

# MONTGOMERY COUNTY PUBLIC SCHOOLS

A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



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?

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Montgomery County Public Schools  
A Component Unit of Montgomery County Maryland  
Comprehensive Annual Financial Report  
for the Fiscal Year  
Ended June 30, 2007

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:*

*Great Seneca Creek 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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September 26, 2007

**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, 2007.

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

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

**Overview of the Report**

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

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

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

## **MCPS Profile**

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

**Local economy.** MCPS receives approximately 73 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 Area, most indicators reflect positive performance for the region's economy, with increases in employment and continued price stability. According to the Center for Regional Analysis, the region's economy extended its three-year expansion and continued to generate jobs despite rising energy prices and a slowdown in new home construction. However, the pace of growth slowed over the past year. The region added approximately 45,000 new jobs over the past year. The Washington Coincident Index, a measure of the current state of the metropolitan economy, increased by 0.75 percent during FY 2007. The Washington Leading Index increased by 0.82 percent in FY 2007, suggesting continued moderate growth in the region's economic expansion in the next six to eight months. Both the region's and the county's economies are expected to outperform the nation's economy due to the large presence of the federal government in the area. The Washington Metropolitan Area continues to have one of the lowest unemployment rates in the country at 2.9 percent. The federal government comprises approximately 30 percent of the county's economy.

Montgomery County's economy has experienced mixed economic activity during the last year. Central to the county's mixed performance were declines in the growth of residential construction and a decline in housing sales. The value of new residential construction has decreased nearly 28 percent this year, but the number of residential building permits issued increased by 49 percent. The number of residential sales declined during the year by 21.4 percent. Although the increase in home prices has moderated, average home prices in the county have increased by approximately 2.0 percent this year, which will benefit the county's revenue outlook through higher residential property assessments.

The county experienced improvements in a number of economic indicators, but the pace of growth slowed. The labor market grew by 1.1 percent over the last year. The county's unemployment rate of 3.2 percent is one of the lowest in the state, a full percentage point below the state average.

**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 2008 through FY 2013 indicate an annual increase for major known commitments of \$133.0 million for FY 2009 (including the result of already negotiated collective bargaining agreements), and average projected increases of more than \$100 million for known commitments for

## Members of the Board of Education

FY 2010 through FY 2013. Each 1 percent salary increase will add \$14.7 million in FY 2009. 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 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 of noncertificated supervisory employees. As a result, there were negotiations concerning the composition of the new unit and preparations for negotiations with the exclusive representative of the new unit. The exclusive representative was approved by the Board of Education on June 12, 2007. As a result, negotiations will occur with this employee organization during the fall of 2007.

**Enrollment.** MCPS has experienced rapid enrollment growth for more than 20 years. However, total enrollment has stabilized. MCPS enrollment was 137,798 students in FY 2007, 1,589 less than in FY 2006. The September 30, 2007, enrollment is projected to be 137,007. To relieve overcrowding and accommodate full-day kindergarten classes in all elementary schools, MCPS added 89 classrooms to six existing schools in FY 2007, and opened four new elementary schools and a high school. MCPS will add another 64 classrooms to three existing schools in FY 2008 and open one elementary school.

**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 \$1,925,324 in FY 2007. 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 80 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 2006 was 1624, with 79.0 percent of seniors taking the test. The average score was 113 points above the national average and 126 points above the Maryland state average. The average included a mathematics score of 552, a critical reading score of 537, and a writing score averaging 535. 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 2006, 45 percent of the school system's seniors scored a 3 or higher on Advanced Placement tests—three times the national average and double the average in Maryland. 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. Sixty-nine percent of all MCPS high school students enrolled in Advanced Placement and Honors classes. Record numbers of kindergarten students are reading, 88 percent in 2006, up from 39 percent in 2001, eliminating the achievement gap between White and Asian American students and their African American

Members of the Board of Education

and Hispanic peers in this grade. Forty-nine percent of Grade 8 students successfully completed Algebra 1 in 2006, twice the national average.

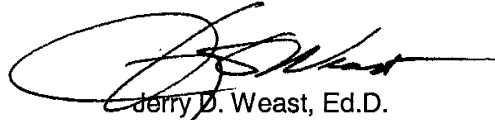
**Financial Reporting Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MCPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. In order to be awarded 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 26 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 by an expert panel of certified public accountants and practicing school business officials. MCPS plans to submit the 2007 comprehensive annual financial report 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

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# 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, 2006

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.



*Carla E. Perry*

President

*Jeffrey R. Emery*

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, 2006

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

President

Executive Director

**MONTGOMERY COUNTY PUBLIC SCHOOLS  
LISTING OF OFFICIALS**

**MEMBERS OF THE BOARD OF EDUCATION**

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

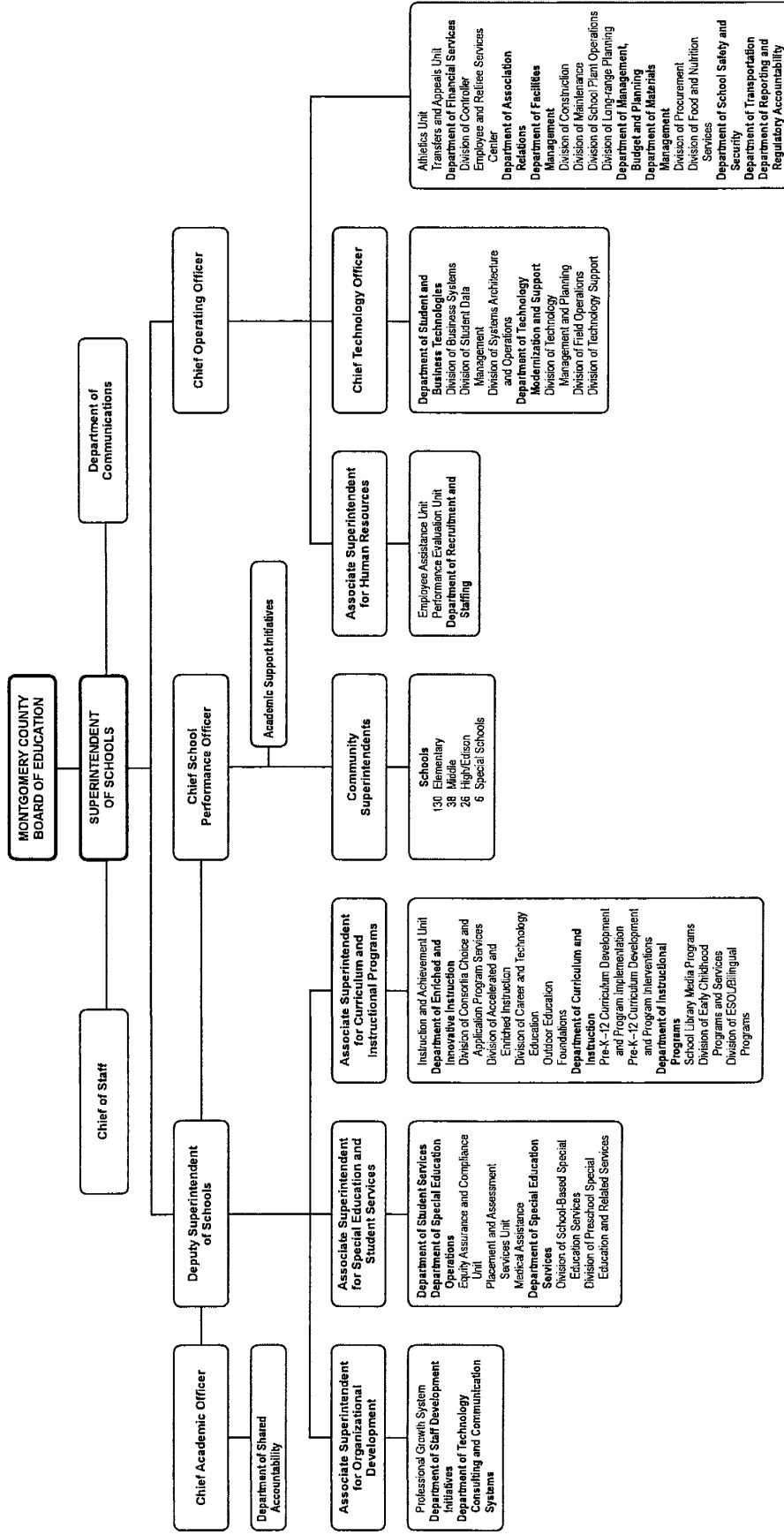
Benjamin Moskowitz, Student Board Member

**EXECUTIVE STAFF**

Jerry D. Weast (Dr.) ..... Superintendent of Schools  
Larry A. Bowers ..... Chief Operating Officer  
Frieda K. Lacey (Dr.) ..... Deputy Superintendent of Schools  
Brian J. Porter ..... 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



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# **FINANCIAL SECTION**

## Independent Auditor's Report

The Board of Education  
of Montgomery County, Maryland  
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, 2007 which collectively comprise 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, 2007, 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, 2007 on our consideration of 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 and Schedule of Funding Progress for Single Employer Defined Benefit Pension Plans as referenced in the table of contents 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 the Montgomery County Public Schools' basic financial statements. The introductory section, supplementary information to the financial statements and the statistical section as 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, 2007

## 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, 2007. 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, 2007, by \$1,551.2 million, which represents its net assets.
- MCPS' net assets increased during the year by \$135.9 million.
- 97 percent of capital asset additions were directed toward instructional facilities, including the modernization of six schools and the opening/reopening of one high school and four elementary schools.
- MCPS successfully realized its commitment to the Montgomery County Council to generate \$7.3 million in FY 2007 savings to be used to fund the FY 2008 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) district-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.

### **District-Wide Financial Statements**

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

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-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 district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

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

**Fiduciary funds.** MCPS is the trustee, or fiduciary, for assets that belong to others, such as the MCPS Retirement and Pension Plan 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 district-wide financial statements because it cannot use these assets to finance its operations.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 39-57 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 60-69 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 167.6	\$ 154.6	\$ (0.5)	\$ (0.4)	\$ 167.1	\$ 154.2
Capital assets	1661.5	1,534.1	5.7	5.6	1,667.2	1,539.7
Total assets	<u>1,829.1</u>	<u>1,688.7</u>	<u>5.2</u>	<u>5.2</u>	<u>1,834.3</u>	<u>1,693.9</u>
Long-term liabilities outstanding	111.1	107.4	1.6	1.7	112.7	109.1
Other liabilities	168.4	167.7	2.0	1.8	170.4	169.5
Total liabilities	<u>279.5</u>	<u>275.1</u>	<u>3.6</u>	<u>3.5</u>	<u>283.1</u>	<u>278.6</u>
Net Assets:						
Invested in capital assets, net of related debt	1,635.1	1,509.7	5.2	5.1	1,640.3	1,514.8
Unrestricted	(85.5)	(96.1)	(3.6)	(3.4)	(89.1)	(99.5)
Total net assets	<u>\$ 1,549.6</u>	<u>\$ 1,413.6</u>	<u>\$ 1.6</u>	<u>\$ 1.7</u>	<u>\$ 1,551.2</u>	<u>\$ 1,415.3</u>



## District-wide Financial Analysis

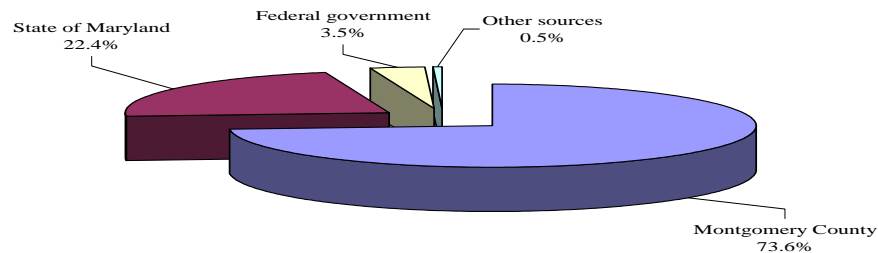
Net assets may serve as a useful indicator of a government's financial position. MCPS' net assets, the amount by which assets exceed liabilities, increased \$135.9 million to \$1,551.2 million. Most of the increase came from governmental activities, which increased by \$136.0 million to \$1,549.6 million. The largest portion of net assets reflects MCPS' investment in capital assets (e.g., land, school buildings, buses, and equipment), less any related outstanding debt used by MCPS to acquire those assets. Investment in capital assets, net of related debt for governmental activities increased \$125.4 million to \$1,635.1 million. These assets are used by MCPS in its instructional programs; consequently, these assets are not available for future spending.

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

Unrestricted net assets deficit decreased \$10.4 million to a \$89.1 million deficit at June 30, 2007. The increase in unrestricted net assets is primarily attributed to a \$12.8 million increase in liquid assets, cash and short-term investments.

The deficit in unrestricted net assets arises from the district's funding policies for its noncurrent liabilities, especially for compensated absences. 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 \$119.6 million (6.0 percent). Intergovernmental revenues increased \$106.6 million (5.7 percent), and operating program revenues increased \$2.2 million (2.7 percent). Intergovernmental revenues from Montgomery County increased \$50.2 million (3.4 percent) as required to fund the operating and capital budgets. Intergovernmental revenue from the State of Maryland increased \$56.9 million (13.8 percent), related principally to an increase of \$35.0 million in the unrestricted Bridge to Excellence funding and an increase of \$14.7 million in school construction funding.

Total expenses increased \$142.8 million (7.8 percent) to \$1,982.6 million. In 2007, instructional programs expenses accounted for 82.1 percent and support services accounted for 17.9 percent of total governmental activities expenses. Instruction expenses increased \$112.8 million (7.4 percent) to \$1,628.6 million. Regular instruction increased \$72.3 million (6.6 percent). There was a proportionately greater increase of 10.0 percent in special education, related to an increase in special education enrollment of 243 students.

Support services expenses increased \$30.0 million (9.3 percent) to \$354.0 million. Plant operations expenses increased 8.4 percent due to increases in utility costs. Maintenance expenses increased 14.1 percent due to an increase in capital maintenance activity. Administration increased 15.4 percent due to the cost for implementation of a new financial management system.

