

for the Fiscal Year Ended **JUNE 30, 2011**

Comprehensive Annual FINANCIAL REPORT

Montgomery County Public Schools
a component unit of Montgomery County, Maryland
ROCKVILLE, MARYLAND



Dr. Joshua P. Starr
Superintendent of Schools

Mr. Larry A. Bowers
Chief Operating Officer

Dr. Frieda K. Lacey
Deputy Superintendent of Schools

Montgomery County Public Schools

GUIDING TENETS

CORE VALUES

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

MISSION

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

VISION

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

SYSTEM GOALS

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

BOARD OF EDUCATION ACADEMIC PRIORITIES

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

Montgomery County Public Schools
A Component Unit of Montgomery County Maryland
Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 2011

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:
Cabin John Middle School

850 Hungerford Drive
Rockville, MD 20850

INTENTIONALLY BLANK

MONTGOMERY COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF MONTGOMERY COUNTY MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2011

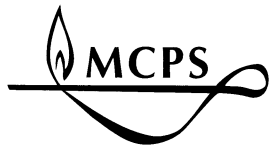
	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	7
ASBO Certificate of Excellence in Financial Reporting.....	8
Listing of Officials	9
Montgomery County Public Schools Organization.....	10
 FINANCIAL SECTION	
Independent Auditor’s Report	12
Management’s Discussion and Analysis	14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	27
Statement of Activities	28
Fund Financial Statements:	
Balance Sheet-Governmental Funds	30
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Assets ..	31
Statement of Revenues, Expenditures, and Changes in Fund Balances-	
Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances	
of Governmental Funds With the District-Wide Statement of Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and	
Actual-General Fund	34
Statement of Net Assets-Proprietary Funds	35
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	36
Statement of Cash Flows-Proprietary Funds	37
Statement of Fiduciary Net Assets – Fiduciary Funds	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	39
Notes to the Financial Statements	41
Required Supplementary Information:	
MCPS Employees’ Retirement and Pension System:	
Schedule of Funding Progress	62
Schedule of Employer Contributions	62
OPEB Plan Trust:	
Schedule of Funding Progress	62
Schedule of Employer and Other Contributing Entities Contributions	62
Supplementary Data:	
Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-	
Capital Projects Fund	65
Schedule of Construction in Progress-Capital Projects Fund	66
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-	
Special Revenue Fund	67
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets – Nonmajor Enterprise Funds	69
Combining Statement of Revenues, Expenses and Changes in Fund	
Net Assets – Nonmajor Enterprise Funds	70
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	71

TABLE OF CONTENTS
(continued)

Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds	73
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds	74
Statement of Changes in Assets and Liabilities – Agency Funds	75
STATISTICAL SECTION (UNAUDITED)	
Statistical Section	
Net Assets by Component – Last Eight Fiscal Years (Accrual Basis of Accounting).....	79
Change in Net Assets – Last Eight Fiscal Years (Accrual Basis of Accounting).....	80
Fund Balances of Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	83
Change in Fund Balances of Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	84
Statement of Revenues, Expenses and Changes in Net Assets - Montgomery County and Board of Education Self-Insurance Fund	86
Montgomery County, Maryland:	
Revenue Capacity Property Tax Levies and Collections – Last Ten Fiscal Years	87
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	88
Real and Personal Property Tax Rates – County Direct Rate – Last Ten Fiscal Years	89
Real and Personal Property Tax Rates – County Special Taxing Districts – Last Ten Fiscal Years	90
Real and Personal Property Tax Rates – Overlapping Governments – Cities and Towns – Last Ten Fiscal Years	91
Real and Personal Property Tax Rates – Overlapping Governments – Villages – Last Ten Fiscal Years	92
Ten Highest Commercial Property Taxpayers – Current Fiscal Year and Nine Years Ago.....	93
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	95
Computation of Legal Debt Margin – Last Ten Fiscal Years	96
Direct and Overlapping Governmental Activities Debt.....	98
Statement of Long-term Indebtedness (Public Schools)	99
Demographic Statistics – Last Ten Fiscal Years	100
Principal Employers – Current Fiscal Year and Nine Years Ago	101
Montgomery County Public Schools:	
Operating Indicators by Function – Last Six Fiscal Years	103
Employees by Function – Last Ten Fiscal Years.....	104
Schedule of Insurance in Force	106

INTRODUCTORY SECTION

INTENTIONALLY BLANK



September 23, 2011

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 Montgomery County Public Schools (MCPS) for the fiscal year ended June 30, 2011.

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

MCPS financial statements have been audited by Clifton Gunderson LLP, an independent firm of licensed certified public accountants. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

MCPS also is required to undergo a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. In addition to reporting on the fair presentation of the financial statements, the single audit places special emphasis on internal controls and legal requirements involved in the administration of federal awards. These reports are available in MCPS' separately issued Single Audit Report.

MCPS Profile

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

Members of the Board of Education

Education comprises five district members, two at-large members, and one student member elected for a one-year term. The Board determines educational policy and employs a superintendent of schools to administer the school system. Primary funding is provided by Montgomery County from its general revenues. Funds also are received from state and federal sources for general school aid and specific purpose grants.

The MCPS Operating Budget is approved by the Montgomery County Council. The Board of Education has no power to levy and collect taxes or increase the budget. Because of the relationship with Montgomery County, MCPS is considered a component unit of the county government, as defined by GAAP for governmental entities.

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

Relevant Financial Policies

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

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

Factors Affecting Financial Condition

Local economy—MCPS receives approximately 66 percent of its operating budget from Montgomery County. The economic condition and outlook of the county, therefore, play substantial roles in the economic condition of MCPS.

For the Washington Metropolitan Statistical Area (MSA), leading economic indicators have not recovered significantly from the continuing effects of the national recession. According to the Center for Regional Analysis, the region's economy is expected to grow slowly during 2011.

Members of the Board of Education

The region added approximately 7,900 jobs over the past year. The most recent unemployment rate was 6.0 percent—well below national levels, but significantly higher than recent years for the metropolitan area. The Washington MSA Coincident Index, a measure of the current state of the metropolitan economy, decreased by 0.4 percent during Fiscal Year (FY) 2011. The Washington MSA Leading Index increased by 1.6 percent in FY 2011, suggesting continued sluggish growth in the region's economic expansion in the next six to eight months. Both the region's and the county's economies have outperformed the nation's economy due to the large presence of the federal government in the area. But recent indicators show that the area has fallen behind growth in other metropolitan areas because of a decrease of federal employment. The federal government comprises approximately 30 percent of the county's economy. Consumer prices in the region increased 4.1 percent in the past year, slightly above the national average, and higher than the previous year's regional inflation rate of 1.7 percent. Core inflation, which excludes food and energy items, was 2.8 percent, higher than the 1.4 percent core inflation rate in the previous year.

Montgomery County's economy has experienced mixed economic performance during the last year. The primary reasons for the county's performance were a decrease in sales of existing homes and stagnant employment. Resident employment increased by 4,150 (0.9 percent) during FY 2011. Payroll employment increased by 1.3 percent. However, the county's unemployment rate of 5.6 percent remains one of the lowest in the state. Construction activity continued to experience improvement during FY 2011, increasing modestly from a historically low base. The number of nonresidential construction starts was up 21.3 percent and value was up 77.7 percent. The value of new residential construction increased 33.4 percent this year, but the number of residential building permits issued decreased by 16.1 percent. The number of residential sales decreased during the year by 17.6 percent; however, average home prices in the county have increased by 6.1 percent this year. While revenue from property taxes increased by 2.4 percent and real estate transfer and recordation taxes increased by 10.5 percent, revenue from income tax increased only by 2.2 percent in FY 2011. Purchases of goods and services were down by 4.3 percent in FY 2011.

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 2013 through FY 2017 indicate an annual increase for major known commitments of \$64.0 million for FY 2013, and similar projected increases for known commitments for FY 2014 through FY 2017, not including the cost of future negotiated agreements or any funds to address initiatives planned in the MCPS strategic plan, *Our Call to Action: Pursuit of Excellence*, to raise the bar and close the achievement gap between racial and ethnic groups. Employees have not received a general wage increase since FY 2009 and have not received annual seniority increments since FY 2010. Each one percent salary increase will add \$13.8 million in FY 2013.

Negotiated agreements—During FY 2010, the Board of Education reached agreement on four-year contracts with all three employee associations. All contracts will expire on June 30, 2014.

Members of the Board of Education

The contracts all provided for no step increases and no cost-of-living adjustments. All contracts provide for reopened negotiations on economic provisions during each of the next three years.

Enrollment—MCPS enrollment has increased by over 40,000 students in the last 20 years. After a brief period of relatively flat enrollment, from 2002 to 2007, enrollment began to increase substantially in 2008. Between 2008 and 2009 enrollment increased by 2,200 students, and between 2009 and 2010, enrollment increased by 2,500 students. Enrollment on September 30, 2011, is expected to be about 146,000, an increase of about 2,500 students. As a result of increasing numbers of births in the county and other factors that are increasing enrollment, total enrollment is projected to continue to grow, with 8,000 more students projected to enroll by 2017.

In regard to school capacity, MCPS is still catching up with enrollment increases that have occurred already, with additional space needs resulting from increases in county births, migration into MCPS from a number of sources, implementation of full-day kindergarten at all elementary schools, and implementation of class-size reductions in kindergarten and Grades 1 and 2 at elementary schools having high levels of Free and Reduced-price Meals participation. This year, MCPS is addressing overutilization at schools with 350 relocatable classrooms, 315 of which are at elementary schools where space issues are most pronounced. To relieve overutilization of schools, in FY 2012, MCPS will add a total of 146 classrooms at 12 elementary schools and one middle school. This figure includes classrooms added during school modernizations at four of the 12 elementary schools and at the one middle school.

Accomplishments and Awards

Graduation rates—According to the 2011 Diplomas Count report released by *Education Week*, MCPS has the highest graduation rate of any of the 50 largest school districts in the nation for the third year in a row. The report calculated the MCPS graduation rate as 85.7 percent.

Top high schools—In 2011, five MCPS high schools were named to High School Challenge list of the top 100 public high schools in the nation, released by *The Washington Post*. Inclusion on the list reflects a high school's ability to provide students with access to Advanced Placement and International Baccalaureate classes. All 25 MCPS high schools were in the top 1,000 on the High School Challenge list.

Baldrige Award—MCPS was a recipient of the 2010 Malcolm Baldrige National Quality Award, the highest presidential honor given to American organizations for managerial and performance excellence. MCPS became only the sixth public school system to receive the award and is by far the largest school district to be a recipient.

Broad Prize finalist—In 2010, MCPS was named one of five finalists for the prestigious Broad Prize for Urban Education. MCPS was chosen as a finalist from a pool of 100 school

Members of the Board of Education

districts. The Broad Prize is the largest education prize in the country. Designation as a finalist means MCPS 2011 graduates had access to \$250,000 in college scholarships.

SAT scores—The systemwide average SAT score in FY 2011 was 1637, the second highest score ever for the district, with 71 percent of seniors taking the SAT test. The average SAT score was 137 points above the national average and 145 points above the Maryland state average. Hispanic graduates from MCPS scored an average of 1477 on the SAT—8 points higher than 2010, 37 points higher than Hispanic graduates in Maryland, and 119 points higher than the nation. African American graduates of MCPS scored an average of 1382 on the SAT—seven points lower than 2010, but 116 points higher than Maryland’s African American graduates and 110 points higher than the nation’s. African American and Hispanic students are performing better than their peers on the SAT, but there are still gaps in achievement.

Academic progress—Students at all levels are demonstrating improved academic achievement. In 2010, 50 percent of the school system’s seniors scored a 3 or higher on at least one Advanced Placement exam, which is three times the national average and nearly double the average in Maryland. More than 66 percent of all MCPS seniors took one or more Advanced Placement exam. African American and Hispanic seniors in MCPS performed significantly better than their peers nationwide on Advanced Placement exams, with more African American students and Hispanic students scoring a 3 or better than the national average for all students. For the third year in a row, MCPS has the highest graduation rate among the nation’s largest school districts (85.7 percent). Record numbers of kindergarten students are reading—more than 92 percent in 2010, up from 59 percent in 2001, including 90 percent of African American students and 84 percent of Hispanic students. A record 68 percent of Grade 8 students successfully completed Algebra 1 in 2010.

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 CAFR for the fiscal year ended June 30, 2010. 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.

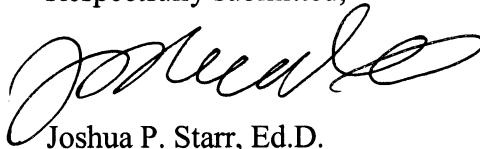
For 30 consecutive years, MCPS has received the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting. This award, valid for one year, is granted only after an intensive review of the CAFR by an expert panel of certified public accountants and practicing school business officials. MCPS plans to submit the 2011 CAFR to ASBO and believes the report continues to meet ASBO certificate program requirements.

Members of the Board of Education

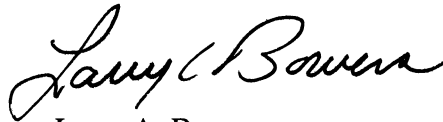
Acknowledgements

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.

