
Mexican Peso	395,045			395,045
Turkish Lira	367,670			367,670
Thai Baht	221,900			221,900
Israeli New Shekel	198,759			198,759
Singapore Dollar	173,214			173,214
Indian Rupee	171,249			171,249
Philippine Peso	59,870			59,870
Hong Kong Dollar	38,360			38,360
Polish Zloty		30,504		30,504
Grand Total	\$ 54,822,815	\$ 1,233,029	\$ 2,405,260	\$ 58,461,104

c) Cash on Hand

At year-end, the primary government had \$26,592 on hand in petty cash accounts.

4. Interfund Receivables, Payables and Transfers

Balances due to/from other funds at June 30, 2008, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 43,691,657
Due to the general fund from enterprise funds representing advances of pooled cash	14,130,429
Due to the internal service fund from the general fund for employee benefit plan expenditures	<u>7,352,883</u>
Total	<u>\$ 65,174,969</u>

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

Due from other funds, Balance Sheet-Governmental Funds	\$ 57,822,086
Due from other funds, Statement of Net Assets-Proprietary Funds	<u>7,352,883</u>
Total	<u>\$ 65,174,969</u>

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

Transfers to/from other funds consist of the following:

From non-major enterprise funds to the general fund to assign allocated investment income to the general fund	\$ <u>21,428</u>
Total	<u>\$ 21,428</u>

5. Due From Employees

The \$538,256 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, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 68,140,624	\$ 723,787	\$ 3,162	\$ 68,861,249
Construction in progress	<u>176,607,831</u>	<u>187,407,862</u>	<u>208,825,151</u>	<u>155,190,542</u>
Total nondepreciable capital assets	<u>244,748,455</u>	<u>188,131,649</u>	<u>208,828,313</u>	<u>224,051,791</u>
Depreciable capital assets:				
Buildings and improvements	1,833,443,883	192,822,552	9,960,206	2,016,306,229
Site improvements	153,795,119	13,835,680	162,538	167,468,261
Vehicles and equipment	<u>136,763,779</u>	<u>14,192,163</u>	<u>3,626,200</u>	<u>147,329,742</u>
Total depreciable capital assets	<u>2,124,002,781</u>	<u>220,850,395</u>	<u>13,748,944</u>	<u>2,331,104,232</u>
Less accumulated depreciation for:				
Buildings and improvements	603,422,551	45,965,084	5,972,164	643,415,471
Site improvements	31,096,868	3,545,329	58,046	34,584,151
Vehicles and equipment	<u>72,756,200</u>	<u>13,346,160</u>	<u>3,429,061</u>	<u>82,673,299</u>
Total accumulated depreciation	<u>707,275,619</u>	<u>62,856,573</u>	<u>9,459,271</u>	<u>760,672,921</u>
Total depreciable capital assets, net	<u>1,416,727,162</u>	<u>157,993,822</u>	<u>4,289,673</u>	<u>1,570,431,311</u>
Government activities capital assets, net	<u>\$ 1,661,475,617</u>	<u>\$ 346,125,471</u>	<u>\$ 213,117,986</u>	<u>\$ 1,794,483,102</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Depreciable capital assets:				
Buildings	\$ 17,831	\$	\$	\$ 17,831
Vehicles and equipment	19,568,909	1,030,976	1,856,657	18,743,228
Total depreciable capital assets	<u>19,586,740</u>	<u>1,030,976</u>	<u>1,856,657</u>	<u>18,761,059</u>
Less accumulated depreciation for:				
Buildings	13,373	1,783		15,156
Vehicles and equipment	13,883,689	1,177,020	1,668,102	13,392,607
Total accumulated depreciation	<u>13,897,062</u>	<u>1,178,803</u>	<u>1,668,102</u>	<u>13,407,763</u>
Business-type activities capital assets, net	<u>\$ 5,689,678</u>	<u>\$ (147,827)</u>	<u>\$ 188,555</u>	<u>\$ 5,353,296</u>

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

Governmental Activities:	
Regular instruction	\$ 51,557,513
Special education	276,589
School administration	48,619
Student personnel services	5,468
Student transportation	8,144,494
Operation of plant	167,524
Maintenance of plant	885,105
Administration	1,771,261
Total depreciation expense-governmental activities	<u>\$ 62,856,573</u>
Business-Type Activities:	
Food services	\$ 1,159,360
Entrepreneurial	17,660
Real estate management	1,783
Total depreciation expense-business-type activities	<u>\$ 1,178,803</u>

Commitments for ongoing construction in progress at June 30, 2008, were \$161,307,343.

7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2008 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 30,577,546	\$ 168,370	\$ 30,745,916
Retainage payable	13,228,548		13,228,548
Accrued salaries and withholdings	74,225,905		74,225,905
Claims payable	16,438,489		16,438,489
Due to employees-advance premium withholding	2,678,883		2,678,883
Accrued interest payable		13,097	13,097
Total accounts payable and other current liabilities	<u>\$ 137,149,371</u>	<u>\$ 181,467</u>	<u>\$ 137,330,838</u>

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$5,095,000 in 2008. Commitments for fiscal year 2009 under lease agreements are approximately \$3,113,000. 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 noncancellable capital leases that expire at various times through fiscal year 2013. Lease payments, including interest, in fiscal year 2008 were \$12,760,290 for the General Fund, \$12,719,912 for the Capital Projects Fund and \$265,892 for the Enterprise Fund.

Assets acquired through capital leases are as follows:

	Governmental Activities	Enterprise Fund
Vehicles and equipment	\$ 38,579,928	\$ 812,302
Less: accumulated depreciation	(10,218,048)	(244,850)
Total	<u>\$ 28,361,880</u>	<u>\$ 567,451</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Fiscal year ending June 30	Governmental Activities	Enterprise Fund
2009	\$ 21,359,120	\$ 201,204
2010	15,467,979	96,597
2011	10,228,668	42,858
2012	4,284,610	21,863
2013	2,344,635	-
Total minimum lease payments	53,685,012	362,522
Less : Amount representing interest	(4,264,506)	(23,476)
Present value of future minimum lease payments	<u>\$ 49,420,506</u>	<u>\$ 339,046</u>

\$29,076,310 of outstanding capital lease obligations for governmental activities at June 30, 2008, was used to acquire capital assets.

9. Long-Term Liabilities

a) Technology Loans

MCPS received non-interest bearing technology loans from Montgomery County that were used to replace certain business information systems. The loans are to be repaid from the General Fund over a period of eight years. Loan repayments in 2008 were \$328,420.

Annual technology loan payments are as follows:

	Amount
2009	\$ 328,420
Total	<u>\$ 328,420</u>

b) Changes in Long-Term Liabilities

Long-term liability activities during 2008 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	\$ 45,400,158	\$ 27,530,529	\$ 23,510,181	\$ 49,420,506	\$ 17,939,945
Compensated absences	87,845,956	11,970,792	6,281,840	93,534,908	7,149,362
Net OPEB obligations	-	65,245,175	-	65,245,175	-
Net pension obligation	4,036,612	302,746	616,429	3,722,929	-
Technology loans payable	656,840	-	328,420	328,420	328,420
Total	\$ 137,939,566	\$ 105,049,242	\$ 30,736,870	\$ 212,251,938	\$ 25,417,727

	<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	\$ 483,803	\$ 101,845	\$ 246,602	\$ 339,046	\$ 187,425
Compensated absences	1,329,709	151,978	-	1,481,687	18,630
Net OPEB obligation	-	912,983	-	912,983	-
Total	\$ 1,813,512	\$ 1,166,806	\$ 246,602	\$ 2,733,716	\$ 206,055

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 \$16,438,489 and \$6,852,279 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2008, 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 2007 and 2008 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2007				
Internal Service fund	\$ 17,737,150	\$ 127,484,460	\$ (127,257,120)	\$ 17,964,490
Fiduciary Funds	6,182,244	49,252,920	(48,583,847)	6,851,317
Total	<u>\$ 23,919,394</u>	<u>\$ 176,737,380</u>	<u>\$ (175,840,967)</u>	<u>\$ 24,815,807</u>
2008				
Internal Service Fund	\$ 17,964,490	\$ 155,476,980	\$ (157,002,981)	\$ 16,438,489
Fiduciary Funds	6,851,317	51,718,528	(51,717,566)	6,852,279
Total	<u>\$ 24,815,807</u>	<u>\$ 207,195,508</u>	<u>\$ (208,720,547)</u>	<u>\$ 23,290,768</u>

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 \$115,507,019, \$91,640,319 and \$84,294,349 in 2008, 2007 and 2006, respectively, is the legal responsibility of the state. MCPS has recognized in the governmental fund statements revenue and expenditures in the amount equal to the state's contribution payment.

MCPS Plan

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

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

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

At July 1, 2007, the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	10,244
Terminated plan members entitled to benefits but not yet receiving them	3,544
Active plan members	<u>21,343</u>
Total	<u>35,131</u>

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

Contributions. 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.

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

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 36,757,057	100 %	\$ 4,506,465
2007	57,530,898	101	4,036,612
2008	58,447,592	101	3,722,929

The annual required contribution for the current year was determined as part of the July 1, 2006 actuarial valuation, using the projected unit credit cost method and the actuarial assumptions shown in d) below.

Actuarial Information.

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2007
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: 29 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%

12. Postemployment Healthcare Benefits

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

Plan membership consisted of the following at July 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	11,383
Active plan members	<u>22,582</u>
Total	<u>33,965</u>

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

Contributions. 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 2008, plan members and beneficiaries receiving benefits contributed \$24,303,624 (approximately 37 percent of current contributions). MCPS and other contributing entities' contributed \$57,142,842, including \$41,081,842 (approximately 63 percent of current contributions) for current premiums, claims and administrative expenses, and \$16,060,000 toward prefunding future benefits. Administrative costs are financed through investment earnings.

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded AAL (UAAL) were \$1,299.1 million and there were no actuarial plan assets. The annual covered payroll of active employees covered by the plan was \$1,215.3 million, and the ratio of the UAAL to covered payroll was 106.9 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.