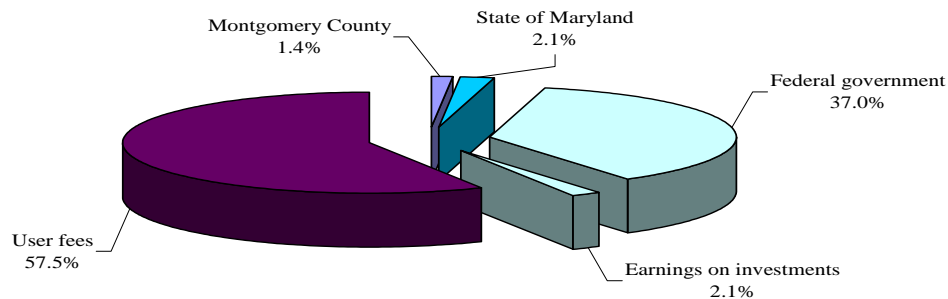
Montgomery County Public Schools Changes in Net Assets  
(Amounts expressed in millions)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5.2	\$ 5.2	\$ 27.6	\$ 28.1	\$ 32.8	\$ 33.3
Operating grants and contributions	83.5	81.3	18.8	17.3	102.3	98.6
Capital grants and contributions	52.3	41.8	0.6	0.3	52.9	42.1
General revenues:						
Intergovernmental	1,976.6	1,870.0			1,976.6	1,870.0
Other	1.0	0.7	0.9	0.7	1.9	1.4
Total revenues	<u>2,118.6</u>	<u>1,999.0</u>	<u>47.9</u>	<u>46.4</u>	<u>2,166.5</u>	<u>2,045.4</u>
<b>Expenses:</b>						
Regular instruction	1,160.9	1,088.6			1,160.9	1,088.6
Special education	293.6	266.9			293.6	266.9
School administration	160.2	146.8			160.2	146.8
Student personnel services	13.9	13.4			13.9	13.4
Health services	0.0	0.0			0.0	0.0
Student transportation	100.9	96.8			100.9	96.8
Operation of plant	130.3	120.2			130.3	120.2
Maintenance of plant	55.8	48.9			55.8	48.9
Administration	63.1	54.7			63.1	54.7
Community services	2.2	2.1			2.2	2.1
Interest on capital leases	1.7	1.4			1.7	1.4
Food services			42.1	40.7	42.1	40.7
Adult education			0.0	1.5	0.0	1.5
Real estate management			2.9	2.1	2.9	2.1
Field trips			1.6	1.6	1.6	1.6
Entrepreneurial activities			1.4	1.3	1.4	1.3
Total expenses	<u>1,982.6</u>	<u>1,839.8</u>	<u>48.0</u>	<u>47.2</u>	<u>2,030.6</u>	<u>1,887.0</u>
Increase (decrease) in net assets	136.0	159.2	(0.1)	(0.8)	135.9	158.4
Net Assets - beginning	1,413.6	1,254.4	1.7	2.5	1,415.3	1,256.9
Net Assets - ending	<u>\$ 1,549.6</u>	<u>\$ 1,413.6</u>	<u>\$ 1.6</u>	<u>\$ 1.7</u>	<u>\$ 1,551.2</u>	<u>\$ 1,415.3</u>

**Business-type activities.** Business-type activities decreased MCPS' net assets by \$0.1 million. Revenues from the sale of food increased \$0.7 million (3.3 percent), and non-operating revenues increased \$1.7 million (9.6 percent). Nonoperating revenues were buoyed by increases in investment income (26.2 percent) and State grants (26.9 percent). The number of reimbursable meals increased 396,000 (3.3 percent) to 12,521,000 during the year. Food services operating expenses increased \$1.4 million (3.4 percent). Salary expenses increased 1.1 million (7.1 percent) due in part to personnel added to staff five additional cafeterias. Food costs decreased 0.2 million (2.1 percent) due to a reduction in grocery, meat and poultry prices.

Non-major enterprise funds net assets decreased \$0.3 million, due primarily to an operating loss of \$0.3 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.

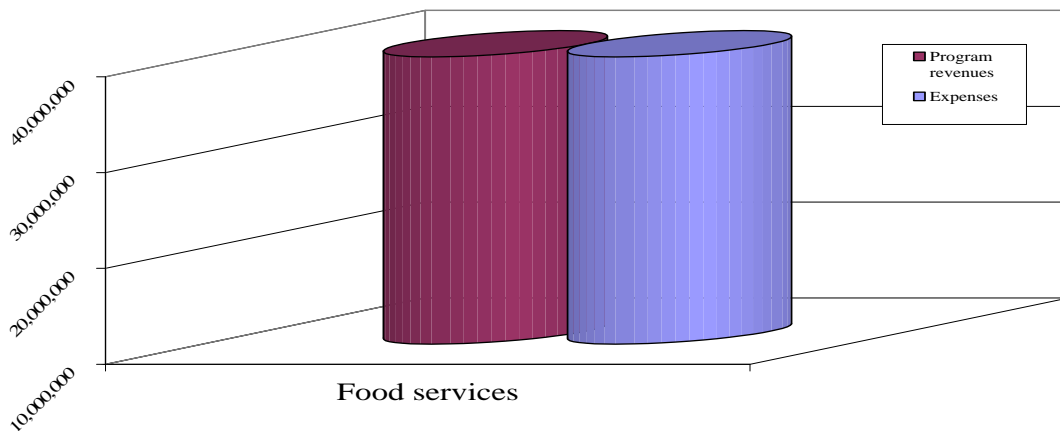
**Governmental funds.** The focus of MCPS' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MCPS' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a 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 \$8.6 million, an increase of \$3.0 million from the prior year. The unreserved, undesignated fund deficit of \$9.4 million was offset by reserved fund balance of \$18.0 million. Reserved fund balance is unavailable for new spending because it has already been reserved to liquidate prior period commitments.

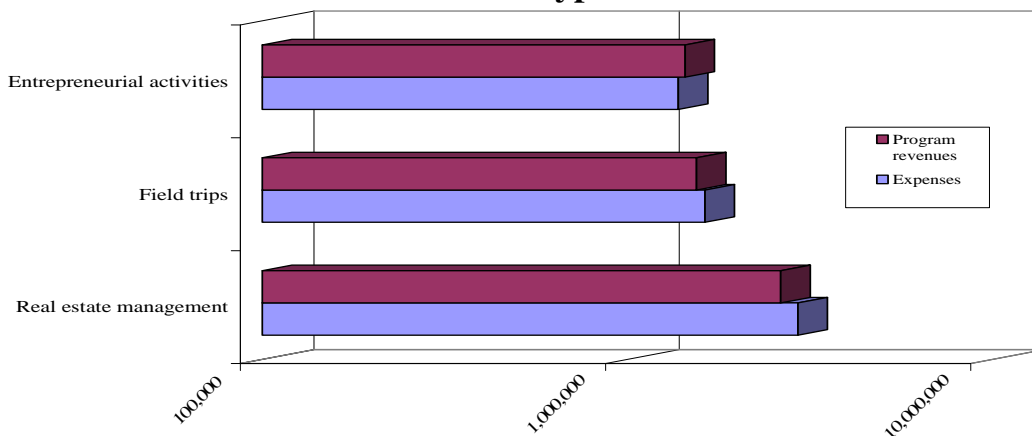
The general fund is the principal operating fund of MCPS. At June 30, 2007, unreserved, undesignated fund balance was \$4.9 million and total fund balance was \$22.1 million. Unreserved, undesignated fund balance increased \$7.9 million, resulting primarily from a decrease in reserved fund balance necessary to cover a decrease of \$3.6 million in encumbrances outstanding at June 30, 2007 and an excess of revenue and other financing sources over expenses of \$3.2 million.

Capital projects fund deficit increased by \$0.2 million during 2007 to a deficit of \$13.7 million at June 30, 2007. 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 district-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 2007 was \$23.0 million higher than the original budget. The increases were a result of \$15.3 million in unexpended restricted program grants that carried forward to 2007, and \$7.7 million in supplemental appropriations – \$7.3 million for restricted program grants received during the year and \$0.4 million for unrestricted programs.

Actual budgetary fund balance increased by \$8.4 million. The increase in fund balance resulted from a plan that generated \$7.3 million in current year savings, to be applied toward funding the 2008 operating budget.

Actual revenues were \$12.9 million under budget for the year. Restricted revenues were \$16.0 million under budget, of which \$1.7 million comprised estimated restricted grants that did not materialize, 0.1 million in grant authorizations expiring June 30, 2007, and \$14.2 million in unrealized revenue for grants that carried forward into 2008.

Unrestricted revenues were \$3.1 million above budget. Revenues above budget included tuition and fees (\$0.8 million) and State non formula-based grants (\$1.5 million).

Actual expenditures were \$25.1 million under budget. Restricted expenditures were \$16.0 million less than the budget, which consisted of \$14.2 million in unspent funds for grants that carry forward into 2008, \$1.7 million in estimated restricted grants that did not materialize, and \$0.1 million in grant authorizations expiring June 30, 2007.

Unrestricted expenditures were \$9.1 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 2008 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, 2007, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$1,667.2 million, net of accumulated depreciation. This amount represents a net increase of \$127.4 million, or 8.3 percent from last year. The net value of buildings increased \$145.7 million and construction in progress decreased \$42.7 million.

**Montgomery County Public Schools Capital Assets**

(Net of depreciation)

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities		Activities		2007	2006
	2007	2006	2007	2006	2007	2006
Land	\$ 68.1	\$ 68.0	\$ -	\$ -	\$ 68.1	\$ 68.0
Buildings	1,230.0	1,084.3	-	-	1,230.0	1,084.3
Site improvements	122.8	103.5	-	-	122.8	103.5
Vehicle and equipment	64.0	58.9	5.7	5.6	69.7	64.5
Construction in progress	176.6	219.3	-	-	176.6	219.3
<b>Total</b>	<b>\$ 1,661.5</b>	<b>\$ 1,534.0</b>	<b>\$ 5.7</b>	<b>\$ 5.6</b>	<b>\$ 1,667.2</b>	<b>\$ 1,539.6</b>

To relieve overcrowding, reduce the number of relocatable classrooms, and accommodate full-day kindergarten, in FY 2007, MCPS added 89 classrooms to six existing schools and opened/reopened one high school and four elementary schools, resulting in a decrease of 112 relocatable classrooms. In FY 2008, MCPS will add 64 classrooms to three existing schools and a new elementary school that will eliminate 98 relocatable classrooms.

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

**Long-term debt.** At June 30, 2007, MCPS had \$45.9 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 \$25.0 million during 2007. Principal payments on existing capital leases were \$24.2 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. MCPS currently recognizes and funds the cost of post-employment healthcare for its retirees on a pay-as-you-go basis. The Statement will require 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.

Implementation of Statement No. 45 is expected to have a substantial impact on the MCPS financial statements. In preparation for the July 1, 2007 implementation date, MCPS has participated with the county and other county agencies for the purpose of developing a common approach toward reporting and funding OPEB that will be acceptable to the Montgomery County Council, the funding authority for MCPS.

**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 new 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 2007, MCPS received an increase of \$31.4 million as a result of this legislation. When fully implemented in FY 2008, Montgomery County can expect an additional \$54.7 million in state resources.

**Master Plan.** In accordance with the mandates of this law, MCPS has submitted to the Maryland State Department of Education (MSDE) 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 MSDE approved the five-year Master Plan, and MCPS has submitted the annual required updates to the plan.

### **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, 2007

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Equity in pooled cash and investments	\$ 13,409,882	\$ 961,739	\$ 14,371,621	\$
Cash and cash equivalents		5,223,970	5,223,970	2,441
Investments - cash equivalents	36,804,128		36,804,128	
Investments				5,119,755
Accounts receivable:				
Montgomery County	63,689,443	202,135	63,891,578	
State of Maryland	14,328,510	52,917	14,381,427	
Federal government	10,691,922	803,536	11,495,458	
Other	9,221,492	727,113	9,948,605	
Due from fiduciary funds	1,308,774		1,308,774	
Due from component unit	576,063		576,063	
Internal balances	9,678,812	(9,678,812)	-	
Inventories	6,611,321	1,252,539	7,863,860	
Prepays	776,203		776,203	
Due from employees	554,897		554,897	
Capital assets (net of accumulated depreciation):				
Land and site improvements	190,838,875		190,838,875	
Buildings and additions	1,230,021,332	4,458	1,230,025,790	
Construction in progress	176,607,832		176,607,832	
Vehicles and equipment	64,007,579	5,685,220	69,692,799	
<b>Total assets</b>	<b>1,829,127,065</b>	<b>5,234,815</b>	<b>1,834,361,880</b>	<b>5,122,196</b>
<b>Liabilities</b>				
Accounts payable and other current liabilities	138,719,447	297,915	139,017,362	
Due to primary government				576,063
Unearned revenue	2,828,611	1,536,236	4,364,847	
Noncurrent liabilities:				
Due within one year	26,883,471	239,691	27,123,162	
Due in more than one year	111,056,095	1,573,821	112,629,916	
<b>Total liabilities</b>	<b>279,487,624</b>	<b>3,647,663</b>	<b>283,135,287</b>	<b>576,063</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,635,087,567	5,215,924	1,640,303,491	
Restricted for:				
Instructional Programs, Expendable				747,540
Scholarships, Non-Expendable				821,862
Unrestricted	(85,448,126)	(3,628,772)	(89,076,898)	2,976,731
<b>Total net assets</b>	<b>\$ 1,549,639,441</b>	<b>\$ 1,587,152</b>	<b>\$ 1,551,226,593</b>	<b>\$ 4,546,133</b>