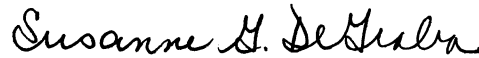
Respectfully submitted,



Joshua P. Starr, Ed.D.
Superintendent of Schools



Larry A. Bowers
Chief Operating Officer



Susanne G. DeGraba
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County Public Schools, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

MONTGOMERY COUNTY PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2010

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

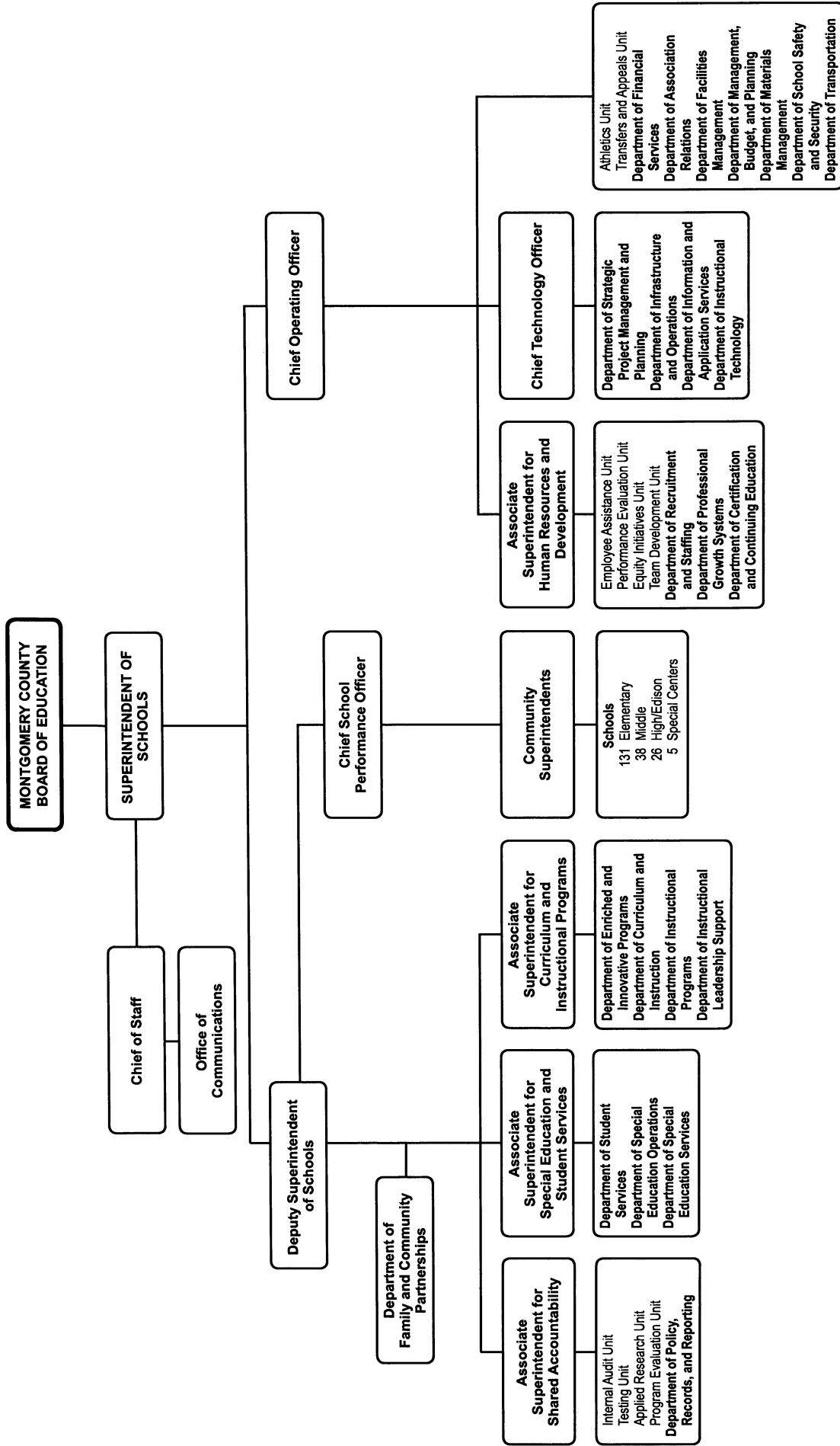
Christopher S. Barclay, President
Shirley Brandman, Vice President
Laura V. Berthiaume
Judith R. Docca (Dr.)
Michael A. Durso
Philip S. Kauffman
Patricia B. O'Neill

Alan Xie, Student Board Member

EXECUTIVE STAFF

Joshua P. Starr (Dr.)..... Superintendent of Schools
Larry A. Bowers..... Chief Operating Officer
Frieda K. Lacey (Dr.)..... Deputy Superintendent of Schools
Brian K. Edwards.....Chief of Staff
Frank H. Stetson (Dr.).....Chief School Performance Officer
Sherwin Collette Chief Technology Officer
Erick J. Lang.....Associate Superintendent for Curriculum and Instructional Programs
Carole C. Goodman..... Associate Superintendent for Human Resources
and Development
Chrisandra A. Richardson.....Associate Superintendent for Special Education
and Student Services
Adrian B. Talley Associate Superintendent for Shared Accountability
Christopher S. Garran (Dr.)..... Community Superintendent
Donna S. Hollingshead (Dr.)Community Superintendent
LaVerne G. Kimball (Dr.)..... Community Superintendent
Bronda L. Mills..... Community Superintendent
Beth Schiavino-Narvaez Community Superintendent
Darryl L. Williams Community Superintendent

MONTGOMERY COUNTY PUBLIC SCHOOLS ORGANIZATION



FINANCIAL SECTION



Independent Auditor's Report

Board of Education
of Montgomery County Public Schools
Rockville, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County Public Schools, a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2011 and the budgetary comparison for the general fund for the year ended June 30, 2011, which collectively comprise the Montgomery County Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County Public Schools' management. Our responsibility is to express opinions 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 opinions.

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011, on our consideration of the Montgomery County Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 14 through 25 and the schedules of funding progress and employer and other contributing entities contributions on page 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Public Schools' basic financial statements. The introductory section, other supplementary information to the financial statements and the statistical section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other 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 Gunderson LLP

Baltimore, Maryland
September 23, 2011

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, 2011. 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– 6 of this report.

Financial Highlights

- The assets of MCPS exceeded its liabilities at June 30, 2011, by \$1,703.2 million, which represents its net assets.
- MCPS' net assets increased during the year by \$38.5 million.
- 81 percent of capital asset additions were directed toward instructional facilities.
- MCPS successfully realized its commitment to the Montgomery County Council to generate \$17.0 million in FY 2011 savings to be used to fund the MCPS FY 2012 Operating Budget.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of MCPS that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of MCPS include most of the district's basic services, such as regular and special education, transportation, and

administration. The business-type activities of MCPS include food services and real estate management operations, field trip services, and entrepreneurial activities.

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

The government-wide financial statements can be found on pages 27–29 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 30–34 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 35–37 of this report.

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

The basic fiduciary fund financial statements can be found on pages 38–39 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41–61 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 65–75 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 231.1	\$ 192.1	\$ 1.7	\$ (0.6)	\$ 232.8	\$ 191.5
Capital assets	2,095.1	1,992.5	3.9	4.2	2,099.0	1,996.7
Total assets	2,326.2	2,184.6	5.6	3.6	2331.8	2,188.2
Long-term liabilities outstanding	424.3	328.2	6.4	4.9	430.7	333.1
Other liabilities	195.0	187.8	2.9	2.6	197.9	190.4
Total liabilities	619.3	516.0	9.3	7.5	628.6	523.5
Net Assets:						
Invested in capital assets, net of related debt	2,074.0	1,972.4	3.8	3.9	2,077.8	1,976.3
Unrestricted	(367.1)	(303.8)	(7.5)	(7.8)	(374.6)	(311.6)
Total net assets	\$ 1,706.9	\$ 1,668.6	\$ (3.7)	\$ (3.9)	\$ 1,703.2	\$ 1,664.7

Government-wide Financial Analysis

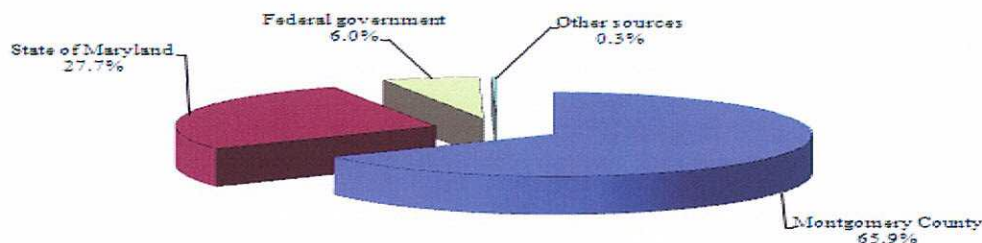
Net assets may serve as a useful indicator of a government's financial position. MCPS' net assets, the amount by which assets exceed liabilities, increased \$38.5 million to \$1,703.2 million. Most of the increase came from governmental activities, which increased by \$38.3 million to \$1,706.9 million. 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 \$101.6 million to \$2,074.0 million. These assets are used by MCPS in its instructional programs; consequently, these assets are not available for future spending.

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

The unrestricted net assets deficit increased \$63.0 million to a \$374.6 million deficit at June 30, 2011. The increase in unrestricted net assets deficit is primarily attributed to the increase in the net OPEB obligation of \$85.6 million. The net OPEB obligation arose from and will continue to increase as MCPS transitions to full funding of the annual required contribution for postemployment health benefits over a period of eight years.

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

Revenues by Source - Governmental Activities



Governmental activities. Governmental activities unrestricted net deficit increased \$63.3 million to a deficit of \$367.1 million at June 30, 2011. The increase in unrestricted net deficit arose primarily from an increase of \$85.6 million in the net OPEB obligation. That increase was partially offset by \$17.0 million in savings in General operations and by \$13.0 million savings in health benefits claims experience in the Internal Service Fund.

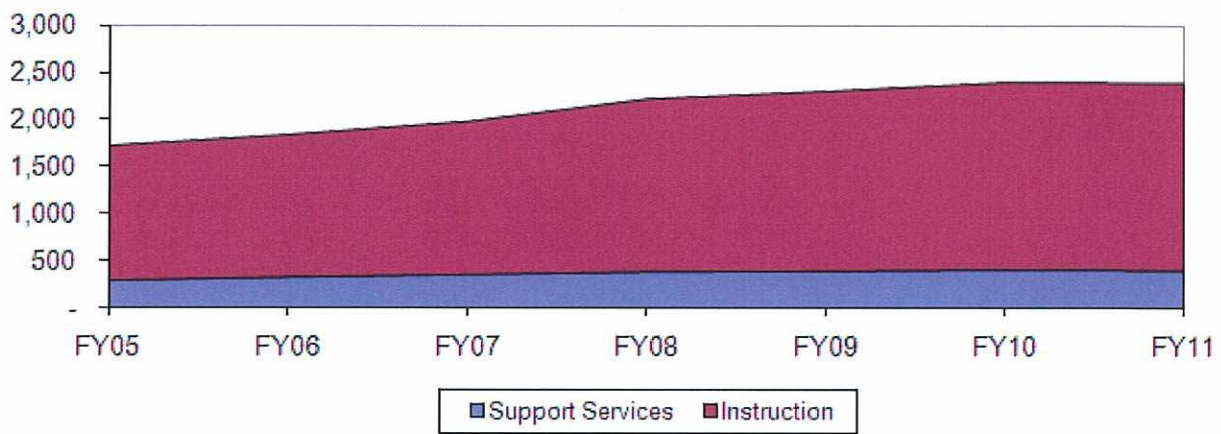
Total revenues for MCPS' governmental activities increased \$78.9 million (3.4 percent). Intergovernmental revenues increased \$55.6 million (2.5 percent), and operating grants revenues increased \$14.3 million (14.5 percent). Intergovernmental revenues from Montgomery County increased \$2.5 million (0.2 percent). An increase of \$15.9 million in capital projects revenue was offset by a decrease of \$13.4 million in general operating revenue in 2011. Intergovernmental revenue from the State of Maryland increased \$52.1 million (8.5 percent), related to an increase of \$31.5 million in unrestricted *Bridge to Excellence* formula-driven grants and an increase of \$19.9 million in the state's pension contribution made on behalf of MCPS employees. The increase in operating grants revenue is attributed to revenue received from the Federal Education Jobs Fund grant of \$17.5 million, offset by a \$3.2 million reduction in No Child Left Behind revenue. Total revenue received during 2011 under the *American Recovery and Reinvestment Act of 2009* (ARRA) was \$69.9 million. Generally, ARRA grants expire September 30, 2011. As of June 30, 2011, \$5.1 million in ARRA funds are available for funding 2012 programs through September 30, 2011. Education Jobs Fund ARRA grant funds of \$4.3 million are available through September 30, 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4.1	\$ 4.6	\$ 26.7	\$ 24.7	\$ 30.8	\$ 29.3
Operating grants and contributions	112.6	98.3	27.8	24.9	140.4	123.2
Capital grants and contributions	54.3	44.2	0.7	0.6	55.0	44.8
General revenues:						
Intergovernmental	2,257.0	2,201.4			2,257.0	2,201.4
Other	0.4	1.0	-	0.1	0.4	1.1
Total revenues	2,428.4	2,349.5	55.2	50.3	2,483.6	2,399.8
Expenses:						
Regular instruction	1,395.8	1,382.0			1,395.8	1,382.0
Special education	381.2	382.2			381.2	382.2
School administration	198.5	195.9			198.5	195.9
Student personnel services	15.7	16.6			15.7	16.6
Health services	-	-			-	-
Student transportation	126.4	125.1			126.4	125.1
Operation of plant	149.7	153.3			149.7	153.3
Maintenance of plant	60.8	59.2			60.8	59.2
Administration	58.7	60.9			58.7	60.9
Community services	2.1	2.3			2.1	2.3
Interest on capital leases	1.2	1.8			1.2	1.8
Food services			48.2	45.7	48.2	45.7
Real estate management			3.0	2.6	3.0	2.6
Field trips			1.8	1.7	1.8	1.7
Entrepreneurial activities			2.0	2.0	2.0	2.0
Total expenses	2,390.1	2,379.3	55.0	52.0	2,445.1	2,431.3
Increase (decrease) in net assets	38.3	(29.8)	0.2	(1.7)	38.5	(31.5)
Net Assets—beginning	1,668.6	1,698.4	(3.9)	(2.2)	1,664.7	1,696.2
Net Assets—ending	\$ 1,706.9	\$ 1,668.6	\$ (3.7)	\$ (3.9)	\$ 1,703.2	\$ 1,664.7

Total expenses increased \$10.8 million (0.4 percent) to \$2,390.1 million. In 2011, instructional programs expenses accounted for 83.3 percent, (83.1 percent in 2010), and support services accounted for 16.7 percent (16.9 percent in 2010) of total governmental activities expenses. The proportion of instructional expenses to total expenses continues to rise as internal savings and cost reduction programs remain the primary source for funding instructional program initiatives. Employee healthcare and other postemployment healthcare benefits increased \$29.4 million (6.5 percent), principally due to increased funding of health benefits. Salaries decreased \$26.5 million (1.9 percent) as a result of budget reductions. Negotiated salary rates were frozen at 2010 rates. Capital project expenditures increased \$6.9 million (16.1 percent).

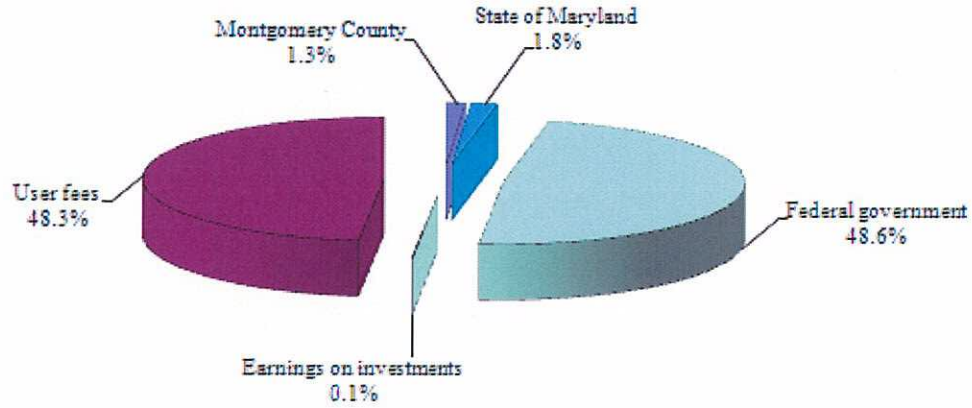
Instruction vs. Support Services Expenses
(Amount expressed in millions)



Business-type activities. Business-type activities increased MCPS' net assets by \$0.2 million. Total revenues increased \$4.9 million (9.9 percent) to \$55.2 million. Charges for services increased \$2.0 million (8.1 percent) principally due to additional curriculum royalty revenue of \$1.3 million. The number of reimbursable meals increased approximately 800,000 (6.2 percent) to 13,700,000. Operating grants related to federal student lunch programs increased \$2.9 million (11.6 percent).