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 5 years. Subsequently, MCPS has agreed with a County Council request to extend the phase in period to eight years beginning with the 2009 contribution. The following table shows the components of MCPS' annual OPEB cost and changes in the net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$ 123,300
Interest on net OPEB obligation	-
Adjustment to annual required Contribution	-
Annual OPEB cost	<u>123,300</u>
Contributions made	<u>57,142</u>
Increase in net OPEB obligation	66,158
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 66,158</u>

The percentage of annual OPEB cost contributed in 2008 was 46.3 percent.

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, 2007
Actuarial cost method	Projected unit credit
Investment return	7.5%
Health care cost trend rates	(initial, ultimate)
Medical pre-65	9.5%, 5.0%
Medical post-65	7.5%, 5.0%
Prescription drugs	11.0%, 5.5%
Dental	7.0%, 4.5%
Vision	Flat 3.5%
Amortization method	Level percentage of Projected payroll, Open basis
Remaining amortization period	30 years

13. Trust Plans Condensed Financial Statements

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

CONDENSED STATEMENT OF FIDUCIARY NET ASSETS			
	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 917,697,144	\$ 30,376,625	\$ 948,073,769
Total assets	<u>917,697,144</u>	<u>30,376,625</u>	<u>948,073,769</u>
Liabilities:			
Total liabilities	<u>40,369,836</u>	<u>6,885,186</u>	<u>47,255,022</u>
Net Assets:			
Held in trust for pension/ Other postemployment benefits	\$ <u>877,327,308</u>	\$ <u>23,491,439</u>	\$ <u>900,818,747</u>

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS			
	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 71,552,398	\$ 81,445,466	\$ 152,997,864
Net investment loss	(69,949,567)	(731,235)	(70,680,802)
Reassignment of Retiree Balances	-	5,801,619	5,801,619
Total additions	<u>1,602,831</u>	<u>86,515,850</u>	<u>88,118,681</u>
Deductions:			
Benefit and premium payments	51,675,769	62,698,943	114,374,712
Administrative expenses	2,322,656	325,468	2,648,124
Total deductions	<u>53,998,425</u>	<u>63,024,411</u>	<u>117,022,836</u>
Change in net assets	(52,395,594)	23,491,439	(28,904,155)
Net assets - beginning	929,722,902	-	929,722,902
Net assets - ending	<u>\$ 877,327,308</u>	<u>\$ 23,491,439</u>	<u>\$ 900,818,747</u>

14. Contingencies

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

MCPS EMPLOYEES' RETIREMENT AND PENSION SYSTEM

Schedule of Funding Progress
(000's omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2002	\$ 760,003	\$ 744,324	\$ (15,679)	102.1	\$ 954,867	- %
7/1/2003	740,515	793,043	52,528	93.4	993,454	5.3
7/1/2004	729,596	840,751	111,155	86.8	1,026,480	10.8
7/1/2005	729,231	905,339	176,108	80.5	1,080,319	16.3
7/1/2006	762,232	1,062,251	300,019	71.8	1,169,275	25.7
7/1/2007	855,719	1,164,451	308,732	73.5	1,215,302	25.4

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
2003	\$ 17,652,634	100 %	\$ 3,923,538
2004	20,540,668	97	4,564,896
2005	29,911,241	100	4,567,028
2006	36,794,977	100	4,506,465
2007	57,568,815	101	4,036,612
2008	58,501,739	101	3,722,929

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	-	\$ 1,299.1	\$ 1,299.1	0.0%	\$ 1,215.3	106.9%

Schedule of Employer and Other Contributing Entities Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net Pension Obligation
		MCPS	Other Contributing Entities	
2008	\$ 123,300	43.3%	3.0%	\$ 66.2

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SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2008

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 290,644,770	\$ 296,050,796	270,502,472	\$ (25,548,324)
State of Maryland	54,960,613	53,879,719	51,973,869	(1,905,850)
Other sources	317,125	917,125	408,400	(508,725)
Total revenues	<u>345,922,508</u>	<u>350,847,640</u>	<u>322,884,741</u>	<u>(27,962,899)</u>
Expenditures and encumbrances:				
Capital outlay	<u>345,922,508</u>	<u>350,847,640</u>	<u>323,012,440</u>	<u>27,835,200</u>
Total expenditures and encumbrances	<u>345,922,508</u>	<u>350,847,640</u>	<u>323,012,440</u>	<u>27,835,200</u>
Excess (deficiency) of revenues over expenditures and encumbrances	-	-	(127,699)	(127,699)
Fund balance - beginning	-	-	(13,668,809)	(13,668,809)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>(13,796,508)</u>	<u>\$ (13,796,508)</u>

**MONTGOMERY COUNTY PUBLIC SCHOOL
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2008**

Project Name	Project Authorization	Expended to		Available for Future
		June 30, 2008	Committed	
Ridgeview Middle School Improvements	1,716,000	430,536	953,111	332,354
Garrett Park Elementary School Local Funding	3,385,000	3,016,529	11,582	356,889
Travilah Elementary School Local Funding	6,117,000	4,905,556	732,910	478,534
Farmland Elementary School Local Funding	4,504,000	4,366,324	322	137,354
Luxmanor Elementary School Local Funding	8,897,000	3,218,058	4,916,392	762,550
Fallsmead Elementary School Local Funding	9,064,000	4,772,934	3,152,112	1,138,955
Wayside Elementary School Local Funding	7,146,000	5,869,559	704,970	571,471
Northwest High School Local Funding	10,361,084	9,853,301	36,611	471,152
Clarksburg High School Local Funding	45,028,516	44,984,034	22,332	22,150
Clarksburg High School State Funding	6,638,000	6,638,000	-	-
Broad Acres Elementary School Local Funding	6,705,000	6,598,609	42,750	63,641
Broad Acres Elementary School State Funding	1,621,000	1,621,000	-	-
Roscoe Nix Elementary School Local Funding (NE Consortium ES #16)	15,601,000	17,242,724	28,595	(1,670,318)
Little Bennett Elementary School Local Funding (Clarksburg #7)	11,447,000	11,127,832	137,479	181,689
Clarksburg Elementary School #8 Local Funding	23,601,000	1,740,676	21,704,507	155,818
Great Seneca Creek Elementary School Local Funding (NWES #7)	12,954,000	12,661,919	68,070	224,011
Bethesda Chevy Chase High School Addition Local Funding	1,797,000	105,690	204,808	1,486,503
Westland Middle School Addition Local Funding	4,023,000	1,900,361	1,749,159	373,481
Ashburton Elementary School Addition Local Funding	7,404,000	5,694,729	683,261	1,026,010
Thomas W Pyle Middle School Addition Local Funding	7,111,000	4,486,951	2,282,903	341,145
Sherwood High School Addition Local Funding	12,180,000	11,967,594	41,004	171,402
Silver Spring Int'l/Silgo Creek Elementary School Addition Local Funding	1,225,000	1,190,717	18,052	18,231
Gaithersburg High School Addition Local Funding	7,720,000	7,544,685	60,853	114,462
Washington Grove Elementary School Addition Local Funding	13,937,000	2,154,843	10,087,918	1,694,239
Watkins Mill Elementary School Addition Local Funding	7,210,000	7,112,909	90,438	6,653
Redland Middle School Improvements Local Funding	1,733,000	700,276	665,450	367,274
Fields Road Elementary School Addition Local Funding	9,368,000	8,707,214	318,103	342,683
Stedwick Elementary School Addition Local Funding	9,825,000	7,493,037	1,418,394	913,569
Seven Locks Elementary School Addition/Modernization Local Funding	1,729,529	921,673	-	807,856
Weller Road Elementary School Addition Local Funding	6,101,000	5,956,635	82,800	61,565
Albert Einstein High School Signature Improvements Local Funding	5,577,000	5,316,108	1,597	259,294
Northwood High School Local Funding	16,728,000	16,756,243	104,408	(132,651)
Northwood High School State Funding	16,767,000	16,767,000	-	-
Current Replacements/Modernizations Local Funding	286,711,042	189,571,911	90,490,186	6,648,945
Current Replacements/Modernizations State Funding	37,318,000	37,024,643	293,357	-
Unliquidated Surplus for Local Funds	(1,358)	-	-	(1,358)
Rehab/Renovation of Closed Schools Local Funding	33,124,270	32,423,046	372,618	328,606
Rehab/Renovation of Closed Schools State Funding	14,073,661	14,073,661	-	-
School Gymnasiums Local Funding	29,740,437	22,782,293	5,770,359	1,187,785
Design and Construction Management Local Funding	7,975,024	7,535,385	522	439,116
Fire Safety Code Upgrades Local Funding	2,088,972	1,881,220	33,462	174,290
Technology Modernization Local Funding	40,764,317	36,851,508	(771,877)	4,684,686
Building Modifications and Program Improvements Local Funding	2,858,000	2,743,997	17,739	96,263
Planned Life Cycle Asset Replacement Local Funding	11,160,219	9,271,873	1,184,673	703,673
Planned Life Cycle Asset Replacement QZAB Funds	4,001,363	2,492,887	238,758	1,269,718
HVAC Replacement Local Funding	7,635,552	6,252,289	975,859	407,404
HVAC Replacements State Funding	2,739,668	1,218,967	138,409	1,382,292
HVAC Replacements QZAB Funds	185,946	158,600	-	27,346
Stadium Lighting Local Funding	192,047	49,900	-	142,147
Stadium Lighting Other Funding	317,125	108,400	-	208,725
School Security Local Funding	1,749,383	1,603,671	92,152	53,560
Facility Planning Local Funding	1,658,730	1,001,433	299,730	357,567
Asbestos Abatement Local Funding	1,988,206	1,815,914	5,105	167,187
Improved (Safe) Access to Schools Local Funding	2,809,500	2,624,844	137,272	47,384
Restroom Renovations Local Funding	3,771,000	3,224,769	333,517	212,713
Roof Replacement Local Funding	8,668,890	5,191,646	2,040,258	1,436,986
Roof Replacement State Funding	4,173,808	1,781,041	1,469,972	922,795
Water and Indoor Air Quality Improvements Local Funding	8,010,178	5,468,378	941,537	1,600,264
Energy Conservation Local Funding	3,816,238	2,837,516	852,075	126,648
ADA Compliance Local Funding	3,306,769	2,445,447	65,513	795,809
Relocatable Classrooms Local Funding	12,735,490	10,686,915	1,581,315	467,260
Land Acquisition Local Funding	3,157,037	23,205	-	3,133,833
Educational Technology (Global Access)	5,885,621	136,336	3,001,944	2,747,341
Stormwater Management	1,200,000	1,091,347	25,200	83,453
East Silver Spring ES Addition Local Funding	1,041,000	164,477	728,455	148,069
Poolesville HS Laboratory Upgrades and Addition Local	2,000,000	647,236	142,852	1,209,912
Takoma Park ES Addition	1,230,000	519,128	406,813	304,060
Little Bennett Elementary School (Clarksburg ES #7) State Funding	6,365,000	6,365,000	-	-
Great Seneca Creek Elementary School (Northwest Area ES #7) State Fur	6,302,000	6,302,000	-	-
Roscoe Nix Elementary School (Northeast Consortium ES #16) State Fund	4,702,000	4,702,000	-	-
Watkins Mill Elementary School State Funding	2,241,000	2,241,000	-	-
Northwest High School State Funding	4,605,000	4,605,000	-	-
Gaithersburg High School Addition State Funding	2,552,000	2,552,000	-	-
Farmland Elementary School Addition State Funding	1,740,000	1,740,000	-	-
Garrett Park Elementary School Addition State Funding	1,111,000	1,111,000	-	-
School Gymnasiums - Other	300,000	-	300,000	-
Current Modernizations - Contribution for RMHS artificial turf field	300,000	-	-	300,000
	(1,824,000)	183,278	(181,323)	(1,825,955)
	881,701,244	679,329,412	161,307,343	41,064,489
Capitalized land, equipment and furniture, and items not capitalized	(107,685,385)	(107,685,385)	-	-
Interim closing of open projects **	(416,453,484)	(416,453,484)	-	-
Residual building value transfer ***	-	-	-	-
Total construction in progress	367,562,375	155,190,543	161,307,343	41,064,489