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, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,160,855,790	\$ 4,885,206	\$ 47,981,144	\$ 18,272,359
Special education	293,576,065	92,430	26,835,309	
School administration	160,163,136		3,731,020	
Student personnel services	13,944,662		1,095,801	
Health services	53,540			
Total instruction	<u>1,628,593,193</u>	<u>4,977,636</u>	<u>79,643,274</u>	<u>18,272,359</u>
Support services:				
Student transportation	100,930,995	272,182	172,054	159,243
Operation of plant	130,303,214		2,000	6,155,844
Maintenance of plant	55,832,785		1,383,170	18,064,527
Administration	63,053,976		404,710	9,621,841
Community services	2,176,910		1,846,277	
Interest on capital leases	1,742,075			
Total support services	<u>354,039,955</u>	<u>272,182</u>	<u>3,808,211</u>	<u>34,001,455</u>
Total governmental activities	<u>1,982,633,148</u>	<u>5,249,818</u>	<u>83,451,485</u>	<u>52,273,814</u>
Business-type activities:				
Food services	42,161,738	22,008,945	18,798,444	655,145
Adult education	(48,642)			
Real estate management	2,926,351	2,625,031		
Field trips	1,629,297	1,543,101		
Entrepreneurial activities	1,376,930	1,436,778		
Total business-type activities	<u>48,045,674</u>	<u>27,613,855</u>	<u>18,798,444</u>	<u>655,145</u>
Total primary government	<u>\$ 2,030,678,822</u>	<u>\$ 32,863,673</u>	<u>\$ 102,249,929</u>	<u>\$ 52,928,959</u>
<b>Component Unit:</b>				
Educational Foundation	<u>\$ 911,176</u>	<u>\$ -</u>	<u>\$ 1,374,479</u>	<u>\$ -</u>
General revenues:				
Unrestricted intergovernmental:				
Montgomery County				
State of Maryland				
Federal government				
Investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,089,717,081)	\$ -	\$ (1,089,717,081)	\$ -
(266,648,326)		(266,648,326)	
(156,432,116)		(156,432,116)	
(12,848,861)		(12,848,861)	
(53,540)		(53,540)	
<u>(1,525,699,924)</u>	<u>-</u>	<u>(1,525,699,924)</u>	<u>-</u>
(100,327,516)		(100,327,516)	
(124,145,370)		(124,145,370)	
(36,385,088)		(36,385,088)	
(53,027,425)		(53,027,425)	
(330,633)		(330,633)	
(1,742,075)		(1,742,075)	
<u>(315,958,107)</u>	<u>-</u>	<u>(315,958,107)</u>	<u>-</u>
<u>(1,841,658,031)</u>	<u>-</u>	<u>(1,841,658,031)</u>	<u>-</u>
	(699,204)	(699,204)	
	48,642	48,642	
	(301,320)	(301,320)	
	(86,196)	(86,196)	
	59,848	59,848	
<u>-</u>	<u>(978,230)</u>	<u>(978,230)</u>	<u>-</u>
<u>(1,841,658,031)</u>	<u>(978,230)</u>	<u>(1,842,636,261)</u>	<u>-</u>
			463,303
1,507,402,033		1,507,402,033	
468,650,022		468,650,022	
539,841		539,841	
929,696	995,628	1,925,324	
127,762	(127,762)	-	
<u>1,977,649,354</u>	<u>867,866</u>	<u>1,978,517,220</u>	<u>-</u>
135,991,323	(110,364)	135,880,959	463,303
1,413,648,118	1,697,516	1,415,345,634	4,082,830
<u>\$ 1,549,639,441</u>	<u>\$ 1,587,152</u>	<u>\$ 1,551,226,593</u>	<u>\$ 4,546,133</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash and investments	\$ 13,409,882	\$ -	\$ -	\$ 13,409,882
Accounts receivable:				
Montgomery County	50,712,622	11,593,821	1,383,000	63,689,443
State of Maryland	6,016,560	8,311,950		14,328,510
Federal government	10,691,922			10,691,922
Other	8,081,957	287,179		8,369,136
Due from other funds	21,766,890			21,766,890
Due from fiduciary funds	1,308,774			1,308,774
Due from component unit	576,063			576,063
Inventories	6,611,321			6,611,321
Prepays	52,416	723,787		776,203
Due from employees	554,897			554,897
Total assets	<u>\$ 119,783,304</u>	<u>\$ 20,916,737</u>	<u>\$ 1,383,000</u>	<u>\$ 142,083,041</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 16,173,383	\$ 11,781,046	\$ 31,390	\$ 27,985,819
Retainage payable		11,903,420		11,903,420
Accrued salaries and withholdings	71,442,043			71,442,043
Due to other funds	2,290,870	10,901,080	1,186,998	14,378,948
Unearned revenue	2,828,611			2,828,611
Compensated absences	4,928,192			4,928,192
Total liabilities	<u>97,663,099</u>	<u>34,585,546</u>	<u>1,218,388</u>	<u>133,467,033</u>
Fund Balances:				
Reserved for:				
Encumbrances	10,577,103		17,862	10,594,965
Inventories	6,611,321			6,611,321
Prepays	52,416	723,787		776,203
Unreserved, undesignated (deficit), reported in:				
General Fund	4,879,365			4,879,365
Capital Projects Fund		(14,392,596)		(14,392,596)
Special Revenue Fund			146,750	146,750
Total unreserved, undesignated (deficit)	<u>4,879,365</u>	<u>(14,392,596)</u>	<u>146,750</u>	<u>(9,366,481)</u>
Total fund balances	<u>22,120,205</u>	<u>(13,668,809)</u>	<u>164,612</u>	<u>8,616,008</u>
Total liabilities and fund balances	<u>\$ 119,783,304</u>	<u>\$ 20,916,737</u>	<u>\$ 1,383,000</u>	<u>\$ 142,083,041</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, 2007

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

Total fund balances - governmental funds	\$	8,616,008
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	\$ 2,368,751,237	
Accumulated depreciation is	<u>(707,275,619)</u>	
		1,661,475,618
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.		
		12,559,189
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	(45,400,158)	
Compensated absences	(82,917,764)	
Net pension obligation	(4,036,612)	
Technology investment loans	<u>(656,840)</u>	
		<u>(133,011,374)</u>
Total net assets - governmental activities	\$	<u>1,549,639,441</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, 2007

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
<b>Revenues:</b>				
Montgomery County	\$ 1,381,522,441	\$ 177,124,605	\$ -	\$ 1,558,647,046
State of Maryland	432,360,210	42,590,806		474,951,016
Federal government	75,177,789			75,177,789
Other sources	8,164,103		1,383,000	9,547,103
Total revenues	<u>1,897,224,543</u>	<u>219,715,411</u>	<u>1,383,000</u>	<u>2,118,322,954</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	43,163,115			43,163,115
Mid-level administration	118,650,653			118,650,653
Instructional salaries and wages	760,940,050			760,940,050
Instructional textbooks and supplies	36,680,260			36,680,260
Other instructional costs	18,687,106			18,687,106
Special education	227,023,151			227,023,151
Student personnel services	10,264,691			10,264,691
Health services	44,821			44,821
Student transportation	81,298,925			81,298,925
Operation of plant	102,598,137			102,598,137
Maintenance of plant	30,815,334			30,815,334
Fixed charges	463,825,658			463,825,658
Community services	437,421		1,313,099	1,750,520
<b>Debt service:</b>				
Capital lease principal	12,333,146	11,664,331		23,997,477
Capital lease interest	1,089,932	652,143		1,742,075
Capital outlay		218,839,987		218,839,987
Total expenditures	<u>1,907,852,400</u>	<u>231,156,461</u>	<u>1,313,099</u>	<u>2,140,321,960</u>
Excess (deficiency) of revenues over expenditures	<u>(10,627,857)</u>	<u>(11,441,050)</u>	<u>69,901</u>	<u>(21,999,006)</u>
<b>Other financing sources:</b>				
Capital lease financing	13,677,798	11,244,503		24,922,301
Transfers in	127,762			127,762
Total other financing sources	<u>13,805,560</u>	<u>11,244,503</u>	<u>-</u>	<u>25,050,063</u>
Net change in fund balances	3,177,703	(196,547)	69,901	3,051,057
Fund balances - beginning	<u>18,942,502</u>	<u>(13,472,262)</u>	<u>94,711</u>	<u>5,564,951</u>
Fund balances - ending	<u>\$ 22,120,205</u>	<u>\$ (13,668,809)</u>	<u>\$ 164,612</u>	<u>\$ 8,616,008</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, 2007

Total net change in fund balances - governmental funds	\$	3,051,057
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 (\$218,839,987 less non-capitalized items of \$52,428,479) plus capital outlays for general fund assets (\$16,552,030) exceed depreciation expense (\$55,435,454) in the current period.		127,528,084
The net effect of various miscellaneous transactions involving capital assets, such as the the loss on disposal of capital assets and the donation of land from developers is to decrease net assets.		(123,260)
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.		(924,824)
In the statement of activities, certain operating expenses, such as compensated absences, 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.		(3,452,055)
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.		<u>9,912,321</u>
Change in net assets of governmental activities	\$	<u>135,991,323</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 BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Montgomery County	\$ 1,380,770,860	\$ 1,381,531,638	\$ 1,381,522,441	\$ (9,197)
State of Maryland	335,398,368	339,980,926	340,719,891	738,965
Federal government	65,014,851	86,548,930	75,177,789	(11,371,141)
Other sources	14,305,518	10,445,758	8,164,103	(2,281,655)
<b>Total revenues</b>	<u>1,795,489,597</u>	<u>1,818,507,252</u>	<u>1,805,584,224</u>	<u>(12,923,028)</u>
<b>Expenditures and encumbrances:</b>				
<b>Current:</b>				
Administration	38,304,023	38,641,365	38,150,355	491,010
Mid-level administration	118,358,940	120,311,049	119,136,646	1,174,403
Instructional salaries and wages	763,157,963	772,092,178	759,503,295	12,588,883
Instructional textbooks and supplies	35,602,552	38,145,939	36,847,769	1,298,170
Other instructional costs	19,453,543	24,348,723	19,983,714	4,365,009
Special education	227,810,034	227,823,184	225,898,273	1,924,911
Student personnel services	10,431,421	10,453,033	10,264,500	188,533
Health services	46,138	46,138	44,821	1,317
Student transportation	79,785,330	79,955,827	78,998,314	957,513
Operation of plant	104,113,457	104,564,339	104,404,495	159,844
Maintenance of plant	30,660,825	31,020,996	30,822,376	198,620
Fixed charges	371,511,803	374,180,315	372,844,597	1,335,718
Community services	208,495	879,093	434,916	444,177
<b>Total expenditures and encumbrances</b>	<u>1,799,444,524</u>	<u>1,822,462,179</u>	<u>1,797,334,071</u>	<u>25,128,108</u>
<b>Excess (deficiency) of revenues over expenditures and encumbrances</b>	<u>(3,954,927)</u>	<u>(3,954,927)</u>	<u>8,250,153</u>	<u>12,205,080</u>
<b>Other financing sources:</b>				
Transfers in	-	-	127,762	127,762
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>127,762</u>	<u>127,762</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances</b>	<u>(3,954,927)</u>	<u>(3,954,927)</u>	<u>8,377,915</u>	<u>12,332,842</u>
<b>Fund balance - beginning</b>	<u>3,954,927</u>	<u>3,954,927</u>	<u>7,343,380</u>	<u>3,388,453</u>
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,721,295</u>	<u>\$ 15,721,295</u>

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, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 961,739	\$ 961,739	\$ -
Cash and cash equivalents	5,223,970		5,223,970	
Investments - cash equivalents				36,804,128
Accounts receivable:				
Montgomery County		202,135	202,135	
State of Maryland	52,917		52,917	
Federal government	803,536		803,536	
Other	149,400	577,713	727,113	852,356
Due from other funds				2,290,870
Inventories	1,232,289	20,250	1,252,539	
Total current assets	<u>7,462,112</u>	<u>1,761,837</u>	<u>9,223,949</u>	<u>39,947,354</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings and improvements		4,458	4,458	
Machinery and equipment	5,641,070	44,150	5,685,220	
Total noncurrent assets	<u>5,641,070</u>	<u>48,608</u>	<u>5,689,678</u>	<u>-</u>
Total assets	<u>13,103,182</u>	<u>1,810,445</u>	<u>14,913,627</u>	<u>39,947,354</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	103,739	177,541	281,280	72,755
Claims payable				24,815,807
Accrued interest payable	16,635		16,635	
Due to employees, advance premium withholdings				2,499,603
Due to other funds	8,531,138	1,147,674	9,678,812	
Unearned revenue	1,399,081	137,155	1,536,236	
Capital leases - current	207,103	17,636	224,739	
Compensated absences - current	14,952		14,952	
Total current liabilities	<u>10,272,648</u>	<u>1,480,006</u>	<u>11,752,654</u>	<u>27,388,165</u>
Noncurrent liabilities:				
Capital leases payable	240,770	18,294	259,064	
Compensated absences	1,102,224	212,533	1,314,757	
Total noncurrent liabilities	<u>1,342,994</u>	<u>230,827</u>	<u>1,573,821</u>	<u>-</u>
Total liabilities	<u>11,615,642</u>	<u>1,710,833</u>	<u>13,326,475</u>	<u>27,388,165</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	5,203,246	12,678	5,215,924	
Unrestricted	<u>(3,715,706)</u>	<u>86,934</u>	<u>(3,628,772)</u>	<u>12,559,189</u>
Total net assets	<u>\$ 1,487,540</u>	<u>\$ 99,612</u>	<u>\$ 1,587,152</u>	<u>\$ 12,559,189</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, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
<b>Operating revenues:</b>				
Sale of food	\$ 22,008,945	\$ -	\$ 22,008,945	\$ -
Tuition and fees		5,604,910	5,604,910	
Employer's contributions				211,877,008
Members' contributions				46,384,810
<b>Total operating revenues</b>	<u>22,008,945</u>	<u>5,604,910</u>	<u>27,613,855</u>	<u>258,261,818</u>
<b>Operating expenses:</b>				
Salaries and wages	16,592,904	2,071,230	18,664,134	
Contracted services	748,001	181,923	929,924	
Supplies and materials	2,034,851	905,091	2,939,942	
Food purchases	10,185,437		10,185,437	
USDA commodities	2,063,431		2,063,431	
Other charges	9,436,006	2,706,248	12,142,254	1,182,492
Depreciation and amortization	1,084,473	19,444	1,103,917	
Benefits paid to plan members				176,737,381
Premiums paid to insurance companies				73,698,872
<b>Total operating expenses</b>	<u>42,145,103</u>	<u>5,883,936</u>	<u>48,029,039</u>	<u>251,618,745</u>
<b>Operating income (loss)</b>	<u>(20,136,158)</u>	<u>(279,026)</u>	<u>(20,415,184)</u>	<u>6,643,073</u>
<b>Nonoperating revenues (expenses):</b>				
National school lunch and other food programs:				
Federal funds	15,717,693		15,717,693	
State funds	1,017,320		1,017,320	
USDA commodities	2,063,431		2,063,431	
Interest expense	(16,635)		(16,635)	
Investment income	903,092	92,536	995,628	3,269,248
<b>Total nonoperating revenues, net</b>	<u>19,684,901</u>	<u>92,536</u>	<u>19,777,437</u>	<u>3,269,248</u>
<b>Income (loss) before contributions and transfers</b>	<u>(451,257)</u>	<u>(186,490)</u>	<u>(637,747)</u>	<u>9,912,321</u>
Capital contributions - equipment	655,145		655,145	
Transfers out		(127,762)	(127,762)	
<b>Change in net assets</b>	<u>203,888</u>	<u>(314,252)</u>	<u>(110,364)</u>	<u>9,912,321</u>
Total net assets - beginning	1,283,652	413,864	1,697,516	2,646,868
Total net assets - ending	<u>\$ 1,487,540</u>	<u>\$ 99,612</u>	<u>\$ 1,587,152</u>	<u>\$ 12,559,189</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, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 22,104,944	\$ 5,854,755	\$ 27,959,699	\$ 46,606,164
Receipts from assessments made to other funds			-	215,741,374
Payments to suppliers	(13,929,280)	(1,376,083)	(15,305,363)	(73,705,525)
Payments to employees	(18,079,653)	(2,222,375)	(20,302,028)	
Payments for insurance claims			-	(175,840,968)
Payments for assessments made by other funds	(7,195,590)	(265,154)	(7,460,744)	
Payments for other operating expenses	(657,512)	(2,333,654)	(2,991,166)	(1,182,492)
Net cash provided by (used for) operating activities	<u>(17,757,091)</u>	<u>(342,511)</u>	<u>(18,099,602)</u>	<u>11,618,553</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Nonoperating grants received	16,649,140		16,649,140	
Transfers to other funds		(127,762)	(127,762)	
Net cash provided by (used for) noncapital financing activities	<u>16,649,140</u>	<u>(127,762)</u>	<u>16,521,378</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital leases	95,858		95,858	
Purchases of capital assets	(491,925)		(491,925)	
Principal paid on capital leases	(203,962)	(17,003)	(220,965)	
Interest paid on capital leases	(23,031)		(23,031)	
Net cash (used for) capital and related financing activities	<u>(623,060)</u>	<u>(17,003)</u>	<u>(640,063)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	903,092	92,536	995,628	3,676,994
Net cash provided by investing activities	<u>903,092</u>	<u>92,536</u>	<u>995,628</u>	<u>3,676,994</u>
Net increase (decrease) in cash and cash equivalents	(827,919)	(394,740)	(1,222,659)	15,295,547
Cash and cash equivalents - beginning	6,051,889	1,356,479	7,408,368	21,508,581
Cash and cash equivalents - ending	<u>\$ 5,223,970</u>	<u>\$ 961,739</u>	<u>\$ 6,185,709</u>	<u>\$ 36,804,128</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (20,136,158)	\$ (279,026)	\$ (20,415,184)	\$ 6,643,073
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,084,473	19,444	1,103,917	
USDA commodities used	2,063,431		2,063,431	
Effects of changes in assets and liabilities:				
Receivables	5,227	237,965	243,192	
Due from other funds			-	3,864,366
Non USDA inventories	45,443	41,207	86,650	
Prepays		88,775	88,775	
Accounts payable	16,573	(2,776)	13,797	(6,653)
Claims payable			-	896,413
Advance premium withholdings			-	221,354
Due to other funds	(1,023,007)	(415,168)	(1,438,175)	
Deferred revenue	90,772	11,880	102,652	
Compensated absences	96,155	(44,812)	51,343	
Net cash provided by (used for) operating activities	<u>\$ (17,757,091)</u>	<u>\$ (342,511)</u>	<u>\$ (18,099,602)</u>	<u>\$ 11,618,553</u>
<b>Noncash investing, capital and financing activities:</b>				
Capital contributions of equipment	\$ 655,145	\$ -	\$ 655,145	\$ -
USDA commodities received	(2,063,431)		(2,063,431)	