Total expenses increased \$3.0 million (6.0 percent). Food services operating expenses increased \$2.5 million (5.5 percent). Food costs increased \$0.8 million (6.8 percent) due to an increase in meals served. Employee health benefit costs increased \$1.8 million (32.4 percent).

Revenues by Source - Business-type Activities



Financial Analysis of MCPS' Funds

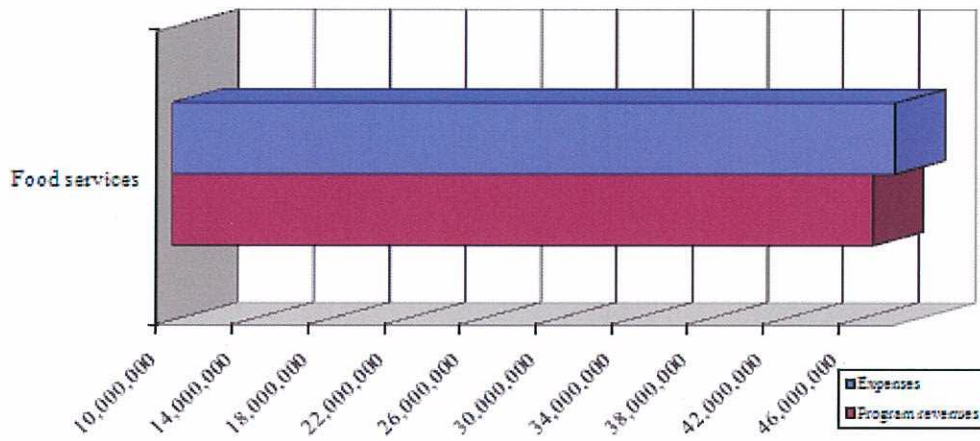
MCPS uses fund accounting to ensure accountability and to demonstrate compliance with finance-related legal and contractual provisions. MCPS adopted GASB statement No. 54 *Fund Balance Reporting and Governmental Type Definitions* during 2011. The analysis of governmental fund balances is based on reclassification of prior year fund balances in accordance with GASB Statement No. 54.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

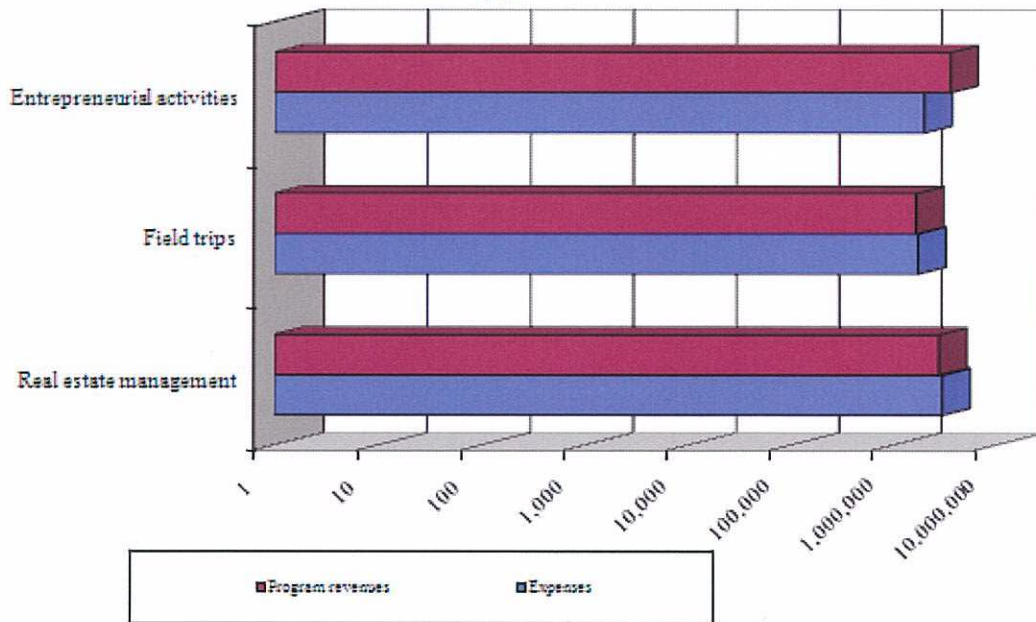
As of the end of the current fiscal year, MCPS' governmental funds reported combined ending fund balance of \$30.2 million, an increase of \$16.4 million from the prior year. Fund balance restricted for the instructional TV program of \$0.3 million was unchanged from the prior year.

The general fund is the principal operating fund of MCPS. At June 30, 2011, fund balance was \$29.9 million. Nonspendable fund balance was \$6.5 million. Nonspendable fund balance is classified as nonspendable as the resources, inventories and prepaids, are not expected to be converted to cash. Fund balance assigned for instructional programs increased by \$0.3 million to \$6.4 million. Unassigned fund balance increased by \$16.8 million to \$17.0 million at June 30, 2011.

Program Revenues and Expenses - Primary Activity Business-type Activities



Program Revenues and Expenses - Other Activities Business-type Activities



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

General Fund Budgetary Highlights

The final amended budget for FY 2011 was \$6.6 million higher than the original budget. The increase was a result of supplemental appropriations for restricted program grants received during the year.

Actual budgetary fund balance increased by \$10.0 million to \$28.9 million. The increase in fund balance resulted primarily from a spending freeze implemented to generate at least \$17.0 million in savings to be used toward funding the 2012 operating budget.

Actual revenues were \$19.2 million under budget for the year. Unrestricted revenue was \$0.3 million under budget. Additional FEMA reimbursement for snow removal of \$1.1 million was offset by a shortfall in investment earnings of \$0.8 million. Restricted revenues were \$18.9 million under budget, of which \$3.5 million comprised estimated restricted grants activity that did not materialize, and \$15.4 million in unrealized revenue for grants that carried forward into 2012.

Actual expenditures were \$45.6 million under budget. Restricted expenditures were \$18.9 million less than the budget, which consisted of \$15.4 million in unspent funds for grants that carry forward into 2012, and \$3.5 million in estimated restricted grants activity that did not materialize.

Unrestricted expenditures were \$26.6 million under budget. A savings plan implemented during the year reduced expenditures. In agreement with the Montgomery County Council, \$17.0 million in savings would be used in funding the FY 2012 budget. Expenditures for special education nonpublic placement tuition were under budget \$2.2 million due to reduced enrollment, and additional reductions of \$4.4 million in central and school administration expenditures also contributed.

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, 2011, MCPS' investment in capital assets for its governmental and business-type activities amounts to \$2,099.0 million, net of accumulated depreciation. This amount represents a net increase of \$102.3 million or 5.1 percent from last year. The net value of buildings, less accumulated depreciation, increased \$41.9 million and construction in progress increased \$51.3 million.

Montgomery County Public Schools Capital Assets

(Net of depreciation)

(amounts expressed in millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 74.7	\$ 70.2	\$	\$	\$ 74.7	\$ 70.2
Buildings	1,656.8	1,614.9			1,656.8	1,614.9
Improvements other than buildings	170.0	164.9			170.0	164.9
Vehicle and equipment	51.8	52.0	3.9	4.2	55.7	56.2
Construction	141.8	90.5			141.8	90.5
Total	\$ 2,095.1	\$ 1,992.5	\$ 3.9	\$ 4.2	\$ 2,099.0	\$ 1,996.7

To relieve overcrowding, reduce the number of relocatable classrooms, and accommodate full-day kindergarten, in FY 2011, MCPS added 49 classrooms at six elementary schools. In FY 2012, MCPS will add 105 classrooms at eight elementary schools through addition projects and will add 41 classrooms to four elementary schools and one middle school through modernization projects.

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

Long-term debt. At June 30, 2011, MCPS had \$31.9 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 \$18.0 million during 2011. Principal payments on existing capital leases were \$19.2 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.

Postemployment Healthcare Benefits. The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* (OPEB) in June 2004. The Statement was effective in FY 2008 for MCPS. The Statement established standards for the measurement, recognition and reporting of OPEB expenditures and related liabilities. The Statement requires MCPS to recognize an expenditure for OPEB during the period of active service for its employees, and, to the extent not currently funded, to recognize a liability for unfunded OPEB costs. MCPS worked jointly with the county and other county agencies to develop a common approach for funding OPEB that would be acceptable to the Montgomery County Council, the funding authority for MCPS. MCPS initially agreed with the County Council to phase in full funding of the annual OPEB cost over a five-year period. The FY 2008 OPEB contribution was based on a five-year phase-in. Subsequently, MCPS agreed with a County Council request to

extend the phase-in period to eight years beginning with the FY 2009 contribution to the unfunded actuarial accrued liability (UAAL).

The Montgomery County Council elected to not fund either the FY2010 or the FY2011 MCPS UAAL contributions due to declining county tax revenues. A significant increase in funding will be required in FY2012 to maintain progress toward completion of the eight-year phase-in. MCPS created the OPEB Plan Trust to account for its OPEB activity. Additional information about MCPS' OPEB funding can be found in note 12 to the financial statements.

Effective July 1, 2011, the Montgomery County Council established the consolidated OPEB Plan Trust that expanded the County OPEB Plan to include funds for the benefit of MCPS retirees. Beginning in fiscal year 2013, and each year thereafter, the MCPS annual UAAL contribution will be made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the MCPS OPEB Plan Trust. The current MCPS OPEB Plan Trust will remain in place, but will no longer receive annual contributions.

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

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

Bridge to Excellence. The 2002 Maryland General Assembly adopted ground-breaking legislation to reform the system of educational funding in the state. The *Bridge to Excellence in Public School Act* (BTE) (S.B. 856) provides an additional statewide funding to assure the adequacy of educational resources while redirecting resources more equitably to meet the needs of students with disabilities, limited English proficient students, and students impacted by poverty. In FY 2010, the Maryland General Assembly fully funded for the first time the Geographic Cost of Education Index (GCEI) adjustment to recognize the higher cost of education in some school districts. Montgomery County received \$30.9 million in added state aid as a result of the GCEI adjustment. In 2011, the Maryland General Assembly restored state BTE and GCEI funding by using federal grant funds that became available through the *American Recovery and Reinvestment Act* (ARRA) State Fiscal Stabilization Fund (SFSF). This funding shift added \$31.3 million in state funding to maintain mandated BTE formulas. Full state funding for the GCCEI also continued for FY2012.

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

Requests for Information

This financial report is designed to provide a general overview of MCPS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the chief financial officer, Montgomery County Public Schools, 45 West Gude Drive, Suite 1200, Rockville, Maryland 20850.

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit Educational Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Equity in pooled cash and investments	\$ 46,397,103	\$ 2,836,317	\$ 49,233,420	\$
Cash and cash equivalents		6,531,051	6,531,051	48,191
Investments - cash equivalents	56,779,927		56,779,927	
Investments				4,578,640
Accounts receivable:				
Montgomery County	79,462,015	157,551	79,619,566	
State of Maryland	7,355,815	237,861	7,593,676	
Federal government	14,429,660	1,279,236	15,708,896	
Other	7,594,363	172,107	7,766,470	
Due from component unit	76,819		76,819	
Internal balances	10,957,819	(10,957,819)	-	
Inventories	6,301,977	1,397,348	7,699,325	
Prepays	265,737		265,737	
Due from employees	390,976		390,976	
Net Pension Asset	1,106,600		1,106,600	
Capital assets (net of accumulated depreciation):				
Land	74,678,201		74,678,201	
Buildings and additions	1,656,837,466	-	1,656,837,466	
Improvements other than buildings	169,973,168		169,973,168	
Construction in progress	141,778,708		141,778,708	
Vehicles and equipment	51,846,500	3,893,321	55,739,821	
Total assets	2,326,232,854	5,546,973	2,331,779,827	4,626,831
Liabilities				
Accounts payable and other current liabilities	143,489,260	459,718	143,948,978	
Due to primary government				76,819
Due to fiduciary funds	12,832,961		12,832,961	
Unearned revenue	15,786,023	2,195,608	17,981,631	
Noncurrent liabilities:				
Due within one year	22,912,556	190,234	23,102,790	
Due in more than one year	424,295,017	6,425,583	430,720,600	
Total liabilities	619,315,817	9,271,143	628,586,960	76,819
Net Assets (Deficit)				
Invested in capital assets, net of related debt	2,073,974,398	3,759,753	2,077,734,151	
Restricted for:				
Instructional Programs, Expendable				487,208
Scholarships, Non-Expendable				821,862
Unrestricted	(367,057,361)	(7,483,923)	(374,541,284)	3,240,942
Total net assets (deficit)	\$ 1,706,917,037	\$ (3,724,170)	\$ 1,703,192,867	\$ 4,550,012

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,395,636,699	\$ 3,459,501	\$ 46,671,133	\$ 29,385,608
Special education	381,185,135	293,725	58,024,655	
School administration	198,448,243		4,184,220	
Student personnel services	15,726,065		776,800	
Health services	17,919			
Total instruction	<u>1,991,014,061</u>	<u>3,753,226</u>	<u>109,656,808</u>	<u>29,385,608</u>
Support services:				
Student transportation	126,428,397	357,972	925,079	-
Operation of plant	149,740,270		97,016	2,856,882
Maintenance of plant	60,799,687		3,695	15,481,979
Administration	58,701,766		285,741	6,533,817
Community services	2,129,034		1,612,939	
Interest on capital leases	1,197,169			
Total support services	<u>398,996,323</u>	<u>357,972</u>	<u>2,924,470</u>	<u>24,872,678</u>
Total governmental activities	<u>2,390,010,384</u>	<u>4,111,198</u>	<u>112,581,278</u>	<u>54,258,286</u>
Business-type activities:				
Food services	48,218,118	18,577,749	27,800,835	696,950
Real estate management	3,055,284	2,812,240		
Field trips	1,751,109	1,671,121		
Entrepreneurial activities	2,031,272	3,633,389		
Total business-type activities	<u>55,055,783</u>	<u>26,694,499</u>	<u>27,800,835</u>	<u>696,950</u>
Total primary government	<u>\$ 2,445,066,167</u>	<u>\$ 30,805,697</u>	<u>\$ 140,382,113</u>	<u>\$ 54,955,236</u>
Component Unit:				
Educational Foundation	<u>\$ 1,232,079</u>	<u>\$ -</u>	<u>\$ 1,050,114</u>	<u>\$ -</u>