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Cable TV franchise fees	\$ 1,538,862	\$ 1,538,862	\$ 1,521,000	\$ (17,862.00)
Total revenues	<u>1,538,862</u>	<u>1,538,862</u>	<u>1,521,000</u>	<u>(17,862)</u>
Expenditures and encumbrances:				
Community services	<u>1,538,862</u>	<u>1,538,862</u>	<u>1,531,376</u>	<u>7,486</u>
Total expenditures and encumbrances	<u>1,538,862</u>	<u>1,538,862</u>	<u>1,531,376</u>	<u>7,486</u>
Excess of revenues over expenditures and encumbrances	-	-	(10,376)	(10,376)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>146,750</u>	<u>146,750</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,374</u>	<u>\$ 136,374</u>

NONMAJOR ENTERPRISE FUNDS

June 30, 2008

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, 2008

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 1,014,507	\$ 93,467	\$ -	\$ 1,107,974
Accounts receivable:				
Montgomery County			195,343	195,343
Other	388,128	450,754	118	839,000
Inventories			7,000	7,000
Total current assets	<u>1,402,635</u>	<u>544,221</u>	<u>202,461</u>	<u>2,149,317</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings and improvements	2,675			2,675
Machinery and equipment			26,490	26,490
Total noncurrent assets	<u>2,675</u>	<u>-</u>	<u>26,490</u>	<u>29,165</u>
Total assets	<u>1,405,310</u>	<u>544,221</u>	<u>228,951</u>	<u>2,178,482</u>
Liabilities				
Current liabilities:				
Accounts payable	157,210	11,160		168,370
Due to other funds	(27,552)	(194)	1,002,542	974,796
Unearned revenue			28,206	28,206
Capital lease-current			18,294	18,294
Total current liabilities	<u>129,658</u>	<u>10,966</u>	<u>1,049,042</u>	<u>1,189,666</u>
Noncurrent liabilities:				
Compensated absences	65,228	45,322	126,939	237,489
Total noncurrent liabilities	<u>65,228</u>	<u>45,322</u>	<u>126,939</u>	<u>237,489</u>
Total liabilities	<u>194,886</u>	<u>56,288</u>	<u>1,175,981</u>	<u>1,427,155</u>
Net Assets				
Invested in capital assets, net of related debt	2,675		8,196	10,871
Unrestricted	1,207,749	487,933	(955,226)	740,456
Total net assets	<u>\$ 1,210,424</u>	<u>\$ 487,933</u>	<u>\$ (947,030)</u>	<u>\$ 751,327</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, 2008

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 2,765,022	\$ 1,722,208	\$ 1,866,786	\$ 6,354,016
Total operating revenues	<u>2,765,022</u>	<u>1,722,208</u>	<u>1,866,786</u>	<u>6,354,016</u>
Operating expenses:				
Salaries and wages	492,540	1,170,946	760,824	2,424,310
Contracted services	111,011	81,774	30,015	222,800
Supplies and materials	25,707	427,248	601,479	1,054,434
Other charges	1,659,513	112,692	209,109	1,981,314
Depreciation	1,783		17,660	19,443
Total operating expenses	<u>2,290,554</u>	<u>1,792,660</u>	<u>1,619,087</u>	<u>5,702,301</u>
Operating income (loss)	<u>474,468</u>	<u>(70,452)</u>	<u>247,699</u>	<u>651,715</u>
Nonoperating revenues:				
Investment income	15,691	5,737		21,428
Total nonoperating revenues	<u>15,691</u>	<u>5,737</u>	<u>-</u>	<u>21,428</u>
Income (loss) before transfers	490,159	(64,715)	247,699	673,143
Transfers out	<u>(15,691)</u>	<u>(5,737)</u>		<u>(21,428)</u>
Change in net assets	474,468	(70,452)	247,699	651,715
Total net assets - beginning	735,956	558,385	(1,194,729)	99,612
Total net assets - ending	<u>\$ 1,210,424</u>	<u>\$ 487,933</u>	<u>\$ (947,030)</u>	<u>\$ 751,327</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,524,535	\$ 1,701,526	\$ 1,764,511	\$ 5,990,572
Payments to suppliers	(160,782)	(498,056)	(787,195)	(1,446,033)
Payments to employees	(521,858)	(1,236,282)	(829,335)	(2,587,475)
Payments for assessments made by other funds	(82,009)	(43,166)	(122,077)	(247,252)
Payments for other operating expenses	(1,537,673)	(8,268)	(8,268)	(1,545,941)
Net cash provided by (used for) operating activities	<u>222,213</u>	<u>(75,978)</u>	<u>17,636</u>	<u>163,871</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(15,691)	(5,737)	-	(21,428)
Net cash (used for) noncapital financing activities	<u>(15,691)</u>	<u>(5,737)</u>	<u>-</u>	<u>(21,428)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital leases	-	-	(17,636)	(17,636)
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(17,636)</u>	<u>(17,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	15,691	5,737	-	21,428
Net cash provided by investing activities	<u>15,691</u>	<u>5,737</u>	<u>-</u>	<u>21,428</u>
Net increase (decrease) in cash and cash equivalents	222,213	(75,978)	-	146,235
Cash and cash equivalents - beginning	792,294	169,445	-	961,739
Cash and cash equivalents - ending	<u>\$ 1,014,507</u>	<u>\$ 93,467</u>	<u>\$ -</u>	<u>\$ 1,107,974</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 474,468	\$ (70,452)	\$ 247,699	\$ 651,715
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,783	-	17,660	19,443
Effects of changes in assets and liabilities:				
Receivables	(240,487)	(20,682)	6,674	(254,495)
Inventories	-	-	13,250	13,250
Accounts payable	3,488	11,160	(23,819)	(9,171)
Due to other funds	(27,552)	(194)	(145,132)	(172,878)
Deferred revenue	-	-	(108,949)	(108,949)
Compensated absences	10,513	4,190	10,253	24,956
Net cash provided by (used for) operating activities	<u>\$ 222,213</u>	<u>\$ (75,978)</u>	<u>\$ 17,636</u>	<u>\$ 163,871</u>

FIDUCIARY FUNDS

June 30, 2008

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, 2008

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Cash	\$ -	\$ 2,148	\$ 2,148
Investments:			
Common and preferred stocks	503,144,790	11,173,394	514,318,184
Short-term investments	5,156,769		5,156,769
U.S. government and agency securities	33,340,720		33,340,720
Fixed income securities	240,257,417	3,343,721	243,601,138
Real estate	84,647,076		84,647,076
Participation contract	7,082,938		7,082,938
Private equity	5,276,324		5,276,324
Securities lending short-term investment pool	38,790,395		38,790,395
Total investments	<u>917,696,429</u>	<u>14,517,115</u>	<u>932,213,544</u>
Accounts receivable	715	609,939	610,654
Due from Internal Service Fund		14,667,863	14,667,863
Due from General Fund		<u>579,560</u>	<u>579,560</u>
Total assets	<u>917,697,144</u>	<u>30,376,625</u>	<u>948,073,769</u>
LIABILITIES			
Accounts payable		32,907	32,907
Claims payable		6,852,279	6,852,279
Due to general fund	1,579,441		1,579,441
Liability for collateral received under securities lending agreements	<u>38,790,395</u>		<u>38,790,395</u>
Total liabilities	<u>40,369,836</u>	<u>6,885,186</u>	<u>47,255,022</u>
NET ASSETS			
Held in trust for pension/other postemployment benefits	<u>\$ 877,327,308</u>	<u>\$ 23,491,439</u>	<u>\$ 900,818,747</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, 2008