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, 2007

	Retirement and Pension System	Agency Funds - Schools' Independent Activity Funds
<b>ASSETS</b>		
Cash	\$ -	\$ 3,151,161
Investments:		
Common and preferred stocks	562,719,784	
Short-term investments	39,497,316	
U.S. government and agency securities	43,665,000	3,631,906
Fixed income securities	192,222,903	
Real estate	81,442,292	
Participation contract	9,272,118	
Private equity	2,209,725	
Securities lending short-term investment pool	54,847,411	
Maryland local government investment pool		6,560,879
Montgomery County investment pool		906,721
Total investments	985,876,549	11,099,506
Accounts receivable	2,538	1,831,262
Inventories		275,463
 Total assets	985,879,087	\$ 16,357,392
<b>LIABILITIES</b>		
Accounts payable		1,795,524
Due to general fund	1,308,774	
Liability for collateral received under securities lending agreements	54,847,411	
Due to student groups		14,561,868
 Total liabilities	56,156,185	\$ 16,357,392
<b>NET ASSETS</b>		
Held in trust for pension benefits	\$ 929,722,902	

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 FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	Retirement and Pension System
<b>ADDITIONS</b>	
Employer's contribution	\$ 58,000,751
Members' contributions	<u>8,932,215</u>
Total contributions	<u>66,932,966</u>
Investment earnings:	
Net appreciation in fair value of investments	108,941,078
Interest and dividends	22,481,128
Securities lending income	<u>2,288,912</u>
Total investment income	<u>133,711,118</u>
Less investment expense:	
Investment fees and other	(3,113,605)
Securities lending fees	<u>(2,223,176)</u>
Total investment expense	<u>(5,336,781)</u>
Net investment earnings	<u>128,374,337</u>
Total additions	<u>195,307,303</u>
<b>DEDUCTIONS</b>	
Benefits paid to plan members	48,426,240
Administrative expenses	<u>2,270,656</u>
Total deductions	<u>50,696,896</u>
Change in net assets	144,610,407
Net assets - beginning	<u>785,112,495</u>
Net assets - ending	<u>\$ 929,722,902</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, 2007

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	Other Postemployment Benefits
Note 13	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 district-wide financial statements to emphasize that it is legally separate from MCPS. The Foundation is presented as an enterprise fund type.

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 district-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 district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor enterprise funds are aggregated and reported as nonmajor funds.



MCPS reports the following major governmental funds:

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

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

MCPS reports the following major proprietary fund:

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

Additionally, MCPS reports the following fund types:

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

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

The pension trust fund accounts for the activities of the MCPS Employees' Retirement and Pension System, which accumulates resources for pension benefit payments to qualified MCPS employees.

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 district-wide, proprietary, and certain fiduciary (pension 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 and employer contributions to the pension trust fund are recognized as revenue in the period that the contributions are due. Pension benefits expense 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 district-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.

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 district-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 district-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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized.

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. All annual and vested sick leave is accrued when incurred in the district-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 district-wide and proprietary fund financial statements. Only the portion of long-term obligations expected to be paid from expendable available financial resources is reported as a liability in the governmental fund financial statements and the face amount of capital lease issuances is reported as other financing sources.

#### **i) Fund Equity**

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

## **2. Budgetary Information**

### **a) Overview**

The majority of current funding for MCPS is provided by Montgomery County, the State of Maryland, and the federal government. Under Maryland school statutes, the MCPS annual budget is presented to the Montgomery County Council no later than March 1 and is to be adopted by the Council by May 31. In general, the county is then responsible to fund the budget so adopted, to the

extent that funds are not raised from other sources (state and federal governments, etc.). The Board of Education has no power to levy taxes or to spend funds not appropriated by the Montgomery County Council.

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

The budgeted amounts reflected in the accompanying financial statements recognize budget revisions made during the year, all of which were properly reported and/or approved, as applicable. During 2007, supplemental appropriations increasing the operating budget by \$7,690,355 and increasing the capital budget by \$6,274,000 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.
- 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	\$ 1,805,584,224	\$ 1,797,334,071	\$ 127,762	\$ 8,377,915
Reconciling items:				
2007 Encumbrances outstanding		(10,577,103)		10,577,103
Expenditures of prior year encumbrances		14,230,647		(14,230,647)
Increase in compensated absences		1,546,668		( 1,546,668)
State of Maryland retirement contributions	91,640,319	91,640,319		-
Capital lease financing		13,677,798	13,677,798	-
As reported - GAAP basis	<u>\$ 1,897,224,543</u>	<u>\$ 1,907,852,400</u>	<u>\$ 13,805,560</u>	<u>\$ 3,177,703</u>

Capital Projects Fund encumbrances of \$67,535,136 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, 2007, \$10,678,290 of such purchase orders had been issued.

### c) Deficit Fund Equity

The Capital Projects Fund had an unreserved, undesignated fund deficit of \$13,668,809. 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 \$59,848, to a deficit in net assets of \$1,194,729 at June 30, 2007. 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.

### 3. Deposits and Investments

Cash and investments at June 30, 2007, are summarized as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Equity in pooled cash and investments	\$ 14,371,621	\$
Cash and cash equivalents	5,223,970	2,441
Cash-fiduciary funds	3,151,161	
Investments – cash equivalents	36,804,128	
Investments		5,119,755
Investments-fiduciary funds	996,976,055	
Total	<u>\$ 1,056,526,935</u>	<u>\$ 5,122,196</u>
Deposits and Investments Summary:		
Deposits	\$ (7,863,666)	\$ 2,441
Investments	1,064,360,304	5,119,755
Cash on hand	30,297	
Total	<u>\$ 1,056,526,935</u>	<u>\$ 5,122,196</u>

## a) Deposits

MCPS is required, in accordance with a lease agreement with the Montgomery County Revenue Authority, to maintain an operations and maintenance fund which is to be used only to support the food services operations. The agreement requires the fund to maintain a balance of \$1,000,000. Withdrawals from the fund, which may be made at any time, must be restored to the fund within twelve months of the date of withdrawal. No withdrawals were made from the fund during 2007. The balance in the operations and maintenance fund at June 30, 2007, was \$1,116,762.

*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, 2007, the reported balance of MCPS' deposits was \$(7,863,666) and the bank balance was \$9,094,110. Of the bank balance, \$9,094,110 was collateralized by federal depository insurance or by collateral held by MCPS' agent in MCPS' name.

## b) Investments

Investments as of June 30, 2007, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Common and preferred stocks	\$ 562,719,784
Short-term investments	39,497,316
U.S. Government and agency securities	43,665,000
Fixed income securities	192,222,903
Real estate	81,442,292
Participation contract	9,272,118
Private equity	2,209,725
Securities lending short-term investment pool	54,847,411
Subtotal Pension Trust Investment	<u>985,876,549</u>
Other Investments:	
U.S. Government securities	3,631,906
Repurchase agreements	1,144,147
Mutual funds	66,240,102
Maryland Local Government Investment Pool	6,560,879
Montgomery County investment pool	906,721
Total investments	<u>\$ 1,064,360,304</u>

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

During 2007, 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 2007 on the amount of securities Northern may lend.

The following represents the balances relating to securities lending transactions at June 30, 2007.

Securities Lent	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
U.S. Government	\$ 12,483,803	\$	\$ 12,725,635
Domestic equities	35,573,640		36,413,511
International equities	3,278,646		3,434,269
Domestic fixed-income	1,883,407		1,927,649
International fixed-income	332,272		346,347
Lent for securities collateral:			
U.S. Agencies	661,776	673,611	
Domestic fixed income	824,590	839,336	
Domestic equities	3,829,708	3,932,076	
Total	<u>\$ 58,867,842</u>	<u>\$ 5,445,023</u>	<u>\$ 54,847,411</u>

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 2007, 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, 2007, 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 following represents fixed-income investments held at June 30, 2007, 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
<b>Pension Trust Investments:</b>					
U.S. Government	\$ 24,072,754	\$ 278,128	\$ 12,508,049	\$ 6,377,299	\$ 4,909,278
U.S. agencies	19,496,739	1,640,683	1,492,286	396,427	15,967,343
Asset-backed securities	18,762,219		11,914,491		6,847,728
Collateralized Mortgage obligations	51,737,263	6,878,649	541,120	371,381	43,946,113
Corporate bonds	33,015,529	3,183,570	12,394,750	6,387,077	11,050,132
Government mortgage-backed securities	34,564,859	15,804,324	52,320	1,022,249	17,685,966
Bond index fund	53,727,792	53,727,792			
Municipal bonds	510,748				510,748
Short-term	39,497,316	39,497,316			
<b>Sub-total Pension Trust Investments</b>	<b>275,385,219</b>	<b>121,010,462</b>	<b>38,903,016</b>	<b>14,554,433</b>	<b>100,917,308</b>
<b>Other Investments:</b>					
U.S. Government	3,631,906	3,631,906			
Repurchase agreements	1,144,147	1,144,147			
U.S. Government mutual funds	66,240,102	66,240,102			
Maryland Local Government Investment Pool	6,560,879	6,560,879			
Montgomery County Investment Pool	906,721	906,721			
<b>Total</b>	<b>\$ 353,868,974</b>	<b>\$ 199,494,217</b>	<b>\$ 38,903,016</b>	<b>\$ 14,554,433</b>	<b>\$ 100,917,308</b>

*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 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, 2007, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
AAA/Aaa	55.8 %	\$ 153,796,404
AA	4.0	11,003,732
A	6.3	17,355,409
B	0.4	1,143,127
BB/Ba	0.4	1,152,914
BBB/Baa	5.0	13,732,366
Not rated	12.9	35,648,086
<b>Total</b>	<b>84.8 %</b>	<b>\$ 233,832,038</b>



Pension Trust investments include \$41,553,181 in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government that are not considered to have credit risk.

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.

*Foreign currency risk.* The Pension Trust's exposure to foreign currency risk derived from its positions in foreign currency denominated investments. The systems foreign currency risk at June 30, 2007, is as follows:

Currency	Equities	Fixed Income	Short-Term	Total Fair Value
European Euro	\$ 20,657,839	\$	\$ 22,707	\$ 20,680,546
British Pound Sterling	10,915,138			10,915,138
Swiss Franc	3,583,006		50,140	3,633,146
Japanese Yen	6,893,060	1,149,101	1,143,756	9,185,917
Hong Kong Dollar	2,010,791			2,010,791
Canadian Dollar	2,714,977			2,714,977
Polish Zloty			23,295	23,295
Swedish Krona	1,513,199			1,513,199
Mexican Peso		205,930	(196,064)	9,866
Australian Dollar			(46,209)	(46,209)
Total	\$ 48,288,010	\$ 1,355,031	\$ 997,625	\$ 50,640,666

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 14 percent.

**c) Cash on Hand**

At year-end, the primary government had \$30,297 on hand in petty cash accounts.

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

Balances due to/from other funds at June 30, 2007, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 12,088,078
Due to the general fund from enterprise funds representing advances of pooled cash	9,678,812
Due to the internal service fund from the general fund for employee benefit plan expenditures	2,290,870
Total	\$ <u>24,057,760</u>

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

Due from other funds, Balance Sheet-Governmental Funds	\$ 21,766,890
Due from other funds, Statement of Net Assets-Proprietary Funds	2,290,870
Total	\$ <u>24,057,760</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	\$	92,536
Transfer of Adult Education Fund net assets to general fund		35,226
Total	\$	<u>127,762</u>

The Adult Education Fund ceased operations effective July 1, 2006, with the final conveyance of remaining adult education programs to Montgomery College. Net assets of the fund, at the time operations ceased, were transferred to the General Fund.

#### 5. Due From Employees

The \$554,897 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, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land	\$ 67,966,869	\$ 177,432	\$ 3,677	\$ 68,140,624
Construction in progress	219,314,700	165,933,213	208,640,081	176,607,832
Total nondepreciable capital assets	<u>287,281,569</u>	<u>166,110,645</u>	<u>208,643,758</u>	<u>244,748,456</u>
Depreciable capital assets:				
Buildings and improvements	1,659,903,532	186,720,894	13,180,543	1,833,443,883
Site improvements	131,397,637	22,397,482		153,795,119
Vehicles and equipment	135,633,758	16,552,030	15,422,009	136,763,779
Total depreciable capital assets	<u>1,926,934,927</u>	<u>225,670,406</u>	<u>28,602,552</u>	<u>2,124,002,781</u>
Less accumulated depreciation for:				
Buildings and improvements	575,568,134	40,877,579	13,023,162	603,422,551
Site improvements	27,882,185	3,214,683		31,096,868
Vehicles and equipment	76,695,383	11,343,192	15,282,375	72,756,200
Total accumulated depreciation	<u>680,145,702</u>	<u>55,435,454</u>	<u>28,305,537</u>	<u>707,275,619</u>
Total depreciable capital assets, net	<u>1,246,789,225</u>	<u>170,234,952</u>	<u>297,015</u>	<u>1,416,727,162</u>
Government activities capital assets, net	<u>\$ 1,534,070,794</u>	<u>\$ 336,345,597</u>	<u>\$ 208,940,773</u>	<u>\$ 1,661,475,618</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Depreciable capital assets:				
Buildings	\$ 17,831	\$	\$	\$ 17,831
Vehicles and equipment	19,218,495	1,229,771	879,357	19,568,909
Total depreciable capital assets	<u>19,236,326</u>	<u>1,229,771</u>	<u>879,357</u>	<u>19,586,740</u>
Less accumulated depreciation for:				
Buildings	11,590	1,783		13,373
Vehicles and equipment	13,578,212	1,102,134	796,657	13,883,689
Total accumulated depreciation	<u>13,589,802</u>	<u>1,103,917</u>	<u>796,657</u>	<u>13,897,062</u>
Business-type activities capital assets, net	<u>\$ 5,646,524</u>	<u>\$ 125,854</u>	<u>\$ 82,700</u>	<u>\$ 5,689,678</u>

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

<b>Governmental Activities:</b>	
Regular instruction	\$ 45,597,956
Special education	282,706
School administration	47,288
Student personnel services	5,468
Student transportation	7,318,363
Operation of plant	138,179
Maintenance of plant	857,806
Administration	1,187,688
Total depreciation expense-governmental activities	<u>\$ 55,435,454</u>
<b>Business-Type Activities:</b>	
Food services	\$ 1,084,473
Entrepreneurial	17,660
Real estate management	1,784
Total depreciation expense-business-type activities	<u>\$ 1,103,917</u>

Commitments for ongoing construction in progress at June 30, 2007, were \$43,733,480.