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

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Educational Foundation
\$ (1,316,120,457)	\$ -	\$ (1,316,120,457)	\$ -
(322,866,755)		(322,866,755)	
(194,264,023)		(194,264,023)	
(14,949,265)		(14,949,265)	
(17,919)		(17,919)	
<u>(1,848,218,419)</u>	<u>-</u>	<u>(1,848,218,419)</u>	<u>-</u>
(125,145,346)		(125,145,346)	
(146,786,372)		(146,786,372)	
(45,314,013)		(45,314,013)	
(51,882,208)		(51,882,208)	
(516,095)		(516,095)	
(1,197,169)		(1,197,169)	
<u>(370,841,203)</u>	<u>-</u>	<u>(370,841,203)</u>	<u>-</u>
<u>(2,219,059,622)</u>	<u>-</u>	<u>(2,219,059,622)</u>	<u>-</u>
	(1,142,584)	(1,142,584)	
	(243,044)	(243,044)	
	(79,988)	(79,988)	
	1,602,117	1,602,117	
<u>-</u>	<u>136,501</u>	<u>136,501</u>	<u>-</u>
<u>(2,219,059,622)</u>	<u>136,501</u>	<u>(2,218,923,121)</u>	<u>-</u>
			<u>(181,965)</u>
1,553,166,556		1,553,166,556	
668,581,752		668,581,752	
35,268,390		35,268,390	
367,906	36,183	404,089	
<u>2,257,384,604</u>	<u>36,183</u>	<u>2,257,420,787</u>	<u>-</u>
38,324,982	172,684	38,497,666	(181,965)
1,668,592,055	(3,896,854)	1,664,695,201	4,731,977
<u>\$ 1,706,917,037</u>	<u>\$ (3,724,170)</u>	<u>\$ 1,703,192,867</u>	<u>\$ 4,550,012</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 46,397,103	\$ -	\$ -	\$ 46,397,103
Accounts receivable:				
Montgomery County	67,474,012	11,988,003		79,462,015
State of Maryland	4,439,061	2,916,754		7,355,815
Federal government	14,429,660			14,429,660
Other	7,504,464	88,904	178	7,593,546
Due from other funds	236,266	10,613,589	284,601	11,134,456
Due from fiduciary funds	1,369,225			1,369,225
Due from component unit	76,819			76,819
Inventories	6,301,977			6,301,977
Prepays	265,737			265,737
Due from employees	390,976			390,976
Total assets	<u>\$ 148,885,300</u>	<u>\$ 25,607,250</u>	<u>\$ 284,779</u>	<u>\$ 174,777,329</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 13,653,166	\$ 17,862,917	\$ -	\$ 31,516,083
Retainage payable		7,728,738		7,728,738
Accrued salaries and withholdings	83,420,537			83,420,537
Due to other funds		15,595	5,072	20,667
Unearned revenue	15,786,023			15,786,023
Compensated absences	6,086,919			6,086,919
Total liabilities	<u>118,946,645</u>	<u>25,607,250</u>	<u>5,072</u>	<u>144,558,967</u>
Fund Balances:				
Nonspendable:				
Inventories	6,301,977			6,301,977
Prepays	265,737			265,737
Restricted for:				
Instructional TV program			279,707	279,707
Committed for:				
Capital Projects Fund		-		-
Assigned for:				
Instructional programs	6,370,994			6,370,994
Unassigned	16,999,947			16,999,947
Total fund balances	<u>29,938,655</u>	<u>-</u>	<u>279,707</u>	<u>30,218,362</u>
Total liabilities and fund balances	<u>\$ 148,885,300</u>	<u>\$ 25,607,250</u>	<u>\$ 284,779</u>	<u>\$ 174,777,329</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, 2011

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

Total fund balances - governmental funds		\$	30,218,362
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	\$ 3,014,794,585	
	Accumulated depreciation is	<u>(919,680,542)</u>	2,095,114,043
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.			
			21,598,686
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	(31,405,867)	
	Compensated absences	\$ (115,509,372)	
	Compensated absences-Governmental Funds	<u>6,086,919</u>	
		(109,422,453)	
	Net pension asset	1,106,600	
	OPEB obligation	<u>(300,292,334)</u>	
			<u>(440,014,054)</u>
Total net assets - governmental activities		\$	<u>1,706,917,037</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, 2011

	General	Capital Projects	Other Governmental Fund - Special Revenue	Total Governmental Funds
Revenues:				
Montgomery County	\$ 1,415,260,321	\$ 183,037,737	\$ -	\$ 1,598,298,058
State of Maryland	642,693,530	29,471,568		672,165,098
Federal government	143,121,266	3,357,900		146,479,166
Other sources	5,446,435	-	1,490,510	6,936,945
Total revenues	<u>2,206,521,552</u>	<u>215,867,205</u>	<u>1,490,510</u>	<u>2,423,879,267</u>
Expenditures:				
Current:				
Administration	36,954,635			36,954,635
Mid-level administration	135,139,216			135,139,216
Instructional salaries and wages	824,315,364			824,315,364
Instructional textbooks and supplies	21,939,573			21,939,573
Other instructional costs	11,571,972			11,571,972
Special education	271,395,047			271,395,047
Student personnel services	10,680,737			10,680,737
Health services	16,267			16,267
Student transportation	94,135,828			94,135,828
Operation of plant	113,952,839			113,952,839
Maintenance of plant	33,013,662			33,013,662
Fixed charges	636,600,510			636,600,510
Community services	131,371		1,476,676	1,608,047
Debt service:				
Capital lease principal	10,755,675	8,269,058		19,024,733
Capital lease interest	889,795	307,374		1,197,169
Capital outlay		213,558,453		213,558,453
Total expenditures	<u>2,201,492,491</u>	<u>222,134,885</u>	<u>1,476,676</u>	<u>2,425,104,052</u>
Excess (deficiency) of revenues over expenditures	<u>5,029,061</u>	<u>(6,267,680)</u>	<u>13,834</u>	<u>(1,224,785)</u>
Other financing sources:				
Capital lease financing	11,378,095	6,267,680		17,645,775
Total other financing sources	<u>11,378,095</u>	<u>6,267,680</u>	<u>-</u>	<u>17,645,775</u>
Net change in fund balances	16,407,156	-	13,834	16,420,990
Fund balances - beginning	<u>13,531,499</u>	<u>-</u>	<u>265,873</u>	<u>13,797,372</u>
Fund balances - ending	<u>\$ 29,938,655</u>	<u>\$ -</u>	<u>\$ 279,707</u>	<u>\$ 30,218,362</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, 2011

Total net change in fund balances - governmental funds \$ 16,420,990

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 (\$213,558,453 less non-capitalized items of \$49,802,186) plus capital outlays for general fund assets (\$12,526,938) exceed depreciation expense (\$73,873,281) in the current period. 102,409,924

The net effect of various miscellaneous transactions involving capital assets, such as the loss on disposal of capital assets and the donation of land from developers is to decrease net assets. 156,631

Some of the capital assets and assets below the capitalization threshold acquired this year were financed with capital leases. The amount financed by capital leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. Also, expenditures for principal repayment of capital leases are measured by the amount of financial resources used by governmental funds and have no effect on net assets. 1,378,958

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

Annual OPEB cost	\$ (85,590,263)	
Compensated absences	(10,615,011)	
Change in net pension obligation	<u>1,106,600</u>	(95,098,674)

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. 13,057,153

Change in net assets of governmental activities \$ 38,324,982

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, 2011

	Budget					Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Current Year	Total Original	Final	Actual	
Revenues:						
Montgomery County	\$ -	\$ 1,415,085,344	\$ 1,415,085,344	\$ 1,415,260,321	\$ 1,415,260,321	\$ -
State of Maryland	-	489,252,088	489,252,088	473,304,178	472,767,505	(536,673)
Federal government	-	124,961,101	124,961,101	153,126,607	138,620,473	(14,506,134)
Other sources	-	15,443,522	15,443,522	9,650,223	5,446,435	(4,203,788)
Total revenues	-	2,044,742,055	2,044,742,055	2,051,341,329	2,032,094,734	(19,246,595)
Expenditures and encumbrances:						
Current:						
Administration	223,992	39,251,033	39,475,025	39,455,995	38,221,471	1,234,524
Mid-level administration	33,458	138,897,066	138,930,524	141,897,206	135,180,255	6,716,951
Instructional salaries and wages	-	835,556,401	835,556,401	835,640,979	824,382,212	11,258,767
Instructional textbooks and supplies	1,080,557	25,424,760	26,505,317	26,568,105	23,591,766	2,976,339
Other instructional costs	995,945	16,140,789	17,136,734	16,898,490	14,181,871	2,716,619
Special education	197,029	281,605,389	281,802,418	283,576,711	271,448,750	12,127,961
Student personnel services	-	11,199,676	11,199,676	11,052,050	10,680,737	371,313
Health services	262	44,590	44,852	44,852	16,267	28,585
Student transportation	21,412	94,746,352	94,767,764	94,657,879	93,698,375	959,504
Operation of plant	2,225,186	115,000,527	117,225,713	117,817,509	114,852,329	2,965,180
Maintenance of plant	316,874	33,015,967	33,332,841	33,336,536	32,998,376	338,160
Fixed charges	1,009,297	463,885,324	464,894,621	466,554,848	462,746,754	3,808,094
Community services	-	274,181	274,181	244,181	131,371	112,810
Total expenditures and encumbrances	6,104,012	2,055,042,055	2,061,146,067	2,067,745,341	2,022,130,534	45,614,807
Excess (deficiency) of revenues over expenditures and encumbrances	(6,104,012)	(10,300,000)	(16,404,012)	(16,404,012)	9,964,200	26,368,212
Fund balance - beginning	6,104,012	10,300,000	16,404,012	16,404,012	18,940,379	2,536,367
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ 28,904,579	\$ 28,904,579

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, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ -	\$ 2,836,317	\$ 2,836,317	\$ -
Cash and cash equivalents	6,531,051		6,531,051	
Investments - cash equivalents				56,779,927
Accounts receivable:				
Montgomery County	157,551		157,551	
State of Maryland	237,861		237,861	
Federal government	1,279,236		1,279,236	
Other		172,107	172,107	817
Due from other funds		70,376	70,376	
Inventories	1,394,078	3,270	1,397,348	
Total current assets	<u>9,599,777</u>	<u>3,082,070</u>	<u>12,681,847</u>	<u>56,780,744</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	3,889,613	3,708	3,893,321	
Total noncurrent assets	<u>3,889,613</u>	<u>3,708</u>	<u>3,893,321</u>	<u>-</u>
Total assets	<u>13,489,390</u>	<u>3,085,778</u>	<u>16,575,168</u>	<u>56,780,744</u>
Liabilities				
Current liabilities:				
Accounts payable	272,550	187,168	459,718	200,204
Claims payable				17,309,452
Due to employees, advance premium withholdings				3,314,246
Due to other funds	11,028,195		11,028,195	155,970
Due to fiduciary funds				14,202,186
Unearned revenue	1,828,454	367,154	2,195,608	
Capital leases - current	97,059	2,716	99,775	
Compensated absences - current	90,459		90,459	
Total current liabilities	<u>13,316,717</u>	<u>557,038</u>	<u>13,873,755</u>	<u>35,182,058</u>
Noncurrent liabilities:				
Net OPEB obligation	4,263,786		4,263,786	
Capital leases payable	76,322	328,126	404,448	
Compensated absences	1,499,717	257,632	1,757,349	
Total noncurrent liabilities	<u>5,839,825</u>	<u>585,758</u>	<u>6,425,583</u>	<u>-</u>
Total liabilities	<u>19,156,542</u>	<u>1,142,796</u>	<u>20,299,338</u>	<u>35,182,058</u>
Net Assets (Deficit)				
Invested in capital assets, net of related debt	3,756,045	3,708	3,759,753	
Unrestricted (deficit)	<u>(9,423,197)</u>	<u>1,939,274</u>	<u>(7,483,923)</u>	<u>21,598,686</u>
Total net assets (deficit)	<u>\$ (5,667,152)</u>	<u>\$ 1,942,982</u>	<u>\$ (3,724,170)</u>	<u>\$ 21,598,686</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, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
Operating revenues:				
Sale of food	\$ 18,577,749	\$ -	\$ 18,577,749	\$ -
Rent and fees		8,116,750	8,116,750	
Employer's contributions				240,620,687
Members' contributions				22,703,277
Total operating revenues	<u>18,577,749</u>	<u>8,116,750</u>	<u>26,694,499</u>	<u>263,323,964</u>
Operating expenses:				
Salaries and wages	18,191,939	2,530,362	20,722,301	
Contracted services	1,014,979	475,543	1,490,522	
Supplies and materials	1,630,082	1,278,541	2,908,623	
Food purchases	12,484,941		12,484,941	
USDA commodities	2,580,233		2,580,233	
Other charges	11,339,572	2,551,736	13,891,308	1,644,011
Depreciation	976,372	1,483	977,855	
Benefits paid to plan members				196,411,062
Premiums paid to insurance companies				52,241,108
Total operating expenses	<u>48,218,118</u>	<u>6,837,665</u>	<u>55,055,783</u>	<u>250,296,181</u>
Operating income (loss)	<u>(29,640,369)</u>	<u>1,279,085</u>	<u>(28,361,284)</u>	<u>13,027,783</u>
Nonoperating revenues:				
National school lunch and other food programs:				
Federal funds	24,248,665		24,248,665	
State funds	971,937		971,937	
USDA commodities	2,580,233		2,580,233	
Investment income	36,183	-	36,183	29,370
Total nonoperating revenues	<u>27,837,018</u>	<u>-</u>	<u>27,837,018</u>	<u>29,370</u>
Income (loss) before contributions and transfers	<u>(1,803,351)</u>	<u>1,279,085</u>	<u>(524,266)</u>	<u>13,057,153</u>
Capital contributions - equipment	696,950		696,950	
Change in net assets	<u>(1,106,401)</u>	<u>1,279,085</u>	<u>172,684</u>	<u>13,057,153</u>
Total net assets (deficit) - beginning	<u>(4,560,751)</u>	<u>663,897</u>	<u>(3,896,854)</u>	<u>8,541,533</u>
Total net assets (deficit) - ending	<u>\$ (5,667,152)</u>	<u>\$ 1,942,982</u>	<u>\$ (3,724,170)</u>	<u>\$ 21,598,686</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, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Services	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 18,675,431	\$ 8,563,393	\$ 27,238,824	\$ 22,927,166
Receipts from assessments made to other funds				250,641,640
Payments to suppliers	(15,618,597)	(2,045,281)	(17,663,878)	(52,267,459)
Payments to employees	(18,517,705)	(2,692,895)	(21,210,600)	
Payments for insurance claims				(197,481,695)
Payments for assessments made by other funds	(8,231,291)	(329,070)	(8,560,361)	
Payments for other operating expenses	(1,472,329)	(2,032,806)	(3,505,135)	(1,644,013)
Net cash provided (used) by operating activities	<u>(25,164,491)</u>	<u>1,463,341</u>	<u>(23,701,150)</u>	<u>22,175,639</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	25,109,024		25,109,024	
Transfers (to) from other funds				1,634,984
Net cash provided by noncapital financing activities	<u>25,109,024</u>		<u>25,109,024</u>	<u>1,634,984</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases		350,000	350,000	
Purchases of capital assets	(13,839)		(13,839)	
Principal paid on capital leases	(113,961)	(19,159)	(133,120)	
Interest paid on capital leases	1,969		1,969	
Net cash (used) by capital and related financing activities	<u>(125,831)</u>	<u>330,841</u>	<u>205,010</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	34,214		34,214	29,485
Net cash provided by investing activities	<u>34,214</u>		<u>34,214</u>	<u>29,485</u>
Net increase (decrease) in cash and cash equivalents	(147,084)	1,794,182	1,647,098	23,840,109
Cash and cash equivalents - beginning	6,678,135	1,042,135	7,720,270	32,939,818
Cash and cash equivalents - ending	<u>\$ 6,531,051</u>	<u>\$ 2,836,317</u>	<u>\$ 9,367,368</u>	<u>\$ 56,779,927</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (29,640,369)	\$ 1,279,085	\$ (28,361,284)	\$ 13,027,783
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	976,372	1,483	977,855	
USDA commodities used	2,580,233		2,580,233	
Effects of changes in operating assets and liabilities:				
Receivables		344,135	344,135	
Due from other funds				9,864,982
Non USDA inventories	169,714	3,730	173,444	
Accounts payable	153,781	(96,834)	56,947	(26,351)
Claims payable				(1,070,634)
Advance premium withholdings				223,889
Due to other funds	(812,090)	(198,093)	(1,010,183)	155,970
Deferred revenue	97,682	102,509	200,191	
Net OPEB obligation	1,215,278		1,215,278	
Compensated absences	94,908	27,326	122,234	
Net cash provided (used) by operating activities	<u>\$ (25,164,491)</u>	<u>\$ 1,463,341</u>	<u>\$ (23,701,150)</u>	<u>\$ 22,175,639</u>
Noncash investing, capital and financing activities:				
Capital contributions of equipment	\$ 696,950	\$ -	\$ 696,950	\$ -
USDA commodities received	(2,580,233)		(2,580,233)	