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 58,761,275	\$ 53,370,767	\$ 112,132,042
Members	12,791,123	24,303,624	37,094,747
Federal government - Medicare Part D		3,771,075	3,771,075
Total contributions	<u>71,552,398</u>	<u>81,445,466</u>	<u>152,997,864</u>
Investment earnings:			
Net (depreciation) in fair value of investments	(85,386,503)	(1,874,408)	(87,260,911)
Interest and dividends	16,084,446	1,143,173	17,227,619
Securities lending income	1,769,460		1,769,460
Total investment loss	<u>(67,532,597)</u>	<u>(731,235)</u>	<u>(68,263,832)</u>
Less investment expense:			
Investment fees and other	(775,799)		(775,799)
Securities lending fees	(1,641,171)		(1,641,171)
Total investment expense	<u>(2,416,970)</u>	<u>-</u>	<u>(2,416,970)</u>
Net investment loss	<u>(69,949,567)</u>	<u>(731,235)</u>	<u>(70,680,802)</u>
Reassignment of retiree balances		5,801,619	5,801,619
Total additions	<u>1,602,831</u>	<u>86,515,850</u>	<u>88,118,681</u>
DEDUCTIONS			
Benefits paid to plan members	51,675,769	51,718,528	103,394,297
Premiums paid to insurance companies		10,980,415	10,980,415
Administrative expenses	2,322,656	325,468	2,648,124
Total deductions	<u>53,998,425</u>	<u>63,024,411</u>	<u>117,022,836</u>
Change in net assets	(52,395,594)	23,491,439	(28,904,155)
Net assets - beginning	<u>929,722,902</u>	<u>-</u>	<u>929,722,902</u>
Net assets - ending	<u>\$ 877,327,308</u>	<u>\$ 23,491,439</u>	<u>\$ 900,818,747</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash and investments	\$ 14,250,667	\$ 37,709,581	\$ 36,538,083	\$ 15,422,165
Accounts receivable	1,831,262	1,735,555	1,831,262	1,735,555
Inventories	<u>275,463</u>	<u>232,265</u>	<u>275,463</u>	<u>232,265</u>
Total assets	<u>\$ 16,357,392</u>	<u>\$ 39,677,401</u>	<u>\$ 38,644,808</u>	<u>\$ 17,389,985</u>
Liabilities				
Accounts payable	\$ 1,795,524	\$ 1,991,792	\$ 1,795,525	\$ 1,991,791
Due to student groups	<u>14,561,868</u>	<u>37,685,609</u>	<u>36,849,283</u>	<u>15,398,194</u>
Total liabilities	<u>\$ 16,357,392</u>	<u>\$ 39,677,401</u>	<u>\$ 38,644,808</u>	<u>\$ 17,389,985</u>

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	75-82
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.	83-89
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.	90-96
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.	97-98
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.	99-102

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

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 1,181,888,032	\$ 1,224,194,974	\$ 1,265,348,107	\$ 1,347,324,600
Unrestricted	<u>(49,845,395)</u>	<u>(80,455,530)</u>	<u>(90,516,500)</u>	<u>(92,864,100)</u>
Total governmental activities net assets	<u>\$ 1,132,042,637</u>	<u>\$ 1,143,739,444</u>	<u>\$ 1,174,831,607</u>	<u>\$ 1,254,460,500</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 5,629,503	\$ 5,137,266	\$ 4,829,951	\$ 5,182,162
Unrestricted	<u>(581,616)</u>	<u>(1,626,627)</u>	<u>(2,850,401)</u>	<u>(2,755,479)</u>
Total business-type activities net assets	<u>\$ 5,047,887</u>	<u>\$ 3,510,639</u>	<u>\$ 1,979,550</u>	<u>\$ 2,426,683</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 1,187,517,535	\$ 1,229,332,240	\$ 1,270,178,058	\$ 1,352,506,762
Unrestricted	<u>(50,427,011)</u>	<u>(82,082,157)</u>	<u>(93,366,901)</u>	<u>(95,619,579)</u>
Total primary government net assets	<u>\$ 1,137,090,524</u>	<u>\$ 1,147,250,083</u>	<u>\$ 1,176,811,157</u>	<u>\$ 1,256,887,183</u>

	2006	2007	2008
Governmental Activities:			
Invested in capital assets, net of related debt	\$ 1,509,775,923	\$ 1,635,087,567	\$ 1,765,406,793
Unrestricted	<u>(96,127,805)</u>	<u>(85,448,126)</u>	<u>(151,573,901)</u>
Total governmental activities net assets	<u>\$ 1,413,648,118</u>	<u>\$ 1,549,639,441</u>	<u>\$ 1,613,832,892</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 5,052,458	\$ 5,215,924	\$ 5,019,355
Unrestricted	<u>(3,354,942)</u>	<u>(3,628,772)</u>	<u>(5,207,535)</u>
Total business-type activities net assets	<u>\$ 1,697,516</u>	<u>\$ 1,587,152</u>	<u>\$ (188,180)</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 1,514,828,381	\$ 1,640,303,491	\$ 1,770,426,148
Unrestricted	<u>(99,482,747)</u>	<u>(89,076,898)</u>	<u>(156,781,436)</u>
Total primary government net assets	<u>\$ 1,415,345,634</u>	<u>\$ 1,551,226,593</u>	<u>\$ 1,613,644,712</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 SEVEN 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
\$ 1,088,588,014	\$ 1,160,855,790	\$ 1,300,214,158
266,912,970	293,576,065	337,981,003
146,798,786	160,163,136	183,915,725
13,416,179	13,944,662	15,923,429
42,357	53,540	39,372
<u>1,515,758,306</u>	<u>1,628,593,193</u>	<u>1,838,073,687</u>
96,768,183	100,930,995	117,962,721
120,228,320	130,303,214	144,731,021
48,872,594	55,832,785	56,469,713
54,688,573	63,053,976	59,171,446
2,110,374	2,176,910	2,470,942
1,372,132	1,742,075	1,970,020
<u>324,040,176</u>	<u>354,039,955</u>	<u>382,775,863</u>
<u>1,839,798,482</u>	<u>1,982,633,148</u>	<u>2,220,849,550</u>
40,757,291	42,161,738	46,125,487
1,516,881	(48,642)	-
2,102,497	2,926,351	2,290,554
1,579,472	1,629,297	1,792,660
1,266,811	1,376,930	1,619,087
<u>47,222,952</u>	<u>48,045,674</u>	<u>51,827,788</u>
\$ 1,887,021,434	\$ 2,030,678,822	\$ 2,272,677,338
\$ 60,734,138	\$ 71,138,709	\$ 80,694,954
27,405,520	26,927,739	26,716,097
3,619,197	3,731,020	3,919,325
1,055,541	1,095,801	1,070,620
-	-	-
<u>92,814,396</u>	<u>102,893,269</u>	<u>112,400,996</u>
1,101,741	603,479	628,316
7,512,643	6,157,844	3,727,987
15,186,848	19,447,697	15,017,237
9,932,129	10,026,551	4,124,816
1,763,601	1,846,277	1,898,848
<u>35,496,962</u>	<u>38,081,848</u>	<u>25,397,204</u>
<u>128,311,358</u>	<u>140,975,117</u>	<u>137,798,200</u>
38,997,786	41,462,534	43,102,830
1,614,777	-	-
2,212,736	2,625,031	2,765,022
1,491,097	1,543,101	1,722,208
1,461,574	1,436,778	1,866,786
<u>45,777,970</u>	<u>47,067,444</u>	<u>49,456,846</u>
\$ 174,089,328	\$ 188,042,561	\$ 187,255,046
(1,711,487,124)	(1,841,658,031)	(2,083,051,350)
(1,444,982)	(978,230)	(2,370,942)
<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>	<u>(2,085,422,292)</u>
\$ 1,457,150,730	\$ 1,507,402,033	\$ 1,631,686,296
411,828,686	468,650,022	510,142,429
1,027,578	539,841	4,015,914
632,532	929,696	1,378,734
-	-	-
35,216	127,762	21,428
<u>1,870,674,742</u>	<u>1,977,649,354</u>	<u>2,147,244,801</u>
751,031	995,628	617,038
-	-	-
(35,216)	(127,762)	(21,428)
<u>715,815</u>	<u>867,866</u>	<u>595,610</u>
\$ 1,871,390,557	\$ 1,978,517,220	\$ 2,147,840,411
159,187,618	135,991,323	64,193,451
(729,167)	(110,364)	(1,775,332)
<u>\$ 158,458,451</u>	<u>\$ 135,880,959</u>	<u>\$ 62,418,119</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	1999	2000	2001	2002	2003
General Fund:					
Reserved	\$ 12,644,216	\$ 10,900,430	\$ 11,221,140	\$ 12,536,487	\$ 10,086,228
Unreserved	(5,308,716)	(4,360,507)	(4,651,246)	5,447,168	(5,625,651)
Total general fund	<u>\$ 7,335,500</u>	<u>\$ 6,539,923</u>	<u>\$ 6,569,894</u>	<u>\$ 17,983,655</u>	<u>\$ 4,460,577</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ 41,510	\$ 82,777	\$ 5,436
Unreserved, reported in:					
Special revenue funds	-	-	16,294	17,115	82,633
Capital projects funds	-	-	(7,602,793)	(7,768,903)	(8,133,947)
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,544,989)</u>	<u>\$ (7,669,011)</u>	<u>\$ (8,045,878)</u>
	2004	2005	2006	2007	2008
General Fund:					
Reserved	\$ 11,379,515	\$ 13,197,236	\$ 21,989,545	\$ 17,240,840	\$ 12,571,840
Unreserved	(171,197)	3,263,757	(3,047,043)	4,879,365	16,389,504
Total general fund	<u>\$ 11,208,318</u>	<u>\$ 16,460,993</u>	<u>\$ 18,942,502</u>	<u>\$ 22,120,205</u>	<u>\$ 28,961,344</u>
All other governmental funds					
Reserved	\$ 6,913	\$ 5,053	\$ 3,473	\$ 741,649	\$ -
Unreserved, reported in:					
Special revenue funds	85,935	87,033	91,238	146,750	136,374
Capital projects funds	(10,802,854)	(12,604,232)	(13,472,262)	(14,392,596)	(13,796,508)
Total all other governmental funds	<u>\$ (10,710,006)</u>	<u>\$ (12,512,146)</u>	<u>\$ (13,377,551)</u>	<u>\$ (13,504,197)</u>	<u>\$ (13,660,134)</u>