## 7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2007 are as follows:

	Governmental Activities		Business-Type Activities		Total
Accounts payable	\$ 28,058,574	\$	281,280	\$	28,339,854
Retainage payable	11,903,420				11,903,420
Accrued salaries and withholdings	71,442,043				71,442,043
Claims payable	24,815,807				24,815,807
Due to employees-advance premium withholding	2,499,603				2,499,603
Accrued interest payable			16,635		16,635
Total accounts payable and other current liabilities	<u>\$ 138,719,447</u>	\$	<u>297,915</u>	\$	<u>139,017,362</u>

## 8. Leases

### a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$4,375,000 in 2007. Commitments for fiscal year 2008 under lease agreements are approximately \$3,143,000. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet rental payments are not appropriated.

The Montgomery County Revenue Authority (MCRA) issued \$6,750,000 of Lease Revenue Bonds in 1994 to finance the renovation and expansion of the MCPS food services centralized production facility. The MCPS leases the facility from MCRA for a period of fifteen years. The Lease Revenue Bonds are payable from the lease payments. The lease payments are payable by the Food Services Fund solely from revenues deposited in the Pledged Revenue account. Pledged revenues include all receipts, revenues, and income of the Food Services Fund, excluding amounts received from the state, the county, or the federal government. Monthly lease payments, which

totaled \$672,375 in 2007, continue through March 1, 2008. Annual lease payment obligations are as follows:

	Amount
Fiscal year ending June 30:	
2008	\$ 504,000
Total	<u>\$ 504,000</u>

MCPS has the option to prepay the lease at the lease payment price, plus an additional amount equal to the bond redemption premium if applicable. The MCRA will convey ownership of the facility to Montgomery County on expiration of the lease agreement. Among other things, the lease agreement requires MCPS to set fees, as necessary, so that each fiscal year total revenues of the Food Services Fund, plus excess cash, will be at least equal to total expenditures, as defined; and that the Food Services Fund shall not sustain a cumulative deficit of \$1,000,000 or more of total expenditures, as defined, over total revenues over any period of four successive fiscal years and fail to restore the operations and maintenance fund by the end of each successive four year period. MCPS is in compliance with the covenants of the lease agreement.

#### 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 2012. Lease payments, including interest, in fiscal year 2007 were \$13,423,078 for the General Fund, \$12,316,474 for the Capital Projects Fund and \$243,996 for the Enterprise Fund.

Assets acquired through capital leases are as follows:

	Governmental Activities	Enterprise Fund
Vehicles and equipment	\$ 46,683,396	\$ 1,109,753
Less: accumulated depreciation	<u>(10,405,236)</u>	<u>(248,932)</u>
Total	<u>\$ 36,278,160</u>	<u>\$ 860,821</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Fiscal year ending June 30	Governmental Activities	Enterprise Fund
2008	\$ 19,294,524	\$ 244,031
2009	15,173,438	179,341
2010	9,282,298	74,734
2011	4,042,987	20,994
2012	<u>1,839,287</u>	<u>-</u>
Total minimum lease payments	49,632,534	519,100
Less : Amount representing interest	<u>(4,232,376)</u>	<u>(35,297)</u>
Present value of future minimum lease payments	<u>\$ 45,400,158</u>	<u>\$ 483,803</u>

\$26,388,051 of outstanding capital lease obligations for governmental activities at June 30, 2007, 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 2007 were \$328,420.

Annual technology loan payments are as follows:

	Amount
2008	\$ 328,420
2009	328,420
Total	<u>\$ 656,840</u>

### b) Changes in Long-Term Liabilities

Long-term liability activities during 2007 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 44,475,334	\$ 24,922,301	\$ 23,997,477	\$ 45,400,158	\$ 17,939,945
Compensated absences	81,811,220	13,783,290	7,748,554	87,845,956	8,615,106
Net pension obligation	4,506,465	360,517	830,370	4,036,612	-
Technology loans payable	985,260	-	328,420	656,840	328,420
Total	<u>\$ 131,778,279</u>	<u>\$ 39,066,108</u>	<u>\$ 32,904,821</u>	<u>\$ 137,939,566</u>	<u>\$ 26,883,471</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Capital leases	\$ 608,910	\$ 95,858	\$ 220,965	\$ 483,803	\$ 224,739
Compensated absences	1,278,366	51,343	-	1,329,709	14,952
Total	<u>\$ 1,887,276</u>	<u>\$ 147,201</u>	<u>\$ 220,965</u>	<u>\$ 1,813,512</u>	<u>\$ 239,691</u>

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

## 10. Risk Management

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

The employee health benefits plan is financed through an internal service fund, the Employee Benefit Plan Trust Fund. The Employee Benefit Plan Trust Fund provides plan coverage under contracts with several insurance companies and health maintenance organizations (HMO's). MCPS funds participating in the plan by making payments to the Employee Benefit Plan Fund in amounts sufficient to cover 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). The claims payable of \$24,815,807 reported in the Internal Service Fund at June 30, 2007, is 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 the Internal Service Fund's claims payable for fiscal years 2006 and 2007 are reflected below.

	Beginning Payable		Incurred Claims (Including IBNR)		Claim Payments		Ending Payable
2006	\$ 20,356,643	\$	163,218,173	\$	(159,655,422)	\$	23,919,394
2007	23,919,394		176,737,380		(175,840,967)		24,815,807

## 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

#### a) 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. During April 2006, the State of Maryland amended the Maryland State Teachers' Pension System to improve pension benefits for plan members who retire on or after July 1, 2006. The State increased the "multiplier" in the benefit formula for all service after July 1, 1998, from 1.4 percent to 1.8 percent.

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.

#### b) Funding Policy

Covered employees are, by statute, required to contribute 5 to 7 percent to the retirement system, and 4 percent on July 1, 2007, and 5 percent on July 1, 2008 and thereafter 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 \$91,640,319, \$84,294,349 and \$81,937,339 in 2007, 2006 and 2005, 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

#### a) 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.

On May 9, 2006, the Board of Education amended the MCPS Employees' Retirement and Pension System to improve benefits for members of the pension system. The "multiplier" in the benefit formula for core benefits was increased for service after July 1, 1998, from 1.4 percent to 1.8 percent and the supplemental benefit "multiplier" was set at 0.2 percent for all members of the pension system.

At July 1, 2006, the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	9,619
Terminated plan members entitled to benefits but not yet receiving them	3,270
Active plan members	<u>21,623</u>
Total	<u>34,512</u>

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

b) Contributions

Plan members are required by resolution to contribute to the plan. Covered teachers and other members of the retirement system contribute .5 percent and 5.5 percent, respectively, of their salary to the plan. Effective July 1, 2007, covered teachers and other members contributions to the pension system for the supplemental benefit and the combined core and supplemental benefit were increased to 0.4 percent and 4.4 percent, respectively, on July 1, 2007, and 0.5 percent and 5.5 percent, respectively, on July 1, 2008. 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.

c) 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:

Year Ended June 30	Annual Pension Cost	Annual Contribution	Net Pension Obligation
2005	\$ 28,873,339	\$ 28,871,207	\$ 4,567,028
2006	36,757,057	36,817,620	4,506,465
2007	57,530,898	58,000,751	4,036,612

The annual required contribution for the current year was determined as part of the July 1, 2005 actuarial valuation, as amended May 8, 2006, using the projected unit credit cost method and the actuarial assumptions shown in d) below.

The pension system benefit improvements, which were retroactive to July 1, 1998, increased the unfunded actuarial accrued liability at July 1, 2006, by \$118,817,905. The additional accrued liability resulting from the pension system benefit improvements is being amortized over 30 years. The benefit improvements increased the employer contribution for FY 2007 by approximately \$13.2 million.

d) Actuarial Information

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2006
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	7.5%
Projected salary increases	4.0 –6.5%
Cost of living adjustments	3.0%

**12. Other Postemployment Benefits**

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 MCPS Employee Benefit Plan health care 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. Currently, approximately 6,900 retirees meet those eligibility requirements. MCPS contributes 64 percent and retirees contribute 36 percent toward contributions to the cost for health care, including dental, vision and prescription drugs, and life insurance benefits for retirees and their dependents. The benefits that are provided for retired employees under the MCPS Employee Benefit Plan are subject to the extent of assets in the Employee Benefit Trust Fund and to the extent of the annual budgetary appropriation. MCPS contributions are financed on a pay-as-you-go basis and postretirement benefits are not accrued over the service life of employees.

During the year, expenditures of \$59,754,520 were recognized by the Internal Service Fund for postretirement health care and life insurance benefits. Net assets available for future postretirement benefit payments were \$5,801,619 at June 30, 2007. In 2007, MCPS contributed \$34,741,372 towards the costs of these benefits.

**13. Contingencies**

a) 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.



b) 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.

- c) 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)
7/1/2001	\$ 755,175	\$ 743,506	\$ (11,669)	101.6%	\$ 837,390	- %
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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
2002	\$ 16,335,239	100 %	\$ 3,943,137
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

## **SUPPLEMENTARY DATA**

## GOVERNMENTAL FUNDS

June 30, 2007

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, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Montgomery County	\$ 134,480,361	\$ 176,893,026	\$ 128,661,468	\$ (48,231,558)
State of Maryland	40,047,168	44,367,507	41,858,222	(2,509,285)
Other sources	96,000	221,125		(221,125)
Total revenues	<u>174,623,529</u>	<u>221,481,658</u>	<u>170,519,690</u>	<u>(50,961,968)</u>
<b>Expenditures and encumbrances:</b>				
Capital outlay	<u>174,623,529</u>	<u>221,481,658</u>	<u>170,716,237</u>	<u>50,765,421</u>
Total expenditures and encumbrances	<u>174,623,529</u>	<u>221,481,658</u>	<u>170,716,237</u>	<u>50,765,421</u>
Excess (deficiency) of revenues over expenditures and encumbrances	-	-	(196,547)	(196,547)
Fund balance - beginning	-	-	(13,472,262)	(13,472,262)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,668,809)</u>	<u>\$ (13,668,809)</u>

**MONTGOMERY COUNTY PUBLIC SCHOOL  
SCHEDULE OF CONSTRUCTION IN PROGRESS  
CAPITAL PROJECTS FUND  
June 30, 2007**

Project Name	Project Authorization	Expended to June 30, 2007	Committed	Available for Future Expenditure
RIDGEVIEW MS	\$ 1,716,000	\$ 69,510	\$ 1,030,490	\$ 616,000
RICHARD MONTGOMERY HS	82,439,905	62,843,369	14,078,132	5,518,404 *
GARRETT PARK ES	4,496,000	3,858,605	16,911	620,484
TRAVILAH ES	652,000	317,072	92,374	242,554
FARMLAND ES	6,244,000	5,930,603	20,452	292,945
LUXMANOR ES	987,000	440,937	239,932	306,131
COLLEGE GARDENS ES	21,923,869	12,744,544	8,187,449	991,876 *
FALLSMEAD ES	882,000	452,287	150,749	278,964
WAYSIDE ES	649,000	389,164	103,081	156,755
NORTH WEST HS	14,966,065	13,437,909	769,232	758,924
CLARKSBURG HS	51,666,516	50,862,086	757,320	47,110
BROAD ACRES ES	8,326,000	7,829,585	269,055	227,360
NORTHEAST CONSORTIUM ES #16 (BROOKVIEW ES)	20,303,000	21,648,043	156,284	(1,501,327)
FRANCIS SCOTT KEY MS	3,053,000	1,271,677	371,122	1,410,201 *
GALWAY ES	1,501,000	1,146,030	339,607	15,363 *
PAINT BRANCH HS	3,538,000	1,560,504	1,851,934	125,562 *
CLARKSBURG/DAMASCUS ES #7	17,812,000	17,092,870	69,920	649,210
CLARKSBURG/DAMASCUS ES #8	1,496,000	331,434	459,264	705,302
NORTHWEST ES #7	19,256,000	18,777,654	218,174	260,172
BETHESDA CHEVY CHASE HS	418,000	-	31,500	386,500
WESTLAND MS	474,000	73,769	139,590	260,641
WALTER JOHNSON HS	33,305,000	10,933,971	3,159,319	19,211,710
ASHBURTON ES	620,000	437,594	116,334	66,072
THOMAS PYLE MS	669,000	378,318	142,552	148,130
SHERWOOD HS	14,680,000	10,018,245	1,053,299	3,608,456
CASHELL ES	1,606,000	257,274	973,331	375,395 *
SILVER SPRING INTERNATIONAL MS/SLIGO CREEK ES ADDITION	2,000,000	441,268	507,359	1,051,373
GAITHERSBURG HS	10,272,000	9,572,538	283,445	416,017
WASHINGTON GROVE ES	1,121,000	751,209	187,867	181,924
WATKINS MILL ES	9,451,000	9,189,216	22,126	239,658
REDLAND MS	1,733,000	10,820	1,352,150	370,030
FIELDS ROAD ES	11,368,000	3,145,253	5,136,388	3,086,359
STEDWICK ES	861,000	489,061	226,516	145,423
SEVEN LOCKS ES	1,029,529	893,744	15,563	120,222
BELLS MILL ES	1,303,000	334,976	433,500	534,524 *
WELLER ROAD ES	8,801,000	4,784,660	1,004,862	3,011,478
ALBERT EINSTEIN	6,717,000	4,041,049	1,083,308	1,592,643
NORTHWOOD (REFUGEE TRAINING) CTR	33,220,000	27,631,225	4,947,241	641,534
CRESTHAVEN ES	1,544,000	33,000	1,067,005	443,995 *
PARKLAND MS	32,585,267	31,008,800	1,104,470	471,997 *
Various County-wide Projects	144,084,296	99,405,025	15,365,929	29,313,342
<b>Total Open &amp; Interim Projects</b>	<b>579,769,447</b>	<b>434,834,898</b>	<b>67,535,136</b>	<b>77,399,413</b>
Capitalized land, equipment and furniture, and items not capitalized	(65,232,615)	(52,559,471)	(12,673,144)	-
Interim closing of open projects **	(216,796,107)	(205,667,595)	(11,128,512)	-
Residual building value transfer ***	-	-	-	-
<b>Total construction in progress</b>	<b>\$ 297,740,725</b>	<b>\$ 176,607,832</b>	<b>\$ 43,733,480</b>	<b>\$ 77,399,413</b>

\* Appropriations for school modernizations are approved by the Montgomery County Council in the aggregate as one project, although MCPS separately accounts for each modernization. The school modernization project, in the aggregate, does not exceed the legally appropriated project authorization at June 30, 2007

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

\*\*\* Represents undepreciated residual value of building transfer to construction

MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Cable TV franchise fees	\$ 1,383,000	\$ 1,383,000	\$ 1,383,000	\$ -
Total revenues	<u>1,383,000</u>	<u>1,383,000</u>	<u>1,383,000</u>	<u>-</u>
<b>Expenditures and encumbrances:</b>				
Community services	<u>1,383,000</u>	<u>1,383,000</u>	<u>1,327,488</u>	<u>55,512</u>
Total expenditures and encumbrances	<u>1,383,000</u>	<u>1,383,000</u>	<u>1,327,488</u>	<u>55,512</u>
Excess of revenues over expenditures and encumbrances	-	-	55,512	55,512
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>91,238</u>	<u>91,238</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	146,750	<u>\$ 146,750</u>
<b>Reconciliation to GAAP fund balance:</b>				
2007 encumbrances outstanding			<u>17,862</u>	
Fund balance - GAAP basis			<u>\$ 164,612</u>	

## **NONMAJOR ENTERPRISE FUNDS**

June 30, 2007

Adult Education – Accounts for all activities related to the adult education program. The fund ceased operations on July 1, 2006.