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, 2011

	Pension and Other Employee Benefits Trust Funds	Agency Funds - Schools' Independent Activity Funds
ASSETS		
Cash	\$ -	\$ 16,391,255
Investments:		
Common and preferred stocks	654,776,206	
Short-term investments	9,443,958	
U.S. government and agency securities	127,451,083	
Fixed income securities	154,455,897	
Real estate	72,169,810	
Participation contract	1,171,233	
Private equity	15,193,754	
Securities lending short-term investment pool	45,331,399	
Total investments	1,079,993,340	-
Accounts receivable	255	1,654,101
Due from Internal Service Fund	14,202,186	
Inventories		172,059
Total assets	1,094,195,781	\$ 18,217,415
LIABILITIES		
Accounts payable	422,714	1,323,532
Claims payable	5,213,129	
Due to general fund	1,369,225	
Liability for collateral received under securities lending agreements	45,331,399	
Due to student groups		16,893,883
Total liabilities	52,336,467	\$ 18,217,415
NET ASSETS		
Held in trust for pension/other postemployment benefits	\$ 1,041,859,314	

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Pension and Other Employee Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 109,156,428
Members	43,343,686
Federal government - Medicare Part D	<u>4,500,793</u>
Total contributions	<u>157,000,907</u>
Investment earnings:	
Net appreciation in fair value of investments	165,819,847
Interest and dividends	15,322,067
Securities lending income	<u>142,574</u>
Total investment earnings	<u>181,284,488</u>
Less investment expense:	
Investment fees and other	(3,415,975)
Securities lending fees	<u>(42,767)</u>
Total investment expense	<u>(3,458,742)</u>
Net investment earnings /loss	<u>177,825,746</u>
Total additions	<u>334,826,653</u>
DEDUCTIONS	
Benefits paid to plan members	121,180,622
Premiums paid to insurance companies	11,548,449
Administrative expenses	<u>2,210,825</u>
Total deductions	<u>134,939,896</u>
Change in net assets	199,886,757
Net assets - beginning	<u>841,972,557</u>
Net assets - ending	<u><u>\$ 1,041,859,314</u></u>

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

INTENTIONALLY BLANK

**MONTGOMERY COUNTY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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

1. Summary of Significant Accounting Policies

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

a) Reporting Entity

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

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

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

b) Basis of Presentation

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

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor enterprise funds are aggregated and reported as nonmajor funds.

MCPS reports the following major governmental funds:

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

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

MCPS reports the following major proprietary fund:

The food services fund accounts for the operations of 210 cafeterias and the central production facility, providing for the preparation and sale of meals to students and other agencies and customers.

Additionally, MCPS reports the following fund types:

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

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

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

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

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

c) Measurement focus, basis of accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. All governmental fund revenues are considered available if the revenues are collected within ninety days after year-end. MCPS' primary sources of funding are intergovernmental revenues which are either unrestricted as to purpose of expenditure or are restricted to a specific purpose. Unrestricted funds are recorded as revenues at the time of receipt or earlier if they meet the availability criterion. Restricted funds are recognized as revenue when all

eligibility requirements imposed by the provider have been met and the resources are available. Restricted funds received in excess of recorded expenditures are recorded as unearned revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for principal and interest on capital leases, and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from capital leases are reported as other financing sources.

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

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

d) Cash and Investments

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

Pension Trust Fund investments consist of a group pension immediate participation contract carried at contract value and separate funds carried at fair value. Equity and bond securities are valued at closing sales prices as reported on national or international securities exchanges at current exchange rates, or at closing bid prices as reported by investment dealers. The fair value of mortgages and real estate investments are based on independent appraisals. The fair value of private equity investments is based on information provided by fund managers. Investments made with cash received as collateral on securities lending transactions are reported at the cash collateral value, which approximates fair value.

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

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

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

The component unit invests in an external investment pool. The Montgomery County investment pool invests funds for itself and participating agencies pursuant to the Annotated Code of Maryland, County Code and the county's short-term investment policy as approved by the County Council. The fair value of MCPS' position in the aforementioned pools is the same as the value of pool shares.

e) Inventories and Prepaid Items

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

MCPS until the commodities are used. The cost of all inventories is recorded as an expense/ expenditure at the time the individual inventory items are consumed (consumption method).

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

f) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by MCPS as assets with an initial, individual cost of more than \$5,000 (\$1,000 for the Food Services Fund) for equipment and \$200,000 for buildings and structural additions, and an estimated useful life in excess of one year. Purchased or constructed capital assets are valued at cost where historic records exist and at estimated historic cost where no historic records exist. Donated capital assets are valued at estimated fair market value at the date received.

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

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

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

Although MCPS adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* in FY 2010, none of its expenditures meet the criteria to capitalize.

g) Compensated Absences

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

h) Long-Term Obligations

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

i) Fund Balances

Governmental funds, in the fund financial statements, report fund balances according to classifications that provide an understanding of the nature of resources available for specific

purposes and the extent of constraints that determine how funds can be spent. Governmental funds balances are classified as follows:

Nonspendable – These are amounts that are not in spendable form. Inventories and prepaids are classified as nonspendable as these resources are not expected to be converted to cash.

Restricted – Special Revenue Fund resources are restricted as to use to the instructional TV program only. The restriction exists by law under a Cable Franchise Agreement established by Montgomery County Code, Chapter 8A, *Cable Commission Law*.

Committed – Capital Projects Fund resources may only be used for construction projects specifically approved by Montgomery County Council capital improvements program. These amounts cannot be used for any other purpose unless approved by Montgomery County Council.

Assigned – This category includes resources MCPS has expressly assigned to specific purposes. An assignment may be determined, and amended, by the superintendent of schools, or designee.

Unassigned – This category consists of amounts from the General Fund not otherwise restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure has been spent for which both restricted and unrestricted fund balance is available, MCPS considers restricted amounts to have been spent before unrestricted amounts. Within unrestricted amounts, when committed, assigned or unassigned fund balances exist, MCPS considers committed amounts to be spent first, followed by assigned amounts, and then unassigned amounts, when expenditures are incurred for which amounts in any of those unrestricted fund balance classifications could be used.

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

j) Accounting Change

MCPS has adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Type Definitions*. The statement established criteria for classifying governmental fund balance in to new classifications. The Balance Sheet – Governmental Funds reflects the new fund balance classifications. The statement did not change the total amount reported as fund balances.

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 2011, supplemental appropriations increasing the operating budget by \$6,599,274 and increasing the capital budget by \$2,206,741 were approved.

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

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

b) Budgetary Presentation

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

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

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

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>	<u>Other Financing Sources</u>	<u>Effect on Fund Balance</u>
As reported - budgetary basis	\$ 2,032,094,734	\$ 2,022,130,534	\$ -	\$ 9,964,200
Reconciling items:				
2011 Encumbrances outstanding		(6,370,994)		6,370,994
Decrease in compensated absences		(71,962)		71,962
State of Maryland retirement contributions	169,926,025	169,926,025		-
Federal Medicare Part D contributions	4,500,793	4,500,793		-
Capital lease financing		11,378,095	11,378,095	-
As reported – GAAP basis	<u>\$ 2,206,521,552</u>	<u>\$ 2,201,492,491</u>	<u>\$ 11,378,095</u>	<u>\$ 16,407,156</u>

Governmental funds encumbrances outstanding at June 30, 2011 include \$6,370,994 for General Fund and \$136,501,022 for Capital Projects Fund. Capital Projects Fund encumbrances are not reflected in the governmental fund balance sheet as the offsetting revenues are not available until the expenditures on a GAAP basis are incurred.

Beginning June 15 of each fiscal year, MCPS issues purchase orders and begins shipment of inventory to various locations for items such as instructional materials, textbooks, and construction contracts that will be charged to the budget of the next fiscal year. These obligations and warehouse shipments are not reflected in the accompanying financial statements. At June 30, 2011, \$2,148,985 of such purchase orders had been issued.

3. Deposits and Investments

Cash and investments at June 30, 2011, are summarized as follows:

	Primary Government	Component Unit
Equity in pooled cash and investments	\$ 49,233,420	\$
Cash and cash equivalents	6,531,051	48,189
Cash-fiduciary funds	16,391,255	
Investments – cash equivalents	56,779,927	
Investments		4,578,640
Investments-fiduciary funds	1,079,993,340	
Total	<u>\$ 1,208,928,993</u>	<u>\$ 4,626,829</u>
Deposits and Investments Summary:		
Deposits	\$ 71,782,582	\$ 48,189
Investments	1,137,140,433	4,578,640
Cash on hand	5,978	
Total	<u>\$ 1,208,928,993</u>	<u>\$ 4,626,829</u>

a) Deposits

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

At June 30, 2011, the reported balance of MCPS' deposits was \$71,782,582 and the bank balance was \$76,391,468. The bank balance was covered either by federal depository insurance or by collateral held by MCPS' agent in MCPS' name.

b) Investments

Investments as of June 30, 2011, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pension Trust Investments:	
Common and preferred stocks	\$ 623,387,285
Short-term investments	9,443,958
U.S. Government and agency securities	127,451,083
Fixed income securities	146,900,795
Real estate	72,169,810
Participation contract	1,171,233
Private equity	15,193,754
Securities lending short-term investment pool	45,331,399
Subtotal Pension Trust Investments	<u>1,041,049,317</u>
OPEB Plan Trust Investments:	
Equities index funds	31,388,921
Bond index fund	7,555,102
Subtotal OPEB Plan Trust investments	<u>38,944,023</u>
Other Investments:	
Mutual funds	57,147,093
Total investments	<u>\$ 1,137,140,433</u>

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

During 2011, BNY lent Pension Trust securities for which it is custodian. Pension Trust securities not under the custodianship of BNY are not part of the Securities Lending Authorization Agreement. BNY may receive from borrowers both cash and non-cash collateral. Non-cash collateral includes United States government securities and irrevocable letters of credit. BNY does not have the ability to pledge or sell collateral unless the borrower is in default under the agreement. Borrowers are required to deliver cash and/or non-cash collateral having a market value of not less than 102 percent of the market value of the borrowed securities (105 percent if the borrowed securities and collateral are denominated in non-U.S. currencies).

The following represents the balances relating to securities lending transactions at June 30, 2011.

	<u>Underlying Securities</u>	<u>Cash Collateral Investment Value</u>
Securities lent for cash collateral:		
U.S. Government	\$ 25,730,264	\$ 26,261,700
Domestic equities	10,993,518	11,285,913
International Equities	3,161,011	3,335,506
Domestic fixed-income	4,341,860	4,448,280
	<hr/>	<hr/>
Total	\$ <u>44,226,653</u>	\$ <u>45,331,399</u>

BNY indemnifies the Pension Trust against any losses, damages or expenses it may incur if BNY is unable to recover the borrowed securities, and distributions made with respect to those securities, as a result of BNY's failure to make a reasoned determination of borrower creditworthiness or to demand adequate and appropriate collateral. During 2011, there were no losses resulting from borrower default. The Pension Trust and the borrowers maintain the right to terminate all securities lending transactions on demand.

The cash collateral is invested in the BNY Pooled Employee ASL Short-Term Fund (the "Fund"). The Fund invests only in instruments that are eligible investments for a money market mutual fund under SEC Rule 2a-7. The Fund is accounted for on an amortized cost basis. BNY believes that the value of the Pension Trust's position in the Fund on an amortized cost basis approximates the valuation of the Fund if valued at fair value. As a result, the liability for collateral received under the securities lending agreement equals the reported asset.