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

	Fiscal Year			
	1999	2000	2001	2002
Revenues				
Intergovernmental:				
Montgomery County	\$ 903,618,593	\$ 955,247,100	\$ 1,041,378,917	\$ 1,148,280,914
State of Maryland	262,852,213	269,819,680	297,395,004	305,836,841
Federal Government	26,854,697	33,724,378	36,547,569	43,866,688
Other	3,757,220	4,899,686	6,387,329	4,332,529
Total Revenue	<u>1,197,082,723</u>	<u>1,263,690,844</u>	<u>1,381,708,819</u>	<u>1,502,316,972</u>
Expenditures				
Current:				
Administration	28,140,149	32,477,440	32,279,103	28,106,692
Mid-level administration	65,408,765	73,554,442	81,091,469	86,442,046
Instructional salaries and wages	449,914,787	484,167,089	544,038,808	594,976,886
Instructional textbooks and supplies	21,286,541	23,980,877	23,841,371	25,094,764
Other instructional costs	20,461,729	12,647,927	13,344,517	19,113,591
Special education	120,667,222	129,606,867	141,404,178	155,739,680
Student personnel services	4,073,102	4,427,513	5,123,414	5,814,326
Health services	28,978	35,889	37,938	37,150
Student transportation	47,843,343	50,266,568	55,606,074	58,249,923
Operation of plant	60,481,975	64,883,944	67,824,772	73,460,791
Maintenance of plant	25,085,800	24,077,892	24,835,900	24,929,368
Fixed charges	241,235,425	248,363,181	264,617,039	272,754,398
Community services	655,148	742,768	986,926	1,246,430
Debt service:				
Capital lease principal	5,772,275	6,974,098	8,743,607	11,358,196
Capital lease interest	847,120	958,318	1,136,580	1,801,781
Capital outlay	118,576,313	117,047,191	136,115,527	148,902,723
Total expenditures	<u>1,210,478,672</u>	<u>1,274,212,004</u>	<u>1,401,027,223</u>	<u>1,508,028,745</u>
Excess of Revenues (under) expenditures	(13,395,949)	(10,521,160)	(19,318,404)	(5,711,773)
Other financing sources				
Capital lease financing	13,614,110	8,558,368	11,401,958	16,377,140
Technology loans from Montgomery County	361,086	547,066	22,500	85,857
Transfers in	496,252	620,149	378,928	538,515
Transfers out				
Total other financing sources	<u>14,471,448</u>	<u>9,725,583</u>	<u>11,803,386</u>	<u>17,001,512</u>
Net change in fund balances	<u>\$ 1,075,499</u>	<u>\$ (795,577)</u>	<u>\$ (7,515,018)</u>	<u>\$ 11,289,739</u>
Debt service as a percentage of noncapital expenditures	0.6%	0.7%	0.8%	1.0%

2003	2004	2005	2006	2007	2008
\$ 1,137,558,192	\$ 1,233,511,048	\$ 1,356,035,517	\$ 1,498,345,349	\$ 1,558,647,046	\$ 1,633,111,352
339,814,082	350,931,179	366,552,766	417,013,817	474,951,016	561,788,026
56,379,262	59,737,638	70,605,126	74,573,378	75,177,789	81,098,923
4,827,458	4,970,961	8,194,694	8,999,000	9,547,103	9,026,435
<u>1,538,578,994</u>	<u>1,649,150,826</u>	<u>1,801,388,103</u>	<u>1,998,931,544</u>	<u>2,118,322,954</u>	<u>2,285,024,736</u>
27,666,368	26,965,317	28,439,926	36,625,851	43,163,115	40,223,462
93,633,242	96,088,892	101,729,773	109,442,018	118,650,653	128,825,484
635,877,265	654,152,515	686,486,182	719,934,184	760,940,050	801,621,226
25,599,461	25,646,985	28,751,450	33,245,147	36,680,260	30,676,046
13,014,528	13,133,928	22,110,271	16,855,159	18,687,106	17,748,901
170,576,458	178,834,273	193,353,038	207,149,010	227,023,151	245,993,338
6,227,216	8,623,619	9,111,032	9,936,670	10,264,691	11,051,597
104,058	32,474	34,127	36,530	44,821	32,162
56,900,115	59,958,528	71,323,679	79,509,617	81,298,925	92,544,044
77,846,881	80,456,510	85,739,412	92,411,740	102,598,137	112,699,200
25,833,275	25,714,753	26,776,709	28,718,901	30,815,334	31,498,027
305,913,265	346,990,115	388,327,283	419,075,926	463,825,658	531,185,474
1,324,417	1,360,072	1,326,568	1,731,259	1,750,520	1,902,912
11,841,404	15,124,117	19,300,633	22,597,421	23,997,477	23,510,181
1,027,855	1,324,991	1,262,669	1,372,132	1,742,075	1,970,020
113,557,576	128,053,894	159,336,986	244,402,835	218,839,987	234,409,417
<u>1,566,943,384</u>	<u>1,662,460,983</u>	<u>1,823,409,738</u>	<u>2,023,044,400</u>	<u>2,140,321,960</u>	<u>2,305,891,491</u>
(28,364,390)	(13,310,157)	(22,021,635)	(24,112,856)	(21,999,006)	(20,866,755)
13,447,873	16,783,521	25,456,831	25,693,744	24,922,301	27,530,529
12,836					
13,852	16,584	15,339	35,216	127,762	21,428
629,884	593,755				
<u>14,104,445</u>	<u>17,393,860</u>	<u>25,472,170</u>	<u>25,728,960</u>	<u>25,050,063</u>	<u>27,551,957</u>
\$ (14,259,945)	\$ 4,083,703	\$ 3,450,535	\$ 1,616,104	\$ 3,051,057	\$ 6,685,202
0.8%	1.1%	1.3%	1.4%	1.4%	1.2%

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, 2007 *

Operating revenues:	
Contributions by other agencies	\$ 23,894,910
Contributions by the Board of Education	<u>8,415,330</u>
Total Operating Revenues	<u>\$ 32,310,240</u>
Operating expenses:	
Self-insurance losses, net of recoveries	22,197,016
Other costs at risk	3,993,167
Commercial insurance	2,966,361
Other operating expenses	<u>2,988,013</u>
Total Operating Expenses	<u>32,144,557</u>
Operating (loss)	<u>165,683</u>
Nonoperating income :	
Interest on investments	6,138,902
Other revenue	<u>148,860</u>
Total nonoperating income	<u>6,287,762</u>
Net (loss)/Change in retained earnings	6,453,445
Retained earnings (deficit), Beginning	<u>13,868,157</u>
Retained earnings (deficit), Ending	<u>\$ 20,321,602</u>

* 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	Amount (2)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
1999	\$ 738,861,799	\$ (5,431)	\$ 738,856,368	\$ 731,482,875	99.00 %	\$ 226,178	\$ 731,709,053	99.03 %
2000	762,239,449	(554,506)	761,684,943	754,198,902	98.95	(1,159,100)	753,039,802	98.86
2001	784,285,708	(408,044)	783,877,664	777,057,655	99.08	(1,787,072)	775,270,583	98.90
2002	821,038,153	(866,855)	820,171,298	805,329,587	98.09	(2,772,571)	802,557,016	97.85
2003	867,011,819	(1,906,664)	865,105,155	861,862,819	99.41	(3,665,357)	858,197,462	99.20
2004	927,789,542	(1,507,833)	926,281,709	924,992,688	99.70	1,151,991	926,144,679	99.99
2005	1,006,556,130	(100,247)	1,006,455,883	1,005,935,155	99.94	(1,940,878)	1,003,994,277	99.76
2006	1,032,231,333	(1,559,442)	1,030,671,891	1,031,967,800	99.97	(2,691,550)	1,029,276,250	99.86
2007	1,087,613,905	(941,716)	1,086,672,189	1,081,566,118	99.44	1,119,435	1,082,685,553	99.63
2008	1,137,590,824	-	1,137,590,824	1,132,548,519	99.56	-	1,132,548,519	99.56

NOTES:

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

- (1) Adjustment data was available and is reported in this schedule beginning with adjustments processed in FY05.
(2) Amounts represent collections received, including overpayments, net of refunds made.

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

Fiscal Year	Real Property (1)						Total Direct Tax Rate
	Residential (2)		Commercial/Other		Total		
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	
1999	\$ 21,215,428,694	\$ 54,342,798,907	\$ 6,690,651,302	\$ 17,137,938,788	\$ 27,906,079,996	\$ 71,480,737,695	2.540
2000	21,704,462,278	56,699,222,252	6,970,091,543	18,208,180,624	28,674,553,821	74,907,402,876	2.514
2001	22,267,739,672	59,348,986,333	7,381,273,206	19,672,903,001	29,649,012,878	79,021,889,334	2.513
2002	57,865,511,378	62,829,002,582	19,709,436,172	21,400,039,275	77,574,947,550	84,229,041,857	1.005
2003	61,732,348,676	69,991,325,030	20,674,989,155	23,441,030,787	82,407,337,831	93,432,355,817	1.004
2004	67,348,233,048	74,009,047,305	21,914,772,219	24,082,167,274	89,263,005,267	98,091,214,579	1.005
2005	74,808,909,028	80,181,038,615	23,472,815,695	25,158,430,541	98,281,724,723	105,339,469,156	0.994
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931	0.952
2007	96,569,026,913	101,119,399,908	29,141,749,205	30,514,920,634	125,710,776,118	131,634,320,542	0.902
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902

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	Assessed Value		Estimated Actual Value
	Individuals	Corporations	Operating Property	Domestic Shares					
1999	\$ 96,677,815	\$ 1,904,977,610	\$ 1,431,418,620	\$ 325,472,510	\$ 3,758,546,555	2.524	\$ 31,664,626,551	\$ 75,239,284,250	42.09 %
2000	92,953,790	2,125,024,140	1,250,855,220	410,469,840	3,879,302,990	2.502	32,553,856,811	78,786,705,866	41.32
2001	93,025,460	2,261,403,430	1,270,848,870	452,570,330	4,077,848,090	2.500	33,726,860,968	83,099,737,424	40.59
2002	99,954,320	2,486,081,540	1,169,749,990	445,558,740	4,201,344,590	2.495	81,776,292,140	88,430,386,447	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	97,660,210,217	88.71
2004	83,269,110	2,272,890,000	1,116,419,190	491,223,310	3,963,801,610	2.498	93,226,806,877	102,055,016,189	91.35
2005	45,777,000	2,290,059,500	1,097,481,440	469,294,170	3,902,612,110	2.474	102,184,336,833	109,242,081,266	93.54
2006	39,858,300	2,275,916,200	1,046,842,820	469,011,910	3,831,629,230	2.367	114,360,878,346	122,425,244,161	93.41
2007	36,342,680	2,353,070,220	1,070,305,710	489,230,940	3,948,949,550	2.244	129,659,725,668	135,583,270,092	95.63
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2.241	146,276,982,963	149,181,195,934	98.05