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, 2007

	Adult Education	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ -	\$ 792,294	\$ 169,445	\$ -	\$ 961,739
Accounts receivable:					
Montgomery County				202,135	202,135
Other		147,641	430,072		577,713
Inventories				20,250	20,250
Total current assets	<u>-</u>	<u>939,935</u>	<u>599,517</u>	<u>222,385</u>	<u>1,761,837</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Buildings and improvements		4,458			4,458
Machinery and equipment				44,150	44,150
Total noncurrent assets	<u>-</u>	<u>4,458</u>	<u>-</u>	<u>44,150</u>	<u>48,608</u>
Total assets	<u>-</u>	<u>944,393</u>	<u>599,517</u>	<u>266,535</u>	<u>1,810,445</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable		153,722		23,819	177,541
Due to other funds				1,147,674	1,147,674
Unearned revenue				137,155	137,155
Capital lease-current				17,636	17,636
Total current liabilities	<u>-</u>	<u>153,722</u>	<u>-</u>	<u>1,326,284</u>	<u>1,480,006</u>
Noncurrent liabilities:					
Capital lease payable				18,294	18,294
Compensated absences		54,715	41,132	116,686	212,533
Total noncurrent liabilities	<u>-</u>	<u>54,715</u>	<u>41,132</u>	<u>134,980</u>	<u>230,827</u>
Total liabilities	<u>-</u>	<u>208,437</u>	<u>41,132</u>	<u>1,461,264</u>	<u>1,710,833</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt		4,458		8,220	12,678
Unrestricted		731,498	558,385	(1,202,949)	86,934
Total net assets	<u>\$ -</u>	<u>\$ 735,956</u>	<u>\$ 558,385</u>	<u>\$ (1,194,729)</u>	<u>\$ 99,612</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, 2007

	Adult Education	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:					
Tuition and fees	\$ -	\$ 2,625,031	\$ 1,543,101	\$ 1,436,778	\$ 5,604,910
Total operating revenues	<u>-</u>	<u>2,625,031</u>	<u>1,543,101</u>	<u>1,436,778</u>	<u>5,604,910</u>
Operating expenses:					
Salaries and wages	(50,559)	390,248	1,110,463	621,078	2,071,230
Contracted services		100,761	48,865	32,297	181,923
Supplies and materials	1,917	11,349	354,536	537,289	905,091
Other charges		2,422,209	115,433	168,606	2,706,248
Depreciation		1,784		17,660	19,444
Total operating expenses	<u>(48,642)</u>	<u>2,926,351</u>	<u>1,629,297</u>	<u>1,376,930</u>	<u>5,883,936</u>
Operating income (loss)	<u>48,642</u>	<u>(301,320)</u>	<u>(86,196)</u>	<u>59,848</u>	<u>(279,026)</u>
Nonoperating revenues:					
Investment income		62,044	30,492		92,536
Total nonoperating revenues	<u>-</u>	<u>62,044</u>	<u>30,492</u>	<u>-</u>	<u>92,536</u>
Income (loss) before transfers	48,642	(239,276)	(55,704)	59,848	(186,490)
Transfers out	<u>(35,226)</u>	<u>(62,044)</u>	<u>(30,492)</u>		<u>(127,762)</u>
Change in net assets	13,416	(301,320)	(86,196)	59,848	(314,252)
Total net assets - beginning	<u>(13,416)</u>	<u>1,037,276</u>	<u>644,581</u>	<u>(1,254,577)</u>	<u>413,864</u>
Total net assets - ending	<u>\$ -</u>	<u>\$ 735,956</u>	<u>\$ 558,385</u>	<u>\$ (1,194,729)</u>	<u>\$ 99,612</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Adult Education	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 261,833	\$ 2,518,234	\$ 1,509,134	\$ 1,565,554	\$ 5,854,755
Payments to suppliers	(226,607)	9,762	(403,401)	(755,837)	(1,376,083)
Payments to employees	-	(420,443)	(1,188,822)	(613,110)	(2,222,375)
Payments for assessments made by other funds	-	(65,101)	(31,621)	(168,432)	(265,154)
Payments for other operating expenses	-	(2,322,482)	-	(11,172)	(2,333,654)
Net cash provided by (used for) operating activities	<u>35,226</u>	<u>(280,030)</u>	<u>(114,710)</u>	<u>17,003</u>	<u>(342,511)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	(35,226)	(62,044)	(30,492)	-	(127,762)
Net cash (used for) noncapital financing activities	<u>(35,226)</u>	<u>(62,044)</u>	<u>(30,492)</u>	<u>-</u>	<u>(127,762)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on capital leases	-	-	-	(17,003)	(17,003)
Net cash (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,003)</u>	<u>(17,003)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	-	62,044	30,492	-	92,536
Net cash provided by investing activities	<u>-</u>	<u>62,044</u>	<u>30,492</u>	<u>-</u>	<u>92,536</u>
Net (decrease) in cash and cash equivalents	-	(280,030)	(114,710)	-	(394,740)
Cash and cash equivalents - beginning	-	1,072,324	284,155	-	1,356,479
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ 792,294</u>	<u>\$ 169,445</u>	<u>\$ -</u>	<u>\$ 961,739</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ 48,642	\$ (301,320)	\$ (86,196)	\$ 59,848	\$ (279,026)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	1,784	-	17,660	19,444
Effects of changes in assets and liabilities:					
Receivables	283,663	(106,797)	(33,967)	95,066	237,965
Inventories	-	-	-	41,207	41,207
Prepays	-	88,775	-	-	88,775
Accounts payable	(15,288)	33,096	-	(20,584)	(2,776)
Due to other funds	(209,402)	-	-	(205,766)	(415,168)
Deferred revenue	(21,830)	-	-	33,710	11,880
Compensated absences	(50,559)	4,432	5,453	(4,138)	(44,812)
Net cash provided by (used for) operating activities	<u>\$ 35,226</u>	<u>\$ (280,030)</u>	<u>\$ (114,710)</u>	<u>\$ 17,003</u>	<u>\$ (342,511)</u>

## AGENCY FUNDS

### Individual Fund Financial Statements

June 30, 2007

Agency funds are used to account for assets held as an agent for organizations or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds account for independent activity funds held by elementary and secondary schools for student groups.

MONTGOMERY COUNTY PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<b>Assets</b>				
Cash and investments	\$ 13,815,754	\$ 36,142,678	\$ 35,707,765	\$ 14,250,667
Accounts receivable	1,624,599	1,831,262	1,624,599	1,831,262
Inventories	<u>288,845</u>	<u>275,463</u>	<u>288,845</u>	<u>275,463</u>
Total assets	<u>\$ 15,729,198</u>	<u>\$ 38,249,403</u>	<u>\$ 37,621,209</u>	<u>\$ 16,357,392</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,742,960	\$ 1,795,524	\$ 1,742,960	\$ 1,795,524
Due to student groups	<u>13,986,238</u>	<u>36,453,879</u>	<u>35,878,249</u>	<u>14,561,868</u>
Total liabilities	<u>\$ 15,729,198</u>	<u>\$ 38,249,403</u>	<u>\$ 37,621,209</u>	<u>\$ 16,357,392</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.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	73-80
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.	81-87
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.	88-96
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 SIX FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
<b>Governmental Activities:</b>				
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>
<b>Business-type activities:</b>				
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>
<b>Primary government:</b>				
Invested in capital assets, net of related debt	\$ 1,187,517,535	\$ 1,229,332,240	\$ 1,270,178,058	\$ 1,352,506,762
Unrestricted	<u>(50,427,011)</u>	<u>(82,082,157)</u>	<u>(93,366,901)</u>	<u>(95,619,579)</u>
Total primary government net assets	<u>\$ 1,137,090,524</u>	<u>\$ 1,147,250,083</u>	<u>\$ 1,176,811,157</u>	<u>\$ 1,256,887,183</u>
<hr/>				
	2006	2007		
<b>Governmental Activities:</b>				
Invested in capital assets, net of related debt	\$ 1,509,775,923	\$ 1,635,087,567		
Unrestricted	<u>(96,127,805)</u>	<u>(85,448,126)</u>		
Total governmental activities net assets	<u>\$ 1,413,648,118</u>	<u>\$ 1,549,639,441</u>		
<b>Business-type activities:</b>				
Invested in capital assets, net of related debt	\$ 5,052,458	\$ 5,215,924		
Unrestricted	<u>(3,354,942)</u>	<u>(3,628,772)</u>		
Total business-type activities net assets	<u>\$ 1,697,516</u>	<u>\$ 1,587,152</u>		
<b>Primary government:</b>				
Invested in capital assets, net of related debt	\$ 1,514,828,381	\$ 1,640,303,491		
Unrestricted	<u>(99,482,747)</u>	<u>(89,076,898)</u>		
Total primary government net assets	<u>\$ 1,415,345,634</u>	<u>\$ 1,551,226,593</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 SIX FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
<b>Expenses</b>				
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>
<b>Program Revenue</b>				
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>
<b>General Revenues and Other Changes in Net Assets</b>				
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>
<b>Change in Net Assets</b>				
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
\$ 1,088,588,014	\$ 1,160,855,790
266,912,970	293,576,065
146,798,786	160,163,136
13,416,179	13,944,662
42,357	53,540
<u>1,515,758,306</u>	<u>1,628,593,193</u>
96,768,183	100,930,995
120,228,320	130,303,214
48,872,594	55,832,785
54,688,573	63,053,976
2,110,374	2,176,910
1,372,132	1,742,075
<u>324,040,176</u>	<u>354,039,955</u>
<u>1,839,798,482</u>	<u>1,982,633,148</u>
40,757,291	42,161,738
1,516,881	(48,642)
2,102,497	2,926,351
1,579,472	1,629,297
1,266,811	1,376,930
<u>47,222,952</u>	<u>48,045,674</u>
<u>\$ 1,887,021,434</u>	<u>\$ 2,030,678,822</u>
\$ 60,734,138	\$ 71,138,709
27,405,520	26,927,739
3,619,197	3,731,020
1,055,541	1,095,801
-	-
<u>92,814,396</u>	<u>102,893,269</u>
1,101,741	603,479
7,512,643	6,157,844
15,186,848	19,447,697
9,932,129	10,026,551
1,763,601	1,846,277
<u>35,496,962</u>	<u>38,081,848</u>
<u>128,311,358</u>	<u>140,975,117</u>
38,997,786	41,462,534
1,614,777	-
2,212,736	2,625,031
1,491,097	1,543,101
1,461,574	1,436,778
<u>45,777,970</u>	<u>47,067,444</u>
<u>\$ 174,089,328</u>	<u>\$ 188,042,561</u>
(1,711,487,124)	(1,841,658,031)
(1,444,982)	(978,230)
<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>
\$ 1,457,150,730	\$ 1,507,402,033
411,828,686	468,650,022
1,027,578	539,841
632,532	929,696
-	-
35,216	127,762
<u>1,870,674,742</u>	<u>1,977,649,354</u>
751,031	995,628
-	-
(35,216)	(127,762)
715,815	867,866
<u>\$ 1,871,390,557</u>	<u>\$ 1,978,517,220</u>
159,187,618	135,991,323
(729,167)	(110,364)
<u>\$ 158,458,451</u>	<u>\$ 135,880,959</u>

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

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund:					
Reserved	\$ 12,327,531	\$ 12,644,216	\$ 10,900,430	\$ 11,221,140	\$ 12,536,487
Unreserved	<u>(6,067,530)</u>	<u>(5,308,716)</u>	<u>(4,360,507)</u>	<u>(4,651,246)</u>	<u>5,447,168</u>
Total general fund	<u>\$ 6,260,001</u>	<u>\$ 7,335,500</u>	<u>\$ 6,539,923</u>	<u>\$ 6,569,894</u>	<u>\$ 17,983,655</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ 41,510	\$ 82,777
Unreserved, reported in:					
Special revenue funds	-	-	-	16,294	17,115
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,602,793)</u>	<u>(7,768,903)</u>
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,544,989)</u>	<u>\$ (7,669,011)</u>
	2003	2004	2005	2006	2007
General Fund:					
Reserved	\$ 10,086,228	\$ 11,379,515	\$ 13,197,236	\$ 21,989,545	\$ 17,240,840
Unreserved	<u>(5,625,651)</u>	<u>(171,197)</u>	<u>3,263,757</u>	<u>(3,047,043)</u>	<u>4,879,365</u>
Total general fund	<u>\$ 4,460,577</u>	<u>\$ 11,208,318</u>	<u>\$ 16,460,993</u>	<u>\$ 18,942,502</u>	<u>\$ 22,120,205</u>
All other governmental funds					
Reserved	\$ 5,436	\$ 6,913	\$ 5,053	\$ 3,473	\$ 741,649
Unreserved, reported in:					
Special revenue funds	82,633	85,935	87,033	91,238	146,750
Capital projects funds	<u>(8,133,947)</u>	<u>(10,802,854)</u>	<u>(12,604,232)</u>	<u>(13,472,262)</u>	<u>(14,392,596)</u>
Total all other governmental funds	<u>\$ (8,045,878)</u>	<u>\$ (10,710,006)</u>	<u>\$ (12,512,146)</u>	<u>\$ (13,377,551)</u>	<u>\$ (13,504,197)</u>