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

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

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

As of June 30, 2011, fixed income investments had the following sensitivity to interest rates:

Investment Type	Fair Value	Modified Duration in Years
Pension Trust Investments:		
U.S. Government	\$ 57,955,435	7.57
U.S. agencies	6,947,598	3.85
Government mortgage-backed securities	62,548,050	4.36
Asset-backed securities	10,274,533	2.48
Commercial mortgage-backed securities	13,434,860	3.77
Collateralized mortgage obligations	17,245,422	4.03
Corporate bonds	69,443,169	5.81
Municipal/sovereign bonds	71,409	11.45
Mutual Funds	36,431,402	N/A
Short-term	9,443,958	N/A
Sub-total Pension Trust Investments	<u>283,795,836</u>	
Other Investments:		
OPEB Plan Trust bond index fund	7,555,102	N/A
Total	<u>\$ 291,350,938</u>	

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

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

Pension Trust fixed-income investments at June 30, 2011, had the following credit risk characteristics:

S&P/Moody's Quality Rating	Percent of Fixed-Income Investments	Fair Value
US Government Obligations *	42.4 %	\$ 120,384,245
AAA	12.7	35,972,076
AA	3.7	10,456,877
A	9.2	25,971,575
BBB	8.9	25,205,063
BB	4.3	12,072,148
B	3.7	10,573,525
CCC	1.0	2,870,602
CC/D	0.6	1,664,963
Not rated	13.5	38,624,762
Total	<u>100.0 %</u>	<u>\$ 283,795,836</u>

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

The OPEB Plan trust fixed-income investments in an index fund are not rated by the rating agencies.

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

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

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

Foreign currency risk. The Pension Trust's exposure to foreign currency risk is derived from its positions in foreign currency denominated investments. The investment policy of the Pension Trust provides guidance for the amount of investments made in foreign currency-denominated equity securities. The target allocation for foreign currency-denominated equity investments is 19 percent. The investment policy states that investment managers are, to diversify the portfolio under their management to minimize the risk of large losses. The system's foreign currency risk at June 30, 2011, is as follows:

Currency	Equities	Fixed Income	Private Equity	Total Fair Value
European Currency Unit	\$ 21,788,192	\$ 1,261,312	\$ 4,830,597	\$ 27,880,101
Japanese Yen	17,972,677			17,972,677
British Pound Sterling	15,933,513	827,406		16,760,919
Hong Kong Dollar	5,169,994			5,169,994
Swiss Franc	5,548,252			5,548,252
South Korean Won	2,398,492			2,398,492
Canadian Dollar	1,866,039			1,866,039
Norwegian Krone	4,078,091			4,078,091
Australian Dollar	(1,045,473)			(1,045,473)
Swedish Krona	1,831,705			1,831,705
Indian Rupee	886,729			886,729
Taiwan New Dollar	1,371,924			1,371,924
Singapore Dollar	1,113,739			1,113,739
South African Rand	1,280,121			1,280,121
Brazilian Real	835,513			835,513
Turkish Lira	530,100			530,100
Thai Baht	507,737			507,737
Polish Zloty	459,594			459,594
Other currencies	585,840			585,840
Total	\$ 83,112,779	\$ 2,088,718	\$ 4,830,597	\$ 90,032,094

Commitments. At June 30, 2011, outstanding commitments with private equity fund managers were \$24,168,451.

c) Cash on Hand

At year-end, the primary government had \$5,978 on hand in petty cash accounts.

4. Interfund Receivables and Payables

Balances due to/from other funds at June 30, 2011, consist of the following:

Due to the general fund from other governmental funds representing advances of pooled cash	\$ 20,667
Due to the general fund from enterprise funds representing advances of pooled cash	11,184,165
Due to pension and employee benefits trust funds representing OPEB investments held in a non irrevocable trust by the internal service fund	<u>14,202,186</u>
Total	<u>\$ 25,407,018</u>

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

Due from other funds, Balance Sheet-Governmental Funds	\$ 11,134,456
Due from other funds, Statement of Net Assets-Proprietary Funds	70,376
Due from general and internal service funds, Statement of Net Assets-Fiduciary Funds	<u>14,202,186</u>
Total	<u>\$ 25,407,018</u>

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

5. Due From Employees

The \$390,976 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, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 70,222,101	\$ 4,456,100	\$	\$ 74,678,201
Construction in progress	<u>90,485,660</u>	<u>158,007,484</u>	<u>106,714,436</u>	<u>141,778,708</u>
Total nondepreciable capital assets	<u>160,707,761</u>	<u>162,463,584</u>	<u>106,714,436</u>	<u>216,456,909</u>
Depreciable capital assets:				
Buildings and improvements	2,346,375,451	103,098,257	16,811,423	2,432,662,285
Site improvements	207,411,841	9,364,962		216,776,803
Vehicles and equipment	<u>146,663,373</u>	<u>12,526,938</u>	<u>10,291,723</u>	<u>148,898,588</u>
Total depreciable capital assets	<u>2,700,450,665</u>	<u>124,990,157</u>	<u>27,103,146</u>	<u>2,798,337,676</u>
Less accumulated depreciation for:				
Buildings and improvements	731,517,259	57,520,207	13,212,647	775,824,819
Site improvements	42,480,449	4,323,186		46,803,635
Vehicles and equipment	<u>94,613,230</u>	<u>12,029,888</u>	<u>9,591,030</u>	<u>97,052,088</u>
Total accumulated depreciation	<u>868,610,938</u>	<u>73,873,281</u>	<u>22,803,677</u>	<u>919,680,542</u>
Total depreciable capital assets, net	<u>1,831,839,727</u>	<u>51,116,876</u>	<u>4,299,469</u>	<u>1,878,657,134</u>
Government activities capital assets, net	<u>\$ 1,992,547,488</u>	<u>\$ 213,580,460</u>	<u>\$ 111,013,905</u>	<u>\$ 2,095,114,043</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Depreciable capital assets:				
Vehicles and equipment	\$ 16,954,438	\$ 767,571	\$ 348,627	\$ 17,373,382
Total depreciable capital assets	<u>16,972,269</u>	<u>767,571</u>	<u>348,627</u>	<u>17,373,382</u>
Less accumulated depreciation for:				
Vehicles and equipment	12,794,050	977,855	291,844	13,480,061
Total accumulated depreciation	<u>12,794,050</u>	<u>977,855</u>	<u>291,844</u>	<u>13,480,061</u>
Business-type activities capital assets, net	<u>\$ 4,160,388</u>	<u>\$ (210,284)</u>	<u>\$ 56,783</u>	<u>\$ 3,893,321</u>

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

Governmental Activities:	
Regular instruction	\$ 62,164,168
Special education	211,681
School administration	33,638
Student personnel services	798
Student transportation	8,984,310
Operation of plant	146,827
Maintenance of plant	1,614,745
Administration	717,114
Total depreciation expense-governmental activities	<u>\$ 73,873,281</u>
Business-Type Activities:	
Food services	\$ 976,372
Real estate management	1,483
Total depreciation expense-business-type activities	<u>\$ 977,855</u>

Commitments for ongoing construction in progress at June 30, 2011, are \$136,501,022.

7. Payables

Accounts payable and other current liabilities of the governmental and business-type activities at June 30, 2011 are as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts payable	\$ 31,716,287	\$ 459,718	\$ 31,176,005
Retainage payable	7,728,738		7,728,738
Accrued salaries and withholdings	83,420,537		83,420,537
Claims payable	17,309,452		17,309,242
Due to employees-advance premium withholding	<u>3,314,246</u>		<u>3,314,246</u>
Total accounts payable and other current liabilities	<u>\$ 143,489,260</u>	<u>\$ 459,718</u>	<u>\$ 143,948,978</u>

8. Leases

a) Operating Leases

Expenditures under lease agreements for office space and equipment were approximately \$4,430,000 in 2011. Commitments for fiscal year 2012 under lease agreements are approximately \$3,000,000. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet rental payments are not appropriated.

b) Capital Leases

Under a master lease arrangement, MCPS acquires school buses, vehicles, technology and other equipment under noncancelable capital leases that expire at various times through fiscal year 2016. Lease payments, including interest, in fiscal year 2011 were \$11,645,470 for the General Fund, \$8,576,432 for the Capital Projects Fund and \$143,244 for the Enterprise Fund.

Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Enterprise Fund</u>
Vehicles and equipment	\$ 34,769,175	\$ 289,470
Less: accumulated depreciation	<u>(6,765,705)</u>	<u>(53,158)</u>
Total	<u>\$ 28,003,470</u>	<u>\$ 236,312</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Fiscal year ending June 30	<u>Governmental Activities</u>	<u>Enterprise Fund</u>
2012	\$ 14,277,843	\$ 122,249
2013	8,606,004	59,421
2014	5,747,217	59,421
2015	2,737,890	19,159
2016	<u>1,788,707</u>	<u>335,000</u>
Total minimum lease payments	33,157,661	595,250
Less : Amount representing interest	<u>(1,751,794)</u>	<u>(91,027)</u>
Present value of future minimum lease payments	<u>\$ 31,405,867</u>	<u>\$ 504,223</u>

\$21,139,645 of outstanding capital lease obligations for governmental activities at June 30, 2011, was used to acquire capital assets.

9. Long-Term Liabilities

Long-term liability activities during 2011 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 32,784,825	\$ 17,645,775	\$ 19,024,733	\$ 31,405,867	\$ 13,380,497
Compensated absences	104,966,323	18,854,200	8,311,151	115,509,372	9,532,059
Net OPEB obligation	<u>214,702,071</u>	<u>97,789,938</u>	<u>12,199,675</u>	<u>300,292,334</u>	<u>-</u>
Total	<u>\$ 352,453,219</u>	<u>\$ 134,289,913</u>	<u>\$ 39,535,559</u>	<u>\$ 447,207,573</u>	<u>\$ 22,912,556</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Capital leases	\$ 287,343	\$ 350,000	\$ 133,120	\$ 504,223	\$ 99,775
Compensated absences	1,725,573	168,603	46,368	1,847,808	90,459
Net OPEB obligation	<u>3,048,508</u>	<u>1,388,498</u>	<u>173,220</u>	<u>4,263,786</u>	<u>-</u>
Total	<u>\$ 5,061,424</u>	<u>\$ 1,907,101</u>	<u>\$ 352,708</u>	<u>\$ 6,615,817</u>	<u>\$ 190,234</u>

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

10. Risk Management

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

The active employees' health benefits plan is financed through an internal service fund, the Employee Benefit Plan Trust Fund. The postemployment health benefits plan is financed through a fiduciary fund, the OPEB Plan Trust. The funds provide plan coverage for active and retired employees under contracts with several insurance companies and health maintenance organizations (HMO's). MCPS funds participate in the plans by making payments to the trust funds in amounts sufficient to cover normal plan costs, which are comprised of premiums paid to insured plans, and actuarial estimates of amounts needed to pay prior- and current-year claims and to establish a reserve for incurred but not reported claims (IBNR). An additional payment is made to the OPEB Plan Trust to cover amortization of the actuarial accrued liability (see note 12). Claims payable of \$17,309,452 and \$5,213,129 reported in the Internal Service Fund and the Fiduciary Funds, respectively at June 30, 2011, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in claims payable for fiscal years 2010 and 2011 are reflected below.

	Beginning Payable	Incurred Claims (Including IBNR)	Claim Payments	Ending Payable
2011				
Internal Service Fund	\$ 18,380,085	\$ 196,411,062	\$ (197,481,695)	\$ 17,309,452
Fiduciary Funds	7,424,499	60,150,681	(62,362,051)	5,213,129
Total	<u>\$ 25,804,584</u>	<u>\$ 256,561,743</u>	<u>\$ (259,843,746)</u>	<u>\$ 22,522,581</u>
2010				
Internal Service Fund	\$ 18,501,490	\$ 188,920,070	\$ (189,041,475)	\$ 18,380,085
Fiduciary Funds	5,986,167	62,465,725	(61,027,393)	7,424,499
Total	<u>\$ 24,487,657</u>	<u>\$ 251,385,795</u>	<u>\$ (250,068,868)</u>	<u>\$ 25,804,584</u>

11. Defined Benefit Pension Plans

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

State Plans

Plan Description. Eligible MCPS professional and administrative employees participate in one of two state plans, the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System, the costs of which are borne by the state. Effective January 1, 1980, new MCPS teacher and administrative personnel became members of the Maryland State Teachers' Pension System. Members in the existing Maryland State Teachers' Retirement System had the option to

transfer from the old to the new plan. Benefits at retirement are based upon years of service and the average earned compensation of an eligible employee during any three consecutive years that provide the highest average earned compensation. Benefits vest after five years of creditable service.

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

Funding Policy. Covered employees are, by statute, required to contribute 5 to 7 percent to the retirement system, and 5 percent to the pension system. MCPS is not required to contribute. The employer's share of contributions to these two plans for MCPS employees, which amounted to \$169,926,025, \$149,981,157 and \$124,897,387 in 2011, 2010 and 2009 respectively, is the legal responsibility of the state. MCPS has recognized in the governmental fund statements revenue and expenditures in the amount equal to the state's contribution payment.

MCPS Plan

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

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

At July 1, 2010 the date of the latest actuarial report, MCPS' plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	11,046
Terminated plan members entitled to benefits but not yet receiving them	4,182
Active plan members	<u>21,896</u>
Total	<u>37,124</u>

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

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

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

Annual required contribution (ARC)/pension cost	\$ 63,707,764
Contributions made	64,814,364
Change in net pension obligation (asset)	<u>(1,106,600)</u>
Net pension obligation (asset) beginning of year	-
Net pension obligation (asset) end of year	<u>\$ (1,106,600)</u>

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2009	\$ 60,780,525	101 %	\$ 3,098,291
2010	59,982,555	105	-
2011	63,707,764	102	(1,106,600)

The annual required contribution for the current year was determined as part of the July 1, 2009 actuarial valuation, using the projected unit credit cost method and, except as noted, the same actuarial assumptions used in the latest actuarial valuation, as follows:

Valuation date	July 1, 2010
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: 26 years All other: 15 years
Asset valuation method	5-year, smoothed market
Actuarial Assumptions:	
Investment rate of return	7.5%
Inflation rate	3.0%
Projected salary increases	3.25-8.25% (4.0 –6.5% in 2009 valuation)
Cost of living adjustments	3.0%

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 1,420,871,337
Actuarial value of plan assets	979,478,384
Unfunded actuarial accrued liability (UAAL)	<u>\$ 441,392,953</u>
Funded ratio (actuarial value of plan assets/AAL)	68.9 %
Covered payroll (active plan members)	\$ 1,346,387,488
UAAL as a percentage of covered payroll	32.8%

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

schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

State and MCPS Plans Amendments. Effective July 1, 2011, the State of Maryland amended the Maryland State Teachers Pension System. For employees hired prior to July 1, 2011, employee contributions were increased from 5 percent of salary to 7 percent of salary and the annual cap on cost-of-living increases was lowered. For employees hired after July 1, 2011, in addition to the above changes, retirement eligibility criteria and the benefit formula were modified.

The Board of Education adopted plan amendments to the core MCPS Pension System that mirror the state plan changes, except for a different cost-of-living adjustment cap.