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
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	District	Transit District	Advance		Recreation	Storm Drainage	Regional District	Metropolitan District			
				Land Acquisition	Subtotal							
Real Property:												
1999	\$ 1.923	\$.263	\$.102	\$.004	\$ 2.292	\$.062	\$.01	\$.061	\$.153	\$.248	\$ 2.540	
2000	1.863	.290	.102	.003	2.258	.067	.01	.062	.154	.256	2.514	
2001	1.857	.293	.100	.003	2.253	.069	.01	.060	.160	.260	2.513	
2002 (3)	.741	.109	.050	.001	.901	.027	.003	.024	.066	.104	1.005	
2003	.754	.117	.038	.001	.910	.020	.003	.023	.063	.094	1.004	
2004	.751	.118	.044	.001	.914	.022	.003	.021	.059	.091	1.005	
2005	.734	.123	.044	.001	.902	.025	.003	.020	.059	.092	.994	
2006	.679	.134	.042	.001	.856	.025	.003	.022	.061	.096	.952	
2007	.624	.134	.053	.001	.812	.024	.003	.020	.057	.090	.902	
2008	.627	.126	.058	.001	.812	.024	.003	.019	.058	.090	.902	
Personal Property:												
1999	\$ 1.923	\$.263	\$.102	\$.004	\$ 2.292	\$.062	\$.01	\$.061	\$.153	\$.232	\$ 2.524	
2000	1.863	.290	.102	.003	2.258	.067	.01	.062	.154	.244	2.502	
2001	1.857	.293	.100	.003	2.253	.069	.01	.060	.160	.247	2.500	
2002	1.852	.273	.125	.002	2.252	.068	.007	.059	.165	.243	2.495	
2003	1.885	.293	.095	.003	2.276	.050	.008	.058	.158	.218	2.494	
2004	1.878	.295	.110	.003	2.286	.055	.008	.053	.148	.212	2.498	
2005	1.835	.308	.110	.003	2.256	.063	.008	.050	.148	.218	2.474	
2006	1.698	.335	.105	.003	2.141	.063	.008	.055	.153	.226	2.367	
2007	1.560	.335	.133	.003	2.031	.060	.008	.050	.143	.213	2.244	
2008	1.567	.315	.145	.003	2.030	.060	.007	.047	.145	.211	2.241	

NOTES:

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

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

MONTGOMERY COUNTY, MARYLAND
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:											
1999	\$.70	\$.70	\$.60	\$.60	\$.075	\$.04	\$.05	\$.40	\$.40	\$ -	\$ -
2000	.70	.70	.60	.60	.075	.04	.05	.45	.40	-	-
2001	.70	.70	.60	.60	.075	.04	.05	.45	.40	.285	-
2002	.28	.28	.24	.24	.030	.016	.02	.16	.18	.092	-
2003	.28	.28	.24	.24	.030	.016	.02	.16	.18	.108	.224
2004	.28	.28	.24	.24	.030	.016	.02	.145	.18	.101	.213
2005	.28	.28	.24	.24	.030	.016	.02	.145	.175	.098	.192
2006	.28	.28	.24	.24	.024	.016	.03	.145	.185	.089	.187
2007	.28	.28	.24	.24	.024	.016	.03	.050	.001	.065	.161
2008	.28	.28	.24	.24	.024	.016	.03	.080	.008	.071	.156
Personal Property:											
1999	\$.70	\$.70	\$.60	\$.60	\$.075	\$.04	\$.05	\$.40	\$.40	\$ -	\$ -
2000	.70	.70	.60	.60	.075	.04	.05	.45	.40	-	-
2001	.70	.70	.60	.60	.075	.04	.05	.45	.40	-	-
2002	.70	.70	.60	.60	.075	.04	.05	.40	.45	-	-
2003	.70	.70	.60	.60	.075	.04	.05	.40	.45	-	-
2004	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2005	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2006	.70	.70	.60	.60	.060	.04	.075	.363	.463	-	-
2007	.70	.70	.60	.60	.060	.04	.075	.125	.125	-	-
2008	.70	.70	.60	.60	.060	.04	.075	.200	.200	-	-

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.

(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
 REAL AND PERSONAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - CITIES AND TOWNS
 LAST TEN FISCAL YEARS

Fiscal Year	Cities			Towns									Washington Grove
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	
Real Property:													
1999	\$.53	\$.815	\$ 1.580	\$.20	\$.45	\$.16	\$.55	\$.36	\$.50	\$.35	\$.65	\$.28	\$.60
2000	.53	.805	1.580	.20	.45	.16	.55	.36	.50	.33	.63	.25	.60
2001	.53	.805	1.605	.20	.45	.13	.50	.35	.50	.31	.60	.22	.60
2002	.212	.322	.642	.08	.20	.04	.20	.14	.20	.125	.24	.05	.235
2003	.212	.322	.660	.08	.20	.037	.20	.14	.193	.132	.24	.05	.235
2004	.212	.322	.660	.078	.20	.035	.20	.14	.187	.160	.24	.05	.217
2005	.212	.322	.660	.072	.20	.033	.20	.13	.170	.160	.23	.05	.217
2006	.212	.322	.630	.065	.15	.029	.20	.12	.155	.160	.221	.045	.202
2007	.212	.312	.630	.060	.15	.026	.19	.12	.147	.140	.200	.040	.202
2008	.212	.302	.610	.054	.15	.023	.19	.12	.139	.140	.180	.040	.202
Personal Property:													
1999	\$.53	\$.815	\$ 1.580	\$.20	\$.45	\$.16	\$.55	\$.36	\$.50	\$.35	\$.65	\$.28	\$.60
2000	.53	.805	1.580	.20	.45	.16	.55	.36	.50	.33	.63	.25	.60
2001	.53	.805	1.605	.20	.45	.13	.50	.35	.50	.31	.60	.22	.60
2002	.53	.805	1.605	.20	.45	.10	.50	.80	.50	.31	.60	.22	.60
2003	.53	.805	1.605	.20	.45	.10	.50	.80	.50	.33	.60	.22	.60
2004	.53	.805	1.650	.20	.45	.10	.50	.80	.50	.35	.60	.22	.60
2005	.53	.805	1.650	.20	.45	.10	.50	.80	.50	.35	.60	.22	.60
2006	.53	.805	1.575	.20	.45	.10	1.000	.80	.50	.35	.60	.22	.60
2007	.53	.805	1.575	.20	.45	.10	1.000	.80	.50	.35	.60	.22	.60
2008	.53	.805	1.525	.20	.45	.10	1.000	.80	.50	.35	.60	.22	.60

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
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	Oakmont
Real Property:										
1999	\$.125	\$.18	\$ -	\$.08	\$.25	\$.12	\$.28	\$.19	\$.13	\$.15
2000	.125	.09	-	.08	.25	.12	.25	.15	.13	.15
2001	.125	.05	-	.08	.25	.12	.22	.02	.13	.15
2002 (1)	.05	.02	-	.03	.10	.048	.08	.008	.052	.10
2003	.05	.02	-	.03	.12	.048	.07	.008	.052	.10
2004	.05	.02	-	.025	.14	.048	.06	.008	.052	.06
2005	.05	.02	-	.025	.14	.048	.06	.008	.052	.06
2006	.05	.02	-	.023	.13	.048	.05	.008	.052	.06
2007	.05	.02	-	.023	.123	.048	.04	.008	.052	.06
2008	.05	.02	-	.022	.111	.048	.04	.008	.052	.06
Personal Property:										
1999	\$.125	\$.18	\$.04	\$.08	\$.25	\$.12	\$.28	\$.19	\$.13	\$.15
2000	.125	.09	-	.08	.25	.12	.25	.15	.13	.15
2001	.125	.05	-	.08	.25	.12	.22	.02	.13	.15
2002	.125	.05	-	-	.10	.12	.08	.008	.13	.10
2003	.125	.05	-	-	.50	.12	.07	.008	.13	.10
2004	.125	.05	-	-	.50	.12	.06	.008	.13	.06
2005	.125	.05	-	-	.60	.12	.06	.008	.13	-
2006	.125	.05	-	-	.60	.12	.05	.008	.13	.10
2007	.125	.05	-	-	.66	.12	.04	.008	.13	.10
2008	.125	.05	-	-	.66	.12	.04	.500	.13	.10

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.

(1) See Note (1) on Table 9-a.

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

For the Fiscal Year Ended June 30, 2008

	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 689,238,812	\$ 7,280,832	\$ 681,957,980	0.47 %
Verizon	677,976,920	32,000,000	645,976,920	0.46
Montgomery Mall	388,230,580	387,662,500	568,080	0.27
7501 Wisconsin Avenue LLC	220,262,500	220,262,500	-	0.15
Washington Gas Light Company	219,256,160	-	219,256,160	0.15
Federal Realty Investment Trust	217,618,610	216,118,430	1,500,180	0.15
Mirant Mid-Atlantic LLC	199,580,310	78,291,600	121,288,710	0.14
Camalier, Anne D. et al, Trustee	196,269,158	196,269,158	-	0.13
Democracy Associates	184,676,600	184,676,600	-	0.13
Wheaton Plaza Regional Shopping Center	180,823,356	179,792,566	1,030,790	0.12
Total	\$ 3,173,933,006	\$ 1,502,354,186	\$ 1,671,578,820	2.17 %
Total Assessable Base	\$ 146,276,982,963			100 %

For the Fiscal Year Ended June 30, 1999

	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 996,240,780	\$ 23,625,540	\$ 972,615,240	3.15 %
Bell Atlantic - Washington D.C. Inc.	656,382,670	24,114,980	632,267,690	2.07
Washington Gas Light Company	172,029,460	6,540,830	165,488,630	0.54
International Business Machines	91,778,710	16,649,680	75,129,030	0.29
May Department Stores	80,543,280	27,444,780	53,098,500	0.25
Montgomery Mall	78,371,130	78,371,130	-	0.25
Bryant F. Foulger, Trustee	56,683,540	56,683,540	-	0.18
Albert & R. Abramson, Et.Al	51,945,040	51,945,040	-	0.16
Wheaton Plaza Regional Shopping Center	46,182,510	46,182,510	-	0.15
Marbeth Partnership	45,274,990	45,274,990	-	0.14
Total	\$ 2,275,432,110	\$ 376,833,020	\$ 1,898,599,090	7.18 %
Total Assessable Base	\$ 31,664,626,551			100 %

Source: State of Maryland Department of Assessments and Taxation.