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

	Fiscal Year			
	1998	1999	2000	2001
<b>Revenues</b>				
Intergovernmental:				
Montgomery County	\$ 851,421,873	\$ 903,618,593	\$ 955,247,100	\$ 1,041,378,917
State of Maryland	262,570,216	262,852,213	269,819,680	297,395,004
Federal Government	23,723,869	26,854,697	33,724,378	36,547,569
Other	3,805,318	3,757,220	4,899,686	6,387,329
Total Revenue	<u>1,141,521,276</u>	<u>1,197,082,723</u>	<u>1,263,690,844</u>	<u>1,381,708,819</u>
<b>Expenditures</b>				
Current:				
Administration	26,064,353	28,140,149	32,477,440	32,279,103
Mid-level administration	56,777,290	65,408,765	73,554,442	81,091,469
Instructional salaries and wages	423,611,283	449,914,787	484,167,089	544,038,808
Instructional textbooks and supplies	17,545,315	21,286,541	23,980,877	23,841,371
Other instructional costs	12,228,543	20,461,729	12,647,927	13,344,517
Special education	111,330,263	120,667,222	129,606,867	141,404,178
Student personnel services	3,654,705	4,073,102	4,427,513	5,123,414
Health services	20,481	28,978	35,889	37,938
Student transportation	45,471,730	47,843,343	50,266,568	55,606,074
Operation of plant	57,858,587	60,481,975	64,883,944	67,824,772
Maintenance of plant	23,316,282	25,085,800	24,077,892	24,835,900
Fixed charges	239,330,320	241,235,425	248,363,181	264,617,039
Community services	619,727	655,148	742,768	986,926
Debt service:				
Capital lease principal	5,516,613	5,772,275	6,974,098	8,743,607
Capital lease interest	532,798	847,120	958,318	1,136,580
Capital outlay	121,980,892	118,576,313	117,047,191	136,115,527
	<u>1,145,859,182</u>	<u>1,210,478,672</u>	<u>1,274,212,004</u>	<u>1,401,027,223</u>
Excess of Revenues over (under) expenditures	(4,337,906)	(13,395,949)	(10,521,160)	(19,318,404)
<b>Other financing sources(uses)</b>				
Capital lease financing	7,791,983	13,614,110	8,558,368	11,401,958
Technology loans from Montgomery County		361,086	547,066	22,500
Transfers in	648,459	496,252	620,149	378,928
Transfers out				
Total other financing sources(uses)	<u>8,440,442</u>	<u>14,471,448</u>	<u>9,725,583</u>	<u>11,803,386</u>
Net change in fund balances	<u>\$ 4,102,536</u>	<u>\$ 1,075,499</u>	<u>\$ (795,577)</u>	<u>\$ (7,515,018)</u>
Debt service as a percentage of noncapital expenditures	0.6%	0.6%	0.7%	0.8%

2002	2003	2004	2005	2006	2007
\$ 1,148,280,914	\$ 1,137,558,192	\$ 1,233,511,048	\$ 1,356,035,517	\$ 1,498,345,349	\$ 1,558,647,046
305,836,841	339,814,082	350,931,179	366,552,766	417,013,817	474,951,016
43,866,688	56,379,262	59,737,638	70,605,126	74,573,378	75,177,789
4,332,529	4,827,458	4,970,961	8,194,694	8,999,000	9,547,103
<u>1,502,316,972</u>	<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>
28,106,692	27,666,368	26,965,317	28,439,926	36,625,851	43,163,115
86,442,046	93,633,242	96,088,892	101,729,773	109,442,018	118,650,653
594,976,886	635,877,265	654,152,515	686,486,182	719,934,184	760,940,050
25,094,764	25,599,461	25,646,985	28,751,450	33,245,147	36,680,260
19,113,591	13,014,528	13,133,928	22,110,271	16,855,159	18,687,106
155,739,680	170,576,458	178,834,273	193,353,038	207,149,010	227,023,151
5,814,326	6,227,216	8,623,619	9,111,032	9,936,670	10,264,691
37,150	104,058	32,474	34,127	36,530	44,821
58,249,923	56,900,115	59,958,528	71,323,679	79,509,617	81,298,925
73,460,791	77,846,881	80,456,510	85,739,412	92,411,740	102,598,137
24,929,368	25,833,275	25,714,753	26,776,709	28,718,901	30,815,334
272,754,398	305,913,265	346,990,115	388,327,283	419,075,926	463,825,658
1,246,430	1,324,417	1,360,072	1,326,568	1,731,259	1,750,520
11,358,196	11,841,404	15,124,117	19,300,633	22,597,421	23,997,477
1,801,781	1,027,855	1,324,991	1,262,669	1,372,132	1,742,075
148,902,723	113,557,576	128,053,894	159,336,986	244,402,835	218,839,987
<u>1,508,028,745</u>	<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>
(5,711,773)	(28,364,390)	(13,310,157)	(22,021,635)	(24,112,856)	(21,999,006)
16,377,140	13,447,873	16,783,521	25,456,831	25,693,744	24,922,301
85,857	12,836				
538,515	13,852	16,584	15,339	35,216	127,762
	629,884	593,755			
<u>17,001,512</u>	<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>\$ 11,289,739</u>	<u>\$ (14,259,945)</u>	<u>\$ 4,083,703</u>	<u>\$ 3,450,535</u>	<u>\$ 1,616,104</u>	<u>\$ 3,051,057</u>
1.0%	0.8%	1.1%	1.3%	1.4%	1.4%

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, 2006 \*

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Operating revenues:	
Contributions by other agencies	\$ 34,315,223
Contributions by the Board of Education	<u>13,783,860</u>
Total Operating Revenues	<u>48,099,083</u>
Operating expenses:	
Self-insurance losses, net of recoveries	28,353,815
Other costs at risk	4,270,778
Commercial insurance	2,774,119
Other operating expenses	<u>2,758,962</u>
Total Operating Expenses	<u>38,157,674</u>
Operating (loss)	<u>9,941,409</u>
Nonoperating income :	
Interest on investments	4,782,807
Other revenue	<u>39,896</u>
Total nonoperating income	<u>4,822,703</u>
Net (loss)/Change in retained earnings	14,764,112
Retained earnings (deficit), Beginning	<u>(895,955)</u>
Retained earnings (deficit), Ending	<u>\$ 13,868,157</u>

Notes:

\* Date of the most current available information.

Source: Montgomery County, Maryland FY 2006 *Comprehensive Annual Financial Report*



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

Fiscal Year	Tax Levy			Collected within the		Collections in Subsequent Years (2)	Total Collections to Date		
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years (1)	Total Adjusted Levy	Fiscal Year of the Levy	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
1998	\$ 740,356,969	\$ -	\$ 740,356,969	\$ 731,962,325	98.87	\$ 44,310	\$ 732,006,635	98.87	%
1999	738,861,799	-	738,861,799	731,482,875	99.00	187,647	731,670,522	99.03	
2000	762,239,449	1,376	762,240,825	754,198,902	98.95	(1,174,064)	753,024,838	98.79	
2001	784,285,708	(7,357)	784,278,351	777,057,655	99.08	(1,834,770)	775,222,885	98.85	
2002	821,038,153	8,188	821,046,341	805,329,587	98.09	(2,844,052)	802,485,535	97.74	
2003	867,011,819	(42,478)	866,969,341	861,862,819	99.41	(3,696,141)	858,166,678	98.98	
2004	927,789,542	212,022	928,001,564	924,992,688	99.70	1,942,438	926,935,126	99.89	
2005	1,006,556,130	888,244	1,007,444,374	1,005,935,155	99.94	(1,631,963)	1,004,303,192	99.69	
2006	1,032,231,333	(914,845)	1,031,316,488	1,031,967,800	99.97	(2,405,488)	1,029,562,312	99.83	
2007	1,087,613,905	-	1,087,613,905	1,081,566,118	99.44	-	1,081,566,118	99.44	

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 (4)
	Residential (2)		Commercial/Other		Total		
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	
1998	\$20,725,567,731	\$52,656,422,083	\$ 6,549,073,404	\$ 16,638,906,004	\$ 27,274,641,135	\$ 69,295,328,087	\$ 2.560
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	0.904

Fiscal Year	Personal Property (3)					Real (1) and Personal Property Total		Ratio of Total Assessed to Total Estimated Actual Value	
	Business		Public Utility		Total	Total Direct Tax Rate (4)	Assessed Value		Estimated Actual Value
	Individuals	Corporations	Operating Property	Domestic Shares					
1998	\$ 96,721,710	\$ 1,885,477,810	\$ 1,503,028,070	\$ 169,223,380	\$ 3,654,450,970	\$ 2.545	\$ 30,929,092,105	\$ 72,949,779,057	42.40
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	2.242	129,659,725,668	135,583,270,092	95.63

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.
- (4) See "Real and Personal Property Tax Rates-County Direct Rate" for real and personal property direct tax rates.

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	Fire Tax District	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District	Metropolitan District			
<b>Real Property:</b>												
1998	\$ 1.962	\$ .262	\$ .091	\$ .004	\$ 2.319	\$ .054	\$ .01	\$ .061	\$ .153	\$ .241	\$ 2.560	
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	.003	.814	.024	.003	.020	.057	.090	.904	
<b>Personal Property:</b>												
1998	\$ 1.962	\$ .262	\$ .091	\$ .004	\$ 2.319	\$ .054	\$ .01	\$ .061	\$ .153	\$ .226	\$ 2.545	
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	.001	2.029	.060	.008	.050	.143	.213	2.242	

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
<b>Real Property:</b>											
1998	\$ .70	\$ .70	\$ .60	\$ .60	\$ .075	\$ .04	\$ .05	\$ .35	\$ .40	\$ -	\$ -
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 (2)	.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
<b>Personal Property:</b>											
1998	\$ .70	\$ .70	\$ .60	\$ .60	\$ .075	\$ .04	\$ .05	\$ .35	\$ .40	\$ -	\$ -
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	-	-

NOTES:

- \* Tax rates are per \$100 of assessed value.
- \* Personal property tax rates are applied to 100 percent of the property assessment.
- \* The County special taxing district rates above represent taxes that are levied against mutually exclusive specific geographic portions of the County's assessable base. Such rates are not included in the County direct rate on Table 9-a, as they are not reflective of what all County taxpayers would pay.

(1) Parking Lot Districts also carry a tax rate of one-half the amount shown which applies to property zoned commercial but not used as such.  
(2) See Note (3) on "Real and Personal Property Tax Rates-County Direct Rate".

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

Fiscal Year	Cities			Towns									Washington Grove
	Galthersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo	Kensington	Laytonsville	Poolesville	Somerset	
<b>Real Property:</b>													
1998	\$ .53	\$ .82	\$ 1.535 (1)	\$ .20	\$ .45	\$ .18	\$ .55	\$ .36	\$ .50	\$ .35	\$ .66	\$ .31	\$ .63
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 (2)	.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
<b>Personal Property:</b>													
1998	\$ .53	\$ .82	\$ 1.535 (1)	\$ .20	\$ .45	\$ .18	\$ .55	\$ .36	\$ .50	\$ .35	\$ .66	\$ .31	\$ .63
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

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) Effective July 1, 1997, the citizens of Takoma Park, which was located partly in Montgomery County and partly in Prince George's County, voted by referendum to have the City located entirely in Montgomery County.  
 (2) See Note (3) on "Real and Personal Property Tax Rates-County Direct Rate".

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
<b>Real Property:</b>										
1998	\$ .13	\$ .20	\$ .04	\$ .08	\$ .27	\$ .12	\$ .28	\$ .19	\$ .13	\$ .15
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
<b>Personal Property:</b>										
1998	\$ .13	\$ .20	\$ .04	\$ .08	\$ .27	\$ .12	\$ .28	\$ .19	\$ .13	\$ .15
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	.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

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 (3) on "Real and Personal Property Tax Rates-County Direct Rate".

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

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 705,060,996	6,931,466	\$ 698,129,530	0.54 %
Verizon	670,608,660	30,345,000	640,263,660	0.52
Montgomery Mall	335,367,236	334,691,666	675,570	0.26
Washington Gas Light Co.	229,028,830	-	229,028,830	0.18
Chevy Chase Land Co.	213,530,560	213,530,560	-	0.16
Mirant Mid-Atlantic LLC	198,571,702	75,319,332	123,252,370	0.15
7501 Wisconsin Avenue LLC	198,508,332	198,508,332	-	0.15
Wheaton Plaza Regional Shopping Center	174,942,430	173,759,100	1,183,330	0.13
Bryabt F. Foulger Trustee	174,503,400	174,503,400	-	0.13
Camalier, Anne D et al, Trustee	172,456,415	172,456,415	-	0.13
<b>Total</b>	<b>\$ 3,072,578,561</b>	<b>\$ 1,380,045,271</b>	<b>\$ 1,692,533,290</b>	<b>2.37 %</b>
<b>Total Assessable Base</b>	<b>\$ 129,659,725,668</b>			<b>100 %</b>

**For the Fiscal Year Ended June 30, 1998**

	Assessable Base			Ratio: Taxpayer Base to Total Assessable Base
	Total	Real Property	Personal Property	
Potomac Electric Power Co.	\$ 989,635,360	\$ 23,311,090	\$ 966,324,270	3.23 %
Bell Atlantic - Washington D.C. Inc.	560,581,280	23,998,640	536,582,640	1.83
Washington Gas Light Company	159,973,950	6,434,100	153,539,850	0.52
Montgomery Mall	77,219,890	77,219,890	-	0.25
May Department Stores	65,742,820	24,118,440	41,624,380	0.21
International Business Machines	61,437,020	17,270,710	44,166,310	0.20
Bryabt F. Foulger Trustee	56,923,880	56,923,880	-	0.19
Marbeth Partnership	52,019,330	52,019,330	-	0.17
Wheaton Plaza Regional Shopping Center	51,550,340	51,550,340	-	0.17
Albert & R. Abramson, Et. Al	54,094,860	54,094,860	-	0.17
<b>Total</b>	<b>\$ 2,129,178,730</b>	<b>\$ 386,941,280</b>	<b>\$ 1,742,237,450</b>	<b>6.94 %</b>
<b>Total Assessable Base</b>	<b>\$ 30,647,787,862</b>			<b>100 %</b>

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 (3)	Per Capita (4)
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Total		
1998	\$ 1,057,463,054	\$ -	\$ 1,057,463,054	1.45 %	\$ 1,248
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	1,319
2002	1,242,553,054	-	1,242,553,054	1.41	1,370
2003	1,288,293,054	-	1,288,293,054	1.32	1,406
2004	1,329,778,054	-	1,329,778,054	1.30	1,443
2005	1,415,208,054	-	1,415,208,054	1.30	1,502
2006	1,493,888,054	100,000,000	1,493,888,054	1.22	1,568
2007	1,512,675,607	100,000,000	1,612,675,607	1.19	1,703

NOTES:

- (1) General Bonded Debt includes all general obligation debt, 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 is comprised of both governmental and business-type activities.
- (3) See "Assessed and Estimated Actual Value of Taxable Property" for estimated actual value of taxable property data.
- (4) See "Demographic Statistics" for population data.