12. Postemployment Healthcare Benefits

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

Plan membership consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	12,809
Active plan members	<u>22,330</u>
Total	<u>35,139</u>

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

Funding Policy: The Board of Education has the authority to establish and amend contribution requirements of the plan members and MCPS. Retired plan members and beneficiaries currently receiving benefits are required to contribute 36 percent and MCPS contributes 64 percent toward the current cost of healthcare benefits. During fiscal year 2011, plan members and beneficiaries receiving benefits contributed \$26,446,083 (approximately 35.1 percent of current contributions). MCPS and other contributing entities' contributed \$48,842,857 (approximately 64.9 percent of current contributions) for current premiums, claims and administrative expenses. Administrative costs are financed through investment earnings.

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$1,568.6 million and the unfunded AAL (UAAL) was \$1,535.4 million. Actuarial plan assets were \$33.2 million and the funded ratio was 2.1 percent. The annual covered payroll of active employees covered by the plan was \$1,346.4 million, and the ratio of the UAAL to covered payroll was 114.0 percent.

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

Annual OPEB Cost and Net OPEB Obligation. MCPS' annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a

level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years. MCPS has agreed with the Montgomery County Council that MCPS would transition to full funding of the ARC over a period of eight years. Due to county economic pressures, the Montgomery County Council directed MCPS to not fund the FY 2011 amortization, as appropriated. The following table shows the components of MCPS' annual OPEB cost and changes in the net OPEB obligation.

Annual required contribution	\$ 131,690,000
Interest on net OPEB obligation	16,331,293
Adjustment to annual required Contribution	<u>(12,372,895)</u>
Annual OPEB cost	135,648,398
Contributions made	<u>48,842,857</u>
Increase in net OPEB obligation	86,805,541
Net OPEB obligation – beginning of year	<u>217,750,579</u>
Net OPEB obligation – end of year	<u>\$ 304,556,120</u>

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

Year ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2010	\$ 134,291,878	33.9%	\$ 217,750,579
2011	135,648,398	36.0	304,556,120

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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial assumptions used in the latest actuarial valuation were:

Valuation date	July 1, 2010
Actuarial cost method	Projected unit credit
Investment return	7.5%
Health care cost trend rates	(initial, ultimate)
Medical pre-65	8.5%, 5.0%
Medical post-65	7.0%, 5.0%
Prescription drugs	10.0%, 5.5%
Dental	6.5%, 4.5%
Vision	Flat 3.5%
Amortization method	Level percentage of projected payroll, Open basis
Remaining amortization period	30 years

Subsequent Events. Effective July 1, 2011, the Montgomery County Council created a consolidated OPEB Plan Trust that expanded the county OPEB Plan to include MCPS employees. Beginning in fiscal year 2012, and for each fiscal year thereafter, the MCPS annual contribution toward funding amortization of the actuarial accrued liability will be made by the Montgomery County Council directly to the consolidated OPEB Plan Trust rather than to the MCPS OPEB Plan Trust.

Effective July 1, 2011 the benefits were modified for employees under age fifty-five and employed after July 1, 2006. A three tiered structure was introduced that links retiree contribution percents to years of service at retirement. The retiree contribution percent will be 60, 50 or 40 percent depending on years of service at retirement.

13. Trust Plans Condensed Financial Statements

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

CONDENSED STATEMENT OF FIDUCIARY NET ASSETS

	Retirement and Pension System	OPEB Plan Trust	Total
Assets:			
Current assets	\$ 1,041,049,317	\$ 53,146,464	\$ 1,094,195,781
Total assets	<u>1,041,049,317</u>	<u>53,146,464</u>	<u>1,094,195,781</u>
Liabilities:			
Total liabilities	<u>46,919,207</u>	<u>5,417,260</u>	<u>52,336,467</u>
Net Assets:			
Held in trust for pension/ Other postemployment benefits	\$ <u>994,130,110</u>	\$ <u>47,729,204</u>	\$ <u>1,041,859,314</u>

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	Retirement and Pension System	OPEB Plan Trust	Total
Additions:			
Contributions	\$ 81,711,967	\$ 75,288,940	\$ 157,000,907
Net investment earnings	169,716,298	8,109,448	177,825,746
Total additions	<u>251,428,265</u>	<u>83,398,388</u>	<u>334,826,653</u>
Deductions:			
Benefit and premium payments	61,029,941	71,699,130	132,729,071
Administrative expenses	1,884,899	325,926	2,210,825
Total deductions	<u>62,914,840</u>	<u>72,025,056</u>	<u>134,939,896</u>
Change in net assets	188,513,425	11,373,332	199,886,757
Net assets - beginning	805,616,685	36,355,872	841,972,557
Net assets - ending	<u>\$ 994,130,110</u>	<u>\$ 47,729,204</u>	<u>\$ 1,041,859,314</u>

14. Contingencies

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

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

Federal Financial Assistance. MCPS receives financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned on compliance with terms and conditions of the grant agreements and applicable Federal regulations, including expenditures of resources for

eligible purposes. All grants are subject to financial and compliance audits. Any disallowances as a result of these audits become a liability of the fund that received the grants.

In the opinion of management, the ultimate resolution of any of these matters or audits 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)
7/1/2005	\$ 729,231	\$ 905,339	\$ 176,108	80.5%	\$ 1,080,319	16.3%
7/1/2006	762,232	1,062,251	300,019	71.8	1,169,275	25.7
7/1/2007	855,719	1,164,451	308,732	73.5	1,215,302	25.4
7/1/2008	941,919	1,260,260	318,344	74.7	1,327,593	24.0
7/1/2009	966,296	1,344,071	377,778	71.9	1,352,101	27.9
7/1/2010	979,478	1,420,871	441,393	68.9	1,346,387	32.8

Schedule of Employer Contributions
(000'S omitted)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2006	\$ 36,795	100%	\$ 4,506
2007	57,569	101	4,037
2008	58,502	101	3,723
2009	60,830	101	3,098
2010	60,024	105	-
2011	63,708	102	(1,107)

OPEB PLAN TRUST

Schedule of Funding Progress
(000'S omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/07	\$ -	\$ 1,299,106	\$ 1,299,106	0.0%	\$ 1,215,302	106.9%
7/01/08	16,662	1,256,907	1,240,207	1.3	1,327,593	93.4
7/01/10	33,156	1,568,612	1,535,456	2.1	1,346,387	114.0

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

Year Ended June 30	Annual Required Contributions	Percentage Contributed		Net OPEB Obligation
		MCPS	Other Contributing Entities	
2009	\$ 122,819	48.0%	2.1%	\$ 128,599
2010	131,690	30.8	3.5	217,751
2011	131,690	33.7	3.4	304,556

SUPPLEMENTARY DATA

GOVERNMENTAL FUNDS

June 30, 2011

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Montgomery County	\$ 230,473,668	\$ 231,413,843	149,126,292	\$ (82,287,551)
State of Maryland	30,243,810	29,886,376	29,400,957	(485,419)
Federal	3,680,403	5,304,403	3,357,900	(1,946,503)
Other sources	368,285	368,285	-	(368,285)
Total revenues	264,766,166	266,972,907	181,885,149	(85,087,758)
Expenditures and encumbrances:				
Capital outlay	264,766,166	266,972,907	181,885,149	85,087,758
Total expenditures and encumbrances	264,766,166	266,972,907	181,885,149	85,087,758
Excess of revenues over expenditures and encumbrances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MONTGOMERY COUNTY PUBLIC SCHOOL
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND
June 30, 2011**

Project Name	Project Authorization	Expended to Jun 30, 2011	Committed	Available for Future Expenditure
ADA Compliance:MCPS	\$ 1,866,237	\$ 428,287	\$ 334,516	\$ 1,103,434
Albert Einstein HS Signature Improvements	5,458,279	5,453,993	-	4,286
Asbestos Abatement:MCPS	282,531	-	12,669	269,862
Ashburton ES Addition	7,404,000	6,779,563	-	624,437
Bethesda-Chevy Chase HS Addition	1,042,000	1,040,109	121	1,770
Bradley Hills ES Addition	1,170,000	647,209	374,579	148,212
Brookhaven ES Addition	5,819,000	4,675,309	261,094	882,597
Building Modifications & Program Impr	5,360,205	1,804,445	861,235	2,694,525
Carderock Springs ES	154,648	-	-	154,648
Clarksburg Cluster ES (Clarksburg Village Site #1)	1,621,500	-	-	1,621,500
Clarksburg/Damascus ES #8	24,401,000	24,282,595	115,556	2,849
County Water Quality Compliance	3,100	-	-	3,100
Current Replacements/Modernizations	612,957,042	500,605,261	70,485,360	41,866,421
Currrt Mods-Walter Johnson HS Turf Contrib	335,000	330,088	-	4,912
Darnestown ES Addition	932,000	362,178	398,004	171,818
Design and Construction Management	236,736	-	5,329	231,407
East Silver Spring ES Addition	11,798,000	11,651,814	119,656	26,530
Educational Technology:Global Access	21,246	-	21,246	-
Energy Conservation:MCPS	3,781,125	-	1,085,519	2,695,606
Facility Planning:MCPS	1,074,827	-	776,759	298,068
Fairland ES Addition	7,729,000	4,516,909	1,460,892	1,751,199
Fallsmead ES Addition	9,064,000	8,792,616	15,918	255,466
Fields Road ES Addition	9,368,000	9,257,200	7,864	102,936
Fire Safety Code Upgrades:MCPS	188,736	-	106,445	82,291
Fox Chapel ES Addition	7,205,000	5,678,957	777,685	748,358
Gaithersburg HS Addition	10,272,000	10,201,934	-	70,066
Georgian Forest ES Addition	897,000	254,708	480,195	162,097
Harmony Hills ES Addition	5,949,000	4,503,725	501,040	944,235
HVAC Replacements:MCPS	32,049,993	20,310,806	7,747,618	3,991,569
Improved (Safe) Access to Schools	2,729,312	970,164	32,248	1,726,900
Jackson Road ES Addition	6,791,000	5,979,707	354,471	456,822
Land Acquisition:MCPS	2,127,107	-	7,000	2,120,107
Luxmanor ES Addition	8,897,000	8,583,841	70,524	242,635
Montgomery Knolls ES Addition	8,753,000	7,753,031	(46,689)	1,046,658
Northwood High School	42,808,000	41,567,933	139,923	1,100,144
Planned Life-Cycle Asset Replacmnt	6,112,619	5,055,125	1,320,109	(262,615)
Poolesville HS Lab Upgrades and Addition	8,561,932	8,529,323	14,714	17,895
Redland MS Improvements	14,233,000	11,758,866	2,341,986	132,148
Rehab and Renovation of Closed Schools	77,896,931	51,458,294	16,707,234	9,731,403
Relocatable Classrooms:MCPS	1,570,499	-	1,006,646	563,853
Restroom Renovations	662,881	-	(405,845)	1,068,726
Ridgeview MS Improvements	13,524,000	7,025,375	6,427,682	70,943
Rock View ES Addition	5,470,000	4,064,313	460,271	945,416
Roof Replacement:MCPS	14,311,368	6,630,010	4,118,010	3,563,348
School Gymnasiums:MCPS	35,578,499	26,571,196	8,331,644	675,659
School Security Systems:MCPS	85,934	-	31,109	54,825
Seven Locks ES Addition/Modernization	22,287,529	10,594,146	7,268,030	4,425,353
Sherwood ES Addition	4,947,000	4,874,040	9,612	63,348
Sherwood HS Addition	12,051,789	12,004,325	13,986	33,478
Silver Spring Int'l/Sligo Creek ES Addition	1,224,982	1,217,876	7,106	-
Somerset ES Addition	1,516,000	1,021,752	21,228	473,020
Stadium Lighting:MCPS	350,872	-	-	350,872
Stedwick ES Addition	9,825,000	9,447,717	-	377,283
Stormwater Discharge Management:MCPS	1,245,080	291,386	225,080	728,614
Takoma Park ES Addition	11,592,000	11,392,325	(43,811)	243,486
Technology Modernization	8,219,680	-	304,069	7,915,611
The Schools and Libraries Program of the Universa	325,003	-	-	325,003
Thomas W Pyle MS Addition	7,111,000	7,050,865	8,969	51,166
Travilah ES Addition	6,117,000	6,085,570	14,294	17,136
Viers Mill ES Addition	953,000	498,514	308,593	145,893
Washington Grove ES Addition	13,937,000	13,913,975	(36,753)	59,778
Water and Indoor Air Quality Improvements	3,019,982	796,830	108,206	2,114,946
Wayside ES Addition	7,146,000	6,984,966	4,186	156,848
Westbrook ES Addition	994,000	344,370	579,010	70,620
Westland MS Addition	4,023,000	3,916,029	4,000	102,971
Whetstone ES Addition	7,633,000	5,515,452	553,499	1,564,049
Wyngate ES Addition	878,000	311,707	291,381	274,912
Total Open & Interim Projects	1,143,951,204	903,786,729	136,501,022	103,663,453
Capitalized land, equipment and furniture, and items not capitalized	(26,722,581)	(26,722,581)	-	-
Interim closing of open projects *	(735,285,440)	(735,285,440)	-	-
Total construction in progress	\$ 381,943,183	\$ 141,778,708	\$ 136,501,022	\$ 103,663,453

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Prior Year Carryover Encumbrances	Original	Final		
Revenues:					
Cable TV franchise fees	\$ -	\$ 1,490,510	\$ 1,490,510	\$ 1,490,510	\$ -
Total revenues	-	1,490,510	1,490,510	1,490,510	-
Expenditures and encumbrances:					
Community services	25,885	1,490,510	\$ 1,516,395	1,476,676	39,719
Total expenditures and encumbrances	25,885	1,490,510	1,516,395	1,476,676	39,719
Excess of revenues over expenditures and encumbrances	(25,885)		(25,885)	13,834	39,719
Fund balance - beginning	25,885		25,885	265,873	239,988
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	279,707	<u>\$ 279,707</u>
Reconciliation to GAAP fund balance:					
2011 encumbrances outstanding				-	
Fund balance - GAAP basis				<u>\$ 279,707</u>	