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

Fiscal Year	General Bonded Debt Outstanding (1)			Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Total		
1999	\$ 1,091,613,054	\$ -	\$ 1,091,613,054	1.45 %	\$ 1,266
2000	1,131,833,054	-	1,131,833,054	1.44	1,288
2001	1,178,708,034	-	1,178,708,034	1.42	1,320
2002	1,242,553,054	-	1,242,553,054	1.41	1,373
2003	1,288,293,054	-	1,288,293,054	1.32	1,413
2004	1,329,778,054	-	1,329,778,054	1.30	1,452
2005	1,415,208,054	-	1,415,208,054	1.30	1,537
2006	1,393,888,054	100,000,000	1,493,888,054	1.22	1,614
2007	1,512,675,607	100,000,000	1,612,675,607	1.19	1,733
2008	1,366,758,054	100,000,000	1,466,758,054	0.98	1,563

NOTES:

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

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

	1999	2000	2001	2002
Assessed Value				
Real property (1)	\$ 27,906,079,996	\$ 28,674,553,821	\$ 29,649,012,878	\$ 77,574,947,550
Personal property	3,758,546,555	3,879,302,990	4,077,848,090	4,201,344,590
Total Assessed Value	<u>\$ 31,664,626,551</u>	<u>\$ 32,553,856,811</u>	<u>\$ 33,726,860,968</u>	<u>\$ 81,776,292,140</u>
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior)	\$ 4,185,911,999	\$ 4,301,183,073	\$ 4,447,351,932	\$ 4,654,496,853
For personal property at 15%	<u>563,781,983</u>	<u>581,895,449</u>	<u>611,677,214</u>	<u>630,201,689</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>4,749,693,982</u>	<u>4,883,078,522</u>	<u>5,059,029,146</u>	<u>5,284,698,542</u>
Debt Applicable to Limit:				
General obligation bonds	1,091,613,054	1,131,833,054	1,178,708,054	1,242,553,054
Variable Rate Demand Obligation	-	-	-	-
Bond anticipation notes	80,000,000	160,000,000	125,000,000	125,000,000
Long-term notes payable	<u>1,753,025</u>	<u>1,689,553</u>	<u>1,625,240</u>	<u>1,408,951</u>
Total Debt Applicable to Limit	<u>1,173,366,079</u>	<u>1,293,522,607</u>	<u>1,305,333,294</u>	<u>1,368,962,005</u>
Legal Debt Margin	<u>\$ 3,576,327,903</u>	<u>\$ 3,589,555,915</u>	<u>\$ 3,753,695,852</u>	<u>\$ 3,915,736,537</u>
Legal Debt Margin as a Percentage of Debt Limit	75%	74%	74%	74%

NOTES:

- (1) 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.

2003	2004	2005	2006	2007	2008
\$ 82,407,337,831	\$ 89,263,005,267	\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118	\$ 142,306,435,593
4,227,854,400	3,963,801,610	3,902,612,110	3,831,629,230	3,948,949,550	3,970,547,370
<u>\$ 86,635,192,231</u>	<u>\$ 93,226,806,877</u>	<u>\$ 102,184,336,833</u>	<u>\$ 114,360,878,346</u>	<u>\$ 129,659,725,668</u>	<u>\$ 146,276,982,963</u>
\$ 4,944,440,270	\$ 5,355,780,316	\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567	\$ 8,538,386,136
634,178,160	594,570,242	585,391,817	574,744,385	592,342,433	595,582,106
<u>5,578,618,430</u>	<u>5,950,350,558</u>	<u>6,482,295,300</u>	<u>7,206,499,332</u>	<u>8,134,989,000</u>	<u>9,133,968,241</u>
1,288,293,054	1,329,778,054	1,415,208,054	1,393,888,054	1,512,675,607	1,366,758,054
-	-	-	100,000,000	100,000,000	100,000,000
125,000,000	150,000,000	-	100,000,000	150,000,000	300,000,000
1,341,206	1,270,924	1,198,385	-	-	-
<u>1,414,634,260</u>	<u>1,481,048,978</u>	<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>\$ 4,163,984,170</u>	<u>\$ 4,469,301,580</u>	<u>\$ 5,065,888,861</u>	<u>\$ 5,612,611,278</u>	<u>\$ 6,372,313,393</u>	<u>\$ 7,367,210,187</u>
75%	75%	78%	78%	78%	81%

MONTGOMERY COUNTY, MARYLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Brookeville - bank loans	\$ 92,046	100.00 %	\$ 92,046
Garrett Park - bonds	624,200	100.00	624,200
Poolesville - bonds	2,321,319	100.00	2,321,319
Rockville - bonds	43,662,114	100.00	43,662,114
Takoma Park:			
Bonds	4,992,316	100.00	4,992,316
Certificates or notes	67,260	100.00	67,260
Capital leases	561,767	100.00	561,767
Component Units (2):			
MCPS - capital leases	49,420,506	100.00	49,420,506
MCC - capital leases	32,130,000	100.00	32,130,000
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	125,200,000	23.53	29,465,000
Advance land acquisition bonds	4,630,000	80.89	3,745,000
Notes payable	6,781,660	73.37	4,975,496
Loan payable	227,200	100.00	227,200
Development Districts (2):			
Kingsview Village Center - bonds	2,145,000	100.00	2,145,000
West Germantown - bonds	15,270,000	100.00	15,270,000
Total Overlapping Debt			189,699,224
Montgomery County direct debt			<u>1,921,401,484</u>
Total Direct and Overlapping Debt			<u><u>\$ 2,111,100,708</u></u>

NOTES:

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

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

Fiscal Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue for Debt Service	Debt Service (4)			Coverage %
				Principal	Interest	Total	
Bethesda Parking Lot District:							
1998	\$ 10,473,491	\$ 4,013,533	\$ 6,459,958	\$ 1,405,000	\$ 1,313,208	\$ 2,718,208	237.66 %
1999	11,542,133	4,243,424	7,298,709	1,495,000	1,237,337	2,732,337	267.12
2000	11,460,424	4,400,300	7,060,124	1,585,000	1,155,112	2,740,112	257.66
2001	12,925,815	4,534,938	8,390,877	1,670,000	1,064,768	2,734,768	306.82
2002	16,445,984	4,436,394	12,009,590	1,785,000	967,908	2,752,908	436.25
2003	16,149,547	4,929,120	11,220,427	3,135,000	1,646,881	4,781,881	234.64
2004	17,228,514	5,160,881	12,067,633	3,190,000	1,509,278	4,699,278	256.80
2005	17,317,168	5,447,448	11,869,720	3,315,000	1,386,603	4,701,603	252.46
2006	18,167,711	5,959,821	12,207,890	3,430,000	1,567,391	4,997,391	244.29
2007	20,055,735	6,587,481	13,468,254	3,550,000	1,848,185	5,398,185	249.50
Silver Spring Parking Lot District:							
1998	\$ 9,387,880	\$ 5,403,014	\$ 3,984,866	\$ 1,300,000	\$ 1,139,503	\$ 2,439,503	163.35 %
1999	12,939,292 (a)	5,552,587	7,386,705	1,395,000	1,069,302	2,464,302	299.75
2000	9,526,984	6,326,478	3,200,506	1,480,000	992,578	2,472,578	129.44
2001	15,060,379 (b)	6,059,478	9,000,901	1,570,000	908,218	2,478,218	363.20
2002	9,331,496	5,752,439	3,579,057	1,650,000	817,158	2,467,158	145.07
2003	11,170,551	5,923,323	5,247,228	1,950,000	484,128	2,434,128	215.57
2004	12,815,999	5,443,131	7,372,868	2,020,000	388,388	2,408,388	306.13
2005	12,472,095	6,972,166	5,499,929	2,110,000	307,588	2,417,588	227.50
2006	13,569,363	7,753,608	5,815,755	2,180,000	244,288	2,424,288	239.90
2007	14,852,415	8,240,788	6,611,627	2,265,000	173,438	2,438,438	271.14
Solid Waste Disposal:							
1998	\$ 85,622,526	\$ 74,431,661	\$ 11,190,865	\$ 1,810,000	\$ 2,481,401	\$ 4,291,401	260.77 %
1999	96,173,895 (c)	74,918,714	21,255,181	1,900,000	2,394,521	4,294,521	494.94
2000	93,198,853	75,359,998	17,838,855	1,995,000	2,299,521	4,294,521	415.39
2001	92,669,945	76,597,308	16,072,637	2,095,000	2,199,771	4,294,771	374.24
2002	80,977,037 (d)	78,748,230	2,228,807	2,205,000	2,090,831	4,295,831	51.88 (5)
2003	88,331,791	80,007,807	8,323,984	2,320,000	1,973,966	4,293,966	193.85 (5)
2004	93,065,778	88,366,006	4,699,772	2,555,000	1,456,033	4,011,033	117.17 (5)
2005	92,697,769	94,957,279	(2,259,510)	2,835,000	1,177,350	4,012,350	(56.31) (5)
2006	100,566,075	90,819,590	9,746,485	2,920,000	1,092,300	4,012,300	242.92 (5)
2007	99,134,303	94,818,949	4,315,354	3,005,000	1,004,700	4,009,700	107.62 (5)
Metrorail Garage Project:							
2003	\$ 1,682,005	\$ -	\$ 1,682,005	\$ -	\$ 1,682,005	\$ 1,682,005	100.00 %
2004	1,682,005	-	1,682,005	-	1,682,005	1,682,005	100.00
2005	3,158,382	-	3,158,382	1,350,000	1,808,382	3,158,382	100.00
2006	3,292,758	-	3,292,758	1,485,000	1,807,758	3,292,758	100.00
2007	3,294,214	-	3,294,214	1,535,000	1,759,214	3,294,214	100.00

NOTES:

- (1) Table includes debt that is secured by a pledge of a specific revenue stream, and is designed to reflect whether the County had to use general (unpledged) revenues to repay debt that was intended to be self-supporting.
 - (2) Gross revenues include non-operating investment income. Gross revenues for the parking lot district bonds include all revenues of the district and consist primarily of parking fee charges for services, parking fines, and dedicated property taxes. Gross revenues for the metrorail garage project lease revenue bonds include lease payments from WMATA.
 - (3) Operating expenses do not include interest, depreciation, or amortization expenses.
 - (4) Debt service consists of amounts relating to revenue or lease revenue bonds; amounts relating to general obligation bonds are excluded.
 - (5) Since 2002, the Solid Waste Disposal Fund has been deliberately using fund net assets (not general unpledged revenues) to fund expenditures in an attempt to reduce the accumulated fund net assets. Over each budget and cash projection period of six years, Solid Waste Disposal Fund works toward the goal of reducing the excess cash to a point where the cash plus investments in excess of reserve requirements is no more than \$1 million. During these periods, rates are established and resulting cash and gross revenues will increase or decrease due to the timing of operating and capital projects. At times, this may result in negative net available revenue for debt service.
- (a) Silver Spring Parking Lot District revenue increase is due to revenue received from the sale of Lot #19 to a third party in connection with the Silver Spring revitalization project.
 - (b) Silver Spring Parking Lot District revenue increase is due to state aid intergovernmental revenue for the purchase of land in connection with the Silver Spring revitalization project.
 - (c) Solid Waste Disposal revenue increase is due primarily to a decrease in the landfill closure liability.
 - (d) Solid Waste Disposal revenue decrease is due to write offs of accounts receivables.