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

	1998	1999	2000	2001
<b>Assessed Value</b>				
Real property (1, 3)	\$ 27,274,641,135	\$ 27,906,079,996	\$ 28,674,553,821	\$ 29,649,012,878
Personal property (2)	3,654,450,970	3,758,546,555	3,879,302,990	4,077,848,090
Total Assessed Value	<u>\$ 30,929,092,105</u>	<u>\$ 31,664,626,551</u>	<u>\$ 32,553,856,811</u>	<u>\$ 33,726,860,968</u>
<b>Legal Debt Margin</b>				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior) (2)	\$ 4,091,196,170	\$ 4,185,911,999	\$ 4,301,183,073	\$ 4,447,351,932
For personal property at 15%	<u>548,167,646</u>	<u>563,781,983</u>	<u>581,895,449</u>	<u>611,677,214</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	<u>4,639,363,816</u>	<u>4,749,693,983</u>	<u>4,883,078,522</u>	<u>5,059,029,146</u>
Debt Applicable to Limit:				
General obligation bonds	1,057,463,054	1,091,613,054	1,131,833,054	1,178,708,054
Variable Rate Demand Obligation	-	-	-	-
Bond anticipation notes	150,000,000	80,000,000	160,000,000	125,000,000
Long-term notes payable	-	1,753,025	1,689,553	1,625,240
Total Debt Applicable to Limit	<u>1,207,463,054</u>	<u>1,173,366,079</u>	<u>1,293,522,607</u>	<u>1,305,333,294</u>
Legal Debt Margin	<u>\$ 3,431,900,762</u>	<u>\$ 3,576,327,904</u>	<u>\$ 3,589,555,915</u>	<u>\$ 3,753,695,852</u>
Legal Debt Margin as a Percentage of Debt Limit	74%	75%	74%	74%

NOTES:

- (1) See (1) on "Assessed and Estimated Actual Value of Taxable Property"
- (2) See (3) on "Assessed and Estimated Actual Value of Taxable Property"
- (3) As a Charter County, the legal debt limit is provided by Article 25A, Section 5(P), 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.

	2002	2003	2004	2005	2006	2007
\$	77,574,947,550	\$ 82,407,337,831	\$ 89,263,005,267	\$ 98,281,724,723	\$ 110,529,249,116	\$ 125,710,776,118
	4,201,344,590	4,227,854,400	3,963,801,610	3,902,612,110	3,831,629,230	3,948,949,550
\$	<u>81,776,292,140</u>	<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>
\$	4,654,496,853	\$ 4,944,440,270	\$ 5,355,780,316	\$ 5,896,903,483	\$ 6,631,754,947	\$ 7,542,646,567
	630,201,689	634,178,160	594,570,242	585,391,817	574,744,385	592,342,433
	<u>5,284,698,542</u>	<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>
	1,242,553,054	1,288,293,054	1,329,778,054	1,415,208,054	139,388,054	1,512,675,607
	-	-	-	-	100,000,000	100,000,000
	125,000,000	125,000,000	150,000,000	-	100,000,000	150,000,000
	1,408,951	1,341,206	1,270,924	1,198,385	-	-
	<u>1,368,962,005</u>	<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>3,915,736,537</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>
	74%	75%	75%	78%	78%	78%

MONTGOMERY COUNTY, MARYLAND  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)  
FOR THE YEAR ENDED JUNE 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Brookeville - bank loans	\$ 108,000	100.00 %	\$ 108,000
Garrett Park - bonds	655,900	100.00	655,900
Poolesville - bonds	2,509,376	100.00	2,509,376
Rockville - bonds	37,806,036	100.00	37,806,036
Takoma Park:			
Bonds	5,656,677	100.00	5,656,677
Certificates or notes	122,260	100.00	122,260
Capital leases	541,584	100.00	541,584
Component Units (2, 3):			
MCPS - capital leases	45,400,158	100.00	45,400,158
Joint Venture - M-NCPPC (3, 4):			
Park acquisition and development bonds	144,206,660	25.57	36,875,901
Advance land acquisition bonds	5,480,000	78.28	4,290,000
Development Districts (2):			
Kingsview Village Center - bonds	2,205,000	100.00	2,205,000
West Germantown - bonds	15,450,000	100.00	<u>15,450,000</u>
Total Overlapping Debt			151,620,892
Montgomery County direct debt			<u>1,904,769,799</u>
Total Direct and Overlapping Debt			<u><u>\$ 2,056,390,691</u></u>

NOTES:

- (1) Direct debt relating to the governmental activities of the County includes general obligation bonds, 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.

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MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY - PLEDGED - REVENUE COVERAGE  
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	
<b>Bethesda Parking Lot District (1):</b>							
1997	\$ 9,860,961	\$ 3,704,717	\$ 6,156,244	\$ 1,315,000	\$ 1,381,588	\$ 2,696,588	\$ 228.30
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
<b>Silver Spring Parking Lot District (1):</b>							
1997	\$ 9,069,251	\$ 5,208,487	\$ 3,860,764	\$ 1,235,000	\$ 1,203,723	\$ 2,438,723	\$ 158.31
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
<b>Solid Waste Disposal (1):</b>							
1997	(5) \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- %
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 (6)
2003	88,331,791	80,007,807	8,323,984	2,320,000	1,973,966	4,293,966	193.85 (6)
2004	93,065,778	88,366,006	4,699,772	2,555,000	1,456,033	4,011,033	117.17 (6)
2005	92,697,769	94,957,279	(2,259,510)	2,835,000	1,177,350	4,012,350	(56.31) (6)
2006	100,566,075	90,819,590	9,746,485	2,920,000	1,092,300	4,012,300	242.92

MONTGOMERY COUNTY, MARYLAND  
DEBT CAPACITY - PLEDGED - REVENUE COVERAGE  
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	
<b>Metrorail Garage Project (1):</b>							
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

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) Data for 1997 is not readily available since prior to 1998 all Solid Waste Activities were combined in the financial statements.
- (6) 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, 2007\*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2007
General bonded indebtedness:					
Consolidated Public Improvement Refunding	2.75 - 5.8	7/1/1992	1993-10	\$ 124,229,500	\$ 18,173,678
Consolidated Public Improvement	5.10 - 5.50	3/15/1996	1997-16	55,000,000	-
Consolidated Public Improvement	5.0 - 5.375	4/15/1997	1998-17	27,500,000	1,375,000
Consolidated Public Improvement Refunding	3.9 - 5.25	1/1/1998	2003-15	39,634,602	34,651,709
Consolidated Public Improvement	4.875	4/1/1998	1999-18	80,100,000	11,729,900
Consolidated Public Improvement	4.0 - 5.0	4/1/1999	2000-19	66,200,000	13,240,000
Consolidated Public Improvement	5.0 - 6.0	1/1/2000	2001-20	67,000,000	13,400,000
Consolidated Public Improvement	4.0 - 5.0	2/1/2001	2002-21	74,978,422	22,493,527
Consolidated Public Improvement Refunding	3.6 - 5.25	11/15/2002	2003-19	61,667,788	53,437,691
Consolidated Public Improvement	3.0 - 5.0	2/1/2001	2003-22	76,000,000	30,400,000
Consolidated Public Improvement Refunding	2.75 - 5.25	11/15/2002	2005-13	58,187,994	50,460,268
Consolidated Public Improvement	1.50 - 4.0	5/1/2003	2004-23	86,500,000	69,200,000
Consolidated Public Improvement Refunding	2.0 - 5.0	5/1/2003	2004-11	25,633,689	15,911,994
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	53,380,000
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	59,895,000
Consolidated Public Improvement Refunding	5.0	6/1/2005	2011-21	62,464,240	62,464,240
Consolidated Public Improvement	4.2 - 5.0	5/1/2006	2007-16	50,000,000	45,000,000
Consolidated Public Improvement	Variable	6/1/2005	2017-26	64,000,000	64,000,000
Consolidated Public Improvement	5.0	3/1/2007	2008-27	149,600,000	149,600,000
Total				\$ <u>1,350,896,524</u>	\$ <u>821,663,296</u>

Note:

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

Source: Montgomery County, Maryland Debt Service Program, Direct Debt, Issues Through June 30, 2007



MONTGOMERY COUNTY, MARYLAND  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)		Average Registered Number of Pupils (Fiscal Year)(7)
1998	847,596	\$ 36,586,455	\$ 43,168	472,944	462,620	2.2	%	125,035
1999	862,350	39,049,711	45,283	478,946	470,018	1.9		127,852
2000	878,545	43,575,224	49,599	489,050	476,197	2.6		130,689
2001	893,927	45,537,627	50,941	490,213	475,049	3.1		134,180
2002	906,863	47,041,902	51,873	495,669	478,377	3.5		136,832
2003	916,073	48,789,893	53,260	497,410	480,802	3.3		138,891
2004	921,631	52,221,138	56,662	497,616	481,647	3.2		139,203
2005	942,000	55,800,000	59,236	507,644	491,801	3.1		139,337
2006	953,000	58,900,000	61,805	521,858	508,030	2.9		139,387
2007	947,000	62,700,000	66,209	525,018	510,022	2.8		137,798

NOTES:

- (1) Sources: Data for 1998-2005 from the Bureau of Economic Analysis (BEA), U.S. Department Commerce. Data for 2006-2007 from the Maryland-National Capital Park and Planning Commission, Research and Technology Center. Round 7 Cooperative Estimates. Estimates for 2000-2004 revised by BEA on May 2007.
- (2) Source: 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 2003-2004 were revised by BEA and data for 2005 is a preliminary estimate from BEA. Data for 2006-2007 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 for 2002 - 2006 and estimated for 2004. Please note: BLS undertook significant changes to the County's civilian labor force data during 2007 for calendar years 2000 through 2005. Data for 2007 is an estimate derived by the Montgomery County Department of Finance.
- (5) Source: 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. Please note: BLS undertook significant changes to the County's resident employment data during 2007 for calendar years 2000 through 2005. Data for 2006 is an estimate derived by the Montgomery County Department of Finance.
- (6) The unemployment rate for 2007 is the average of the unemployment rates for the first half of calendar year 2007.
- (7) Source: County Executive's Recommended FY08 Operating Budget, Office of Management and Budget

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

Employer	Fiscal Year 2007			Fiscal Year 1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Department of Health and Human Services	41,250	1	8.87 %	32,908	1	8.41 %
Montgomery County Public Schools	20,875	2	4.49	15,114	2	3.86
U.S. Department of Defense	14,709	3	3.16	12,448	3	3.18
Montgomery County Government	8,675	4	1.87	7,391	4	1.89
Adventist Healthcare	8,134	5	1.75	3,800	10	0.97
U.S. Department of Commerce	6,721	6	1.45	6,705	5	1.71
Giant Food Corporation	3,896	7	0.84	4,500	7	1.15
Lockheed Martin	3,832	8	0.82	*		-
Marriott International, Inc. (Headquarters)	3,000	9	0.65	5,000	6	1.28
Nuclear Regulatory Commission	2,712	10	0.58	*		-
Chesapeake and Potomac Telephone Company	*		-	4,500	7	1.15
Tracor, Inc. (Regional)	*		-	4,500	7	1.15
<b>Total</b>	<b>113,804</b>		<b>24.48 %</b>	<b>96,866</b>		<b>24.75 %</b>

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 FY2007 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.

Source: Montgomery County Department of Economic Development

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

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

Notes:

NA - Data not readily available.

Data for FY 1998 - 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 2007:

(1) FY2007 Annual Report on Our Call to Action: Pursuit of Excellence (The Strategic Plan for the Montgomery County Public Schools)

(2) The Citizens Budget FY2008

(3) FY2008 Educational Facilities Master Plan and the Amended FY2007-2012 Capital Improvements Program

(4) The Superintendent's FY2008 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			
	1998	1999	2000	2001
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	7,054	7,477	7,884	8,490
Other staff	1,346	1,360	1,467	1,467
Total Regular instruction	<u>8,400</u>	<u>8,837</u>	<u>9,351</u>	<u>9,957</u>
Special education:				
Teachers	1,294	1,410	1,485	1,538
Other staff	674	800	896	921
Total Special education	<u>1,968</u>	<u>2,210</u>	<u>2,381</u>	<u>2,459</u>
School administration	1,233	1,288	1,336	1,383
Student personnel services	64	69	72	77
Total Instruction	<u>11,665</u>	<u>12,404</u>	<u>13,140</u>	<u>13,876</u>
Support services:				
Student transportation	1,309	1,379	1,429	1,459
Operation of plant	1,095	1,125	1,163	1,189
Maintenance of plant	366	369	373	373
Administration	320	322	331	326
Total Support services	<u>3,090</u>	<u>3,195</u>	<u>3,296</u>	<u>3,347</u>
Special Revenue:				
Instruction TV *	9	9	11	13
Business-Type Activities:				
Food Service	437	455	487	503
Adult Education	8	8	8	7
Real Estate Management	3	3	3	4
Field Trips	3	3	3	3
Entrepreneurial activities	-	3	3	5
Position Grand total	<u><u>15,215</u></u>	<u><u>16,080</u></u>	<u><u>16,951</u></u>	<u><u>17,758</u></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

2002	2003	2004	2005	2006	2007
8,974	9,197	9,257	9,302	9,546	9,679
1,488	1,400	1,343	1,354	1,354	1,392
<u>10,462</u>	<u>10,597</u>	<u>10,600</u>	<u>10,656</u>	<u>10,900</u>	<u>11,071</u>
1,587	1,665	1,708	1,775	1,867	1,985
1,052	1,117	1,166	1,206	1,269	1,377
<u>2,639</u>	<u>2,782</u>	<u>2,874</u>	<u>2,981</u>	<u>3,136</u>	<u>3,362</u>
1,432	1,486	1,498	1,543	1,610	1,675
88	89	121	121	122	120
<u>14,621</u>	<u>14,954</u>	<u>15,093</u>	<u>15,301</u>	<u>15,768</u>	<u>16,228</u>
1,503	1,522	1,620	1,688	1,728	1,750
1,243	1,272	1,280	1,285	1,322	1,390
371	368	363	380	389	377
337	321	326	334	345	363
<u>3,454</u>	<u>3,483</u>	<u>3,589</u>	<u>3,687</u>	<u>3,784</u>	<u>3,880</u>
13	14	14	14	14	14
520	545	575	577	590	601
6	8	8	6	5	0
4	4	4	4	5	4
3	3	3	3	3	3
5	6	7	9	9	10
<u>18,626</u>	<u>19,017</u>	<u>19,293</u>	<u>19,601</u>	<u>20,178</u>	<u>20,740</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS  
SCHEDULE OF INSURANCE IN FORCE  
as of June 30, 2007

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	07/01/07-07/01/08		\$100,000
Workers' Compensation	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/07-07/01/08		As required by Maryland Statutes plus \$100,000 Insurance Fund
Boiler and Machinery	FM Global	LP550	07/01/07-07/01/08		Extra expense \$25,000 deductible
Property All Risk Coverage	FM Global	LP550	07/01/07-07/01/08		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	07/01/07-07/01/08		Same as above
Commercial Crime Policy Bond Coverage - all employees	Fidelity & Deposit Co. of Maryland	CCP00510340	07/01/07-06/30/08		\$1,000,000 per loss \$500,000 forgery/alteration
Public Official Bond	Travelers	103962416	07/01/07-07/01/08		\$10,000
Tackle Football for Students	Mega Life & Health Insurance Company	N/A	08/15/07-08/15/08		\$100,000 medical expense After 52 weeks after accident - \$2,500 death
Catastrophe/Liability for School Athletics	American International Group	SRG9100883	08/01/07-08/01/08		\$5,000,000 Medical expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County – Board of Education Self- Insurance Program	N/A	07/01/03-06/30/08		No limit
Fiduciary Liability	National Union Fire	006731215	07/01/07-06/30/08		\$5,000,000
Excess Liability Auto and General	Alliant Insurance Co.	71M2000001-071	03/01/07-07/01/08		\$10,000,000 \$3,000,000 retention Self-Insurance Fund Pays 1 <sup>st</sup> \$3 million
N/A -- Not Applicable					

Source: Department of Financial Services





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