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2008*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2008
General bonded indebtedness:					
Consolidated Public Improvement Refunding	2.75 - 5.8	7/1/1992	1993-10	\$ 124,229,500	\$ 5,870,757
Consolidated Public Improvement	4.0 - 5.0	4/1/1999	2000-19	66,200,000	6,620,000
Consolidated Public Improvement	5.0 - 6.0	1/1/2000	2001-20	67,000,000	10,050,000
Consolidated Public Improvement	4.0 - 5.0	2/1/2001	2002-21	74,978,422	18,744,606
Consolidated Public Improvement Refunding	3.6 - 5.25	11/15/2002	2003-19	61,667,788	53,393,454
Consolidated Public Improvement	3.0 - 5.0	2/1/2001	2003-22	76,000,000	26,600,000
Consolidated Public Improvement Refunding	2.75 - 5.25	11/15/2002	2005-13	58,187,994	40,447,792
Consolidated Public Improvement	1.50 - 4.0	5/1/2003	2004-23	86,500,000	64,875,000
Consolidated Public Improvement Refunding	2.0 - 5.0	5/1/2003	2004-11	25,633,689	12,318,462
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	50,240,000
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	52,850,289
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	56,567,500
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	40,000,000
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	142,120,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	40,841,395
Total				\$ 1,189,503,317	\$ 748,003,495

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, 2008

MONTGOMERY COUNTY, MARYLAND
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

Calendar Year	Population (1)	Personal		Civilian		Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
		Income (\$ thousands) (2)	Per Capita Income (3)	Labor Force (4)	Resident Employment (5)		
1999	862,350	\$ 39,049,711	\$ 45,283	478,946	470,018	1.9 %	127,852
2000	878,683	43,575,224	49,592	489,050	476,197	2.6	130,689
2001	892,818	45,537,627	51,004	490,213	475,049	3.1	134,180
2002	904,813	47,041,902	51,991	496,101	478,782	3.5	136,832
2003	911,968	48,533,753	53,219	497,820	481,200	3.3	138,891
2004	915,967	51,907,936	56,670	498,237	482,131	3.2	139,203
2005	921,016	55,619,405	60,389	507,556	491,643	3.1	139,337
2006	925,327	58,992,132	63,753	512,434	498,078	2.8	139,387
2007	930,813	62,900,000	67,575	512,310	498,279	2.7	137,798
2008	938,508	65,400,000	69,685	514,100	499,818	2.8	137,745

NOTES:

- (1) Sources: Data for 1999-2007 from the U.S. Census Bureau, U.S. Department of Commerce. Data for 2008 estimated by the Montgomery County Department of Finance Round 7.1 Cooperative Estimates and pertain to population in households. Estimates for 2001-2006 revised by BEA in May 2008.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2004-2006 were revised by BEA and data for 2006 are a preliminary estimate from BEA. Data for 2007-2008 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 2006 - 2007. Data for 2008 estimated by the Department of Finance.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2006-2007 revised by BLS. Data for 2008 estimated by the Department of Finance.
- (6) The unemployment rate for 2008 is the average of the unemployment rates for the first half of calendar year 2008.
- (7) Source: County Executive's Recommended FY09 Operating Budget, Office of Management and Budget, Montgomery County, p 10-6.

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

Employer	Fiscal Year 2008			Fiscal Year 1999		
	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	8.31 %	32,908	1	7.61 %
Montgomery County Public Schools	20,769	2	4.32	17,299	2	4.00
U.S. Department of Defense	14,709	3	3.06	12,448	3	2.88
Montgomery County Government	9,059	4	1.88	7,127	4	1.65
U.S. Department of Commerce	8,749	5	1.82	6,705	5	1.55
Adventist Healthcare	8,090	6	1.68	3,800	8	0.88
Lockheed Martin	7,518	7	1.56	3,500	9	0.81
Giant Food Corporation	3,816	8	0.79	5,000	6	1.16
Marriott International, Inc. (Headquarters)	3,000	9	0.62	3,500	9	0.81
Nuclear Regulatory Commission	2,972	10	0.62	*		-
Chevy Chase Bank	*		-	4,500	7	1.04
Total	118,661		24.65 %	96,787		22.37 %

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 FY08 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 FY99 was 432,600, and in FY08, 481,300.

Source: Montgomery County Department of Economic Development.

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

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

Notes:

NA - Data not readily available.

Data for FY 1999 - 2003 is not readily available.

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

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

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

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

Sources for 2008:

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

(2) The Citizens Budget FY2009

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

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

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

Various MCPS departments where not otherwise noted

MONTGOMERY COUNTY PUBLIC SCHOOLS
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year			
	1,999	2,000	2,001	2,002
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	7,477	7,884	8,490	8,974
Other staff	1,360	1,467	1,467	1,488
Total Regular instruction	<u>8,837</u>	<u>9,351</u>	<u>9,957</u>	<u>10,462</u>
Special education:				
Teachers	1,410	1,485	1,538	1,587
Other staff	800	896	921	1,052
Total Special education	<u>2,210</u>	<u>2,381</u>	<u>2,459</u>	<u>2,639</u>
School administration	1,288	1,336	1,383	1,432
Student personnel services	69	72	77	88
Total Instruction	<u>12,404</u>	<u>13,140</u>	<u>13,876</u>	<u>14,621</u>
Support services:				
Student transportation	1,379	1,429	1,459	1,503
Operation of plant	1,125	1,163	1,189	1,243
Maintenance of plant	369	373	373	371
Administration	322	331	326	337
Total Support services	<u>3,195</u>	<u>3,296</u>	<u>3,347</u>	<u>3,454</u>
Special Revenue:				
Instruction TV *	9	11	13	13
Business-Type Activities:				
Food Service	455	487	503	520
Adult Education	8	8	7	6
Real Estate Management	3	3	4	4
Field Trips	3	3	3	3
Entrepreneurial activities	<u>3</u>	<u>3</u>	<u>5</u>	<u>5</u>
Position Grand total	<u>16,080</u>	<u>16,951</u>	<u>17,758</u>	<u>18,626</u>

Notes:

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

Source:

The Superintendent's Operating Budget Summary and Personnel Complement

2,003	2,004	2,005	2,006	2,007	2,008
9,197	9,257	9,302	9,546	9,679	9,666
1,400	1,343	1,354	1,354	1,392	1,429
<u>10,597</u>	<u>10,600</u>	<u>10,656</u>	<u>10,900</u>	<u>11,071</u>	<u>11,095</u>
1,665	1,708	1,775	1,867	1,985	2,024
1,117	1,166	1,206	1,269	1,377	1,412
<u>2,782</u>	<u>2,874</u>	<u>2,981</u>	<u>3,136</u>	<u>3,362</u>	<u>3,436</u>
1,486	1,498	1,543	1,610	1,675	1,691
89	121	121	122	120	122
<u>14,954</u>	<u>15,093</u>	<u>15,301</u>	<u>15,768</u>	<u>16,228</u>	<u>16,344</u>
1,522	1,620	1,688	1,728	1,750	1,751
1,272	1,280	1,285	1,322	1,390	1,405
368	363	380	389	377	380
321	326	334	345	363	377
<u>3,483</u>	<u>3,589</u>	<u>3,687</u>	<u>3,784</u>	<u>3,880</u>	<u>3,913</u>
14	14	14	14	14	14
545	575	577	590	601	602
8	8	6	5	-	-
4	4	4	5	4	4
3	3	3	3	3	3
6	7	9	9	10	-
<u>19,017</u>	<u>19,293</u>	<u>19,601</u>	<u>20,178</u>	<u>20,740</u>	<u>20,880</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE
as of June 30, 2008

Type of Coverage	Name of Company	Policy Number	Policy Period		Coverage
			From	To	
Comprehensive General Liability Comprehensive Auto Liability	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/08-07/01/09		\$100,000
Workers' Compensation	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/08-07/01/09		As required by Maryland Statutes plus \$100,000 Insurance Fund
Boiler and Machinery	FM Global	LP550	07/01/08-07/01/09		Extra expense \$25,000 deductible
Property All Risk Coverage	FM Global	LP550	07/01/08-07/01/09		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	07/01/08-07/01/09		Same as above
Commercial Crime Policy Bond Coverage - all employees	Fidelity & Deposit Co. of Maryland	CCP00510340	07/01/08-06/30/09		\$1,000,000 per loss \$500,000 forgery/alteration
Public Official Bond	Travelers	103962416	07/01/08-07/01/09		\$10,000
Tackle Football for Students	United Healthcare	N/A	08/15/08-08/15/09		\$100,000 medical expense After 52 weeks after accident - \$2,500 death
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG9100883	08/01/08-08/01/09		\$5,000,000 Medical expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/03-06/30/09		No limit
Fiduciary Liability	National Union Fire	006731215	07/01/08-06/30/09		\$5,000,000
Excess Liability Auto and General	Alliant Insurance Co.	71M2000001-071	03/01/08-07/01/09		\$10,000,000 \$3,000,000 retention Self-Insurance Fund Pays 1 st \$3 million

N/A -- Not Applicable

Source: Department of Financial Services



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