NONMAJOR ENTERPRISE FUNDS

June 30, 2011

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, 2011

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 1,419,897	\$ 28,513	\$ 1,387,907	\$ 2,836,317
Accounts receivable	63,970	108,136		172,106
Due from other funds	14,688	2,761	52,927	70,376
Inventories			3,270	3,270
Total current assets	<u>1,498,555</u>	<u>139,410</u>	<u>1,444,104</u>	<u>3,082,069</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Machinery and equipment	<u>3,708</u>			<u>3,708</u>
Total noncurrent assets	<u>3,708</u>	<u>-</u>	<u>-</u>	<u>3,708</u>
Total assets	<u>1,502,263</u>	<u>139,410</u>	<u>1,444,104</u>	<u>3,085,777</u>
Liabilities				
Current liabilities:				
Accounts payable	149,447		37,721	187,168
Unearned revenue			367,154	367,154
Capital leases - current	<u>2,716</u>			<u>2,716</u>
Total current liabilities	<u>152,163</u>	<u>-</u>	<u>404,875</u>	<u>557,038</u>
Noncurrent liabilities:				
Capital leases payable	328,125			328,125
Compensated absences	<u>70,559</u>	<u>78,787</u>	<u>108,286</u>	<u>257,632</u>
Total noncurrent liabilities	<u>398,684</u>	<u>78,787</u>	<u>108,286</u>	<u>585,757</u>
Total liabilities	<u>550,847</u>	<u>78,787</u>	<u>513,161</u>	<u>1,142,795</u>
Net Assets				
Invested in capital assets, net of related debt	3,708		-	3,708
Unrestricted	<u>947,708</u>	<u>60,623</u>	<u>930,943</u>	<u>1,939,274</u>
Total net assets	<u>\$ 951,416</u>	<u>\$ 60,623</u>	<u>\$ 930,943</u>	<u>\$ 1,942,982</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, 2011

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
Operating revenues:				
Rent and fees	\$ 2,812,240	\$ 1,671,121	\$ 3,633,389	\$ 8,116,750
Total operating revenues	<u>2,812,240</u>	<u>1,671,121</u>	<u>3,633,389</u>	<u>8,116,750</u>
Operating expenses:				
Salaries and wages	423,748	1,169,300	937,314	2,530,362
Contracted services	99,627	36,697	339,219	475,543
Supplies and materials	371,012	386,163	521,366	1,278,541
Other charges	2,159,414	158,949	233,373	2,551,736
Depreciation	1,483			1,483
Total operating expenses	<u>3,055,284</u>	<u>1,751,109</u>	<u>2,031,272</u>	<u>6,837,665</u>
Operating income (loss)	<u>(243,044)</u>	<u>(79,988)</u>	<u>1,602,117</u>	<u>1,279,085</u>
Change in net assets	(243,044)	(79,988)	1,602,117	1,279,085
Total net assets - beginning	1,194,460	140,611	(671,174)	663,897
Total net assets - ending	<u>\$ 951,416</u>	<u>\$ 60,623</u>	<u>\$ 930,943</u>	<u>\$ 1,942,982</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Real Estate Management	Field Trip	Entrepreneurial	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,088,301	\$ 1,792,121	\$ 3,682,971	\$ 8,563,393
Payments to suppliers	(458,066)	(445,633)	(1,141,582)	(2,045,281)
Payments to employees	(457,804)	(1,243,208)	(991,883)	(2,692,895)
Payments for assessments made by other funds	(103,219)	(74,767)	(151,084)	(329,070)
Payments for other operating expenses	(2,022,291)	-	(10,515)	(2,032,806)
Net cash provided by operating activities	<u>46,921</u>	<u>28,513</u>	<u>1,387,907</u>	<u>1,463,341</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital leases	350,000	-	-	350,000
Principal paid on capital leases	(19,159)	-	-	(19,159)
Net cash (used) by capital and related financing activities	<u>330,841</u>	<u>-</u>	<u>-</u>	<u>330,841</u>
Net increase in cash and cash equivalents	377,762	28,513	1,387,907	1,794,182
Cash and cash equivalents - beginning	1,042,135	-	-	1,042,135
Cash and cash equivalents - ending	<u>\$ 1,419,897</u>	<u>\$ 28,513</u>	<u>\$ 1,387,907</u>	<u>\$ 2,836,317</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (243,044)	\$ (79,988)	\$ 1,602,117	\$ 1,279,085
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,483	-	-	1,483
Effects of changes in operating assets and liabilities:				
Receivables	276,062	121,000	(52,927)	344,135
Accounts payable	(5,801)	-	(91,033)	(96,834)
Due to other funds	18,374	(22,773)	(193,694)	(198,093)
Inventories	-	-	3,730	3,730
Unearned revenue	-	-	102,509	102,509
Compensated absences	(153)	10,274	17,205	27,326
Net cash provided by operating activities	<u>\$ 46,921</u>	<u>\$ 28,513</u>	<u>\$ 1,387,907</u>	<u>\$ 1,463,341</u>

FIDUCIARY FUNDS

June 30, 2011

Pension and Other Employee Benefits Trust Funds:

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

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

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

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 JUNE 30, 2011

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefits Trust Funds
ASSETS			
Investments:			
Common and preferred stocks	\$ 623,387,285	\$ 31,388,921	\$ 654,776,206
Short-term investments	9,443,958		9,443,958
U.S. government and agency securities	127,451,083		127,451,083
Fixed income securities	146,900,795	7,555,102	154,455,897
Real estate	72,169,810		72,169,810
Participation contract	1,171,233		1,171,233
Private equity	15,193,754		15,193,754
Securities lending short-term investment pool	45,331,399		45,331,399
Total investments	<u>1,041,049,317</u>	<u>38,944,023</u>	<u>1,079,993,340</u>
Accounts receivable		255	255
Due from Internal Service Fund		<u>14,202,186</u>	<u>14,202,186</u>
Total assets	<u>1,041,049,317</u>	<u>53,146,464</u>	<u>1,094,195,781</u>
LIABILITIES			
Accounts payable	398,966	23,748	422,714
Claims payable		5,213,129	5,213,129
Due to general fund	1,188,842	180,383	1,369,225
Liability for collateral received under securities lending agreements	<u>45,331,399</u>		<u>45,331,399</u>
Total liabilities	<u>46,919,207</u>	<u>5,417,260</u>	<u>52,336,467</u>
NET ASSETS			
Held in trust for pension/other postemployment benefits	<u>\$ 994,130,110</u>	<u>\$ 47,729,204</u>	<u>\$ 1,041,859,314</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Retirement and Pension System	OPEB Plan Trust	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 64,814,364	\$ 44,342,064	\$ 109,156,428
Members	16,897,603	26,446,083	43,343,686
Federal government - Medicare Part D		4,500,793	4,500,793
Total contributions	<u>81,711,967</u>	<u>75,288,940</u>	<u>157,000,907</u>
Investment earnings:			
Net appreciation in fair value of investments	158,557,839	7,262,008	165,819,847
Interest and dividends	14,474,627	847,440	15,322,067
Securities lending income	142,574		142,574
Total investment income	<u>173,175,040</u>	<u>8,109,448</u>	<u>181,284,488</u>
Less investment expense:			
Investment fees and other	(3,415,975)	-	(3,415,975)
Securities lending fees	(42,767)		(42,767)
Total investment expense	<u>(3,458,742)</u>	<u>-</u>	<u>(3,458,742)</u>
Net investment earnings	<u>169,716,298</u>	<u>8,109,448</u>	<u>177,825,746</u>
Total additions	<u>251,428,265</u>	<u>83,398,388</u>	<u>334,826,653</u>
DEDUCTIONS			
Benefits paid to plan members	61,029,941	60,150,681	121,180,622
Premiums paid to insurance companies		11,548,449	11,548,449
Administrative expenses	1,884,899	325,926	2,210,825
Total deductions	<u>62,914,840</u>	<u>72,025,056</u>	<u>134,939,896</u>
Change in net assets	188,513,425	11,373,332	199,886,757
Net assets - beginning	<u>805,616,685</u>	<u>36,355,872</u>	<u>841,972,557</u>
Net assets - ending	<u>\$ 994,130,110</u>	<u>\$ 47,729,204</u>	<u>\$ 1,041,859,314</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash and investments	\$ 16,319,408	\$ 32,182,971	\$ 32,111,124	\$ 16,391,255
Accounts receivable	1,740,198	1,654,101	1,740,198	1,654,101
Inventories	<u>222,952</u>	<u>172,059</u>	<u>222,952</u>	<u>172,059</u>
Total assets	\$ <u>18,282,558</u>	\$ <u>34,009,131</u>	\$ <u>34,074,274</u>	\$ <u>18,217,415</u>
Liabilities				
Accounts payable	\$ 1,461,649	\$ 1,323,532	\$ 1,461,649	\$ 1,323,532
Due to student groups	<u>16,820,909</u>	<u>32,685,599</u>	<u>32,612,625</u>	<u>16,893,883</u>
Total liabilities	\$ <u>18,282,558</u>	\$ <u>34,009,131</u>	\$ <u>34,074,274</u>	\$ <u>18,217,415</u>

INTENTIONALLY BLANK

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules provide trend information to help the reader understand how MCPS' financial performance and well-being have changed over time.	79-86
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.	87-93
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.	95-99
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.	100-101
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.	103-106

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 1,181,888,032	\$ 1,224,194,974	\$ 1,265,348,107	\$ 1,347,324,600	\$ 1,509,775,923
Unrestricted	(49,845,395)	(80,455,530)	(90,516,500)	(92,864,100)	(96,127,805)
Total governmental activities net assets	<u>\$ 1,132,042,637</u>	<u>\$ 1,143,739,444</u>	<u>\$ 1,174,831,607</u>	<u>\$ 1,254,460,500</u>	<u>\$ 1,413,648,118</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 5,629,503	\$ 5,137,266	\$ 4,829,951	\$ 5,182,162	\$ 5,052,458
Unrestricted	(581,616)	(1,626,627)	(2,850,401)	(2,755,479)	(3,354,942)
Total business-type activities net assets	<u>\$ 5,047,887</u>	<u>\$ 3,510,639</u>	<u>\$ 1,979,550</u>	<u>\$ 2,426,683</u>	<u>\$ 1,697,516</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,187,517,535	\$ 1,229,332,240	\$ 1,270,178,058	\$ 1,352,506,762	\$ 1,514,828,381
Unrestricted	(50,427,011)	(82,082,157)	(93,366,901)	(95,619,579)	(99,482,747)
Total primary government net assets	<u>\$ 1,137,090,524</u>	<u>\$ 1,147,250,083</u>	<u>\$ 1,176,811,157</u>	<u>\$ 1,256,887,183</u>	<u>\$ 1,415,345,634</u>

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 1,635,087,567	\$ 1,765,406,793	\$ 1,901,060,879	\$ 1,972,419,863	\$ 2,073,974,398
Unrestricted	(85,448,126)	(151,573,901)	(202,703,251)	(303,827,808)	(367,057,361)
Total governmental activities net assets	<u>\$ 1,549,639,441</u>	<u>\$ 1,613,832,892</u>	<u>\$ 1,698,357,628</u>	<u>\$ 1,668,592,055</u>	<u>\$ 1,706,917,037</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 5,215,924	\$ 5,019,355	\$ 4,231,936	\$ 3,951,552	\$ 3,759,754
Unrestricted	(3,628,772)	(5,207,535)	(6,415,787)	(7,848,406)	(7,483,924)
Total business-type activities net assets	<u>\$ 1,587,152</u>	<u>\$ (188,180)</u>	<u>\$ (2,183,851)</u>	<u>\$ (3,896,854)</u>	<u>\$ (3,724,170)</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,640,303,491	\$ 1,770,426,148	\$ 1,905,292,815	\$ 1,976,371,415	\$ 2,077,734,152
Unrestricted	(89,076,898)	(156,781,436)	(209,119,038)	(311,676,214)	(374,541,285)
Total primary government net assets	<u>\$ 1,551,226,593</u>	<u>\$ 1,613,644,712</u>	<u>\$ 1,696,173,777</u>	<u>\$ 1,664,695,201</u>	<u>\$ 1,703,192,867</u>

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

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities				
Instruction:				
Regular instruction	\$ 871,885,283	\$ 922,271,680	\$ 983,832,228	\$ 1,038,043,643
Special education	193,069,034	213,237,600	226,446,611	247,338,455
School administration	113,093,534	123,298,343	126,636,268	135,691,110
Student personnel services	7,535,210	8,160,848	11,411,475	12,226,245
Health services	46,267	107,432	36,994	39,433
Total instruction	<u>1,185,629,328</u>	<u>1,267,075,903</u>	<u>1,348,363,576</u>	<u>1,433,338,886</u>
Support services:				
Student transportation	70,499,355	72,604,228	80,078,067	91,056,536
Operation of plant	97,192,269	99,932,932	102,880,452	109,613,171
Maintenance of plant	45,531,248	40,384,443	48,730,155	47,584,397
Administration	41,111,824	47,359,900	37,010,469	39,156,106
Community services	1,467,006	1,584,350	1,641,493	1,625,698
Interest on capital leases				
Total support services	<u>255,801,702</u>	<u>261,865,853</u>	<u>270,340,636</u>	<u>289,035,908</u>
Total governmental activities expenses	<u>1,441,431,030</u>	<u>1,528,941,756</u>	<u>1,618,704,212</u>	<u>1,722,374,794</u>
Business-type activities				
Food services	35,363,644	35,681,700	37,426,902	39,511,622
Adult education	3,823,273	4,007,829	4,110,281	1,893,599
Real estate management	1,292,137	1,586,720	1,482,541	1,537,420
Field trips	1,402,789	1,205,565	1,246,915	1,355,538
Entrepreneurial activities	857,174	1,062,282	1,211,760	1,316,459
Total business-type activities expenses	<u>42,739,017</u>	<u>43,544,096</u>	<u>45,478,399</u>	<u>45,614,638</u>
Total primary government expenses	<u>\$ 1,484,170,047</u>	<u>\$ 1,572,485,852</u>	<u>\$ 1,664,182,611</u>	<u>\$ 1,767,989,432</u>
Program Revenues				
Governmental activities				
Charges for services	\$ 2,622,598	\$ 2,636,982	\$ 2,661,370	\$ 5,028,734
Operating grants and contributions	90,218,597	108,829,702	71,649,502	79,073,587
Capital grants and contributions	40,202,341	31,154,353	50,595,212	41,579,402
Total governmental 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				
Charges for services:				
Food services	19,382,234	19,244,297	20,089,923	21,240,579
Adult education	3,405,349	3,755,591	3,770,253	2,047,577
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
Operating grants and contributions	14,212,413	14,862,621	15,726,742	16,892,422
Capital grants and contributions	988,075	349,867	450,005	938,776
Total business-type activities program revenues	<u>41,667,665</u>	<u>41,823,964</u>	<u>43,866,044</u>	<u>45,709,877</u>
Total primary government program revenues	<u>\$ 174,711,201</u>	<u>\$ 184,445,001</u>	<u>\$ 168,772,128</u>	<u>\$ 171,391,600</u>
Net (expense)/revenue				
Governmental activities	(1,308,387,494)	(1,386,320,719)	(1,493,798,128)	(1,596,693,071)
Business-type activities	(1,071,352)	(1,720,132)	(1,612,355)	95,239
	<u>(1,309,458,846)</u>	<u>(1,388,040,851)</u>	<u>(1,495,410,483)</u>	<u>(1,596,597,832)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Intergovernmental:				
Montgomery County	\$ 1,113,445,525	\$ 1,108,394,374	\$ 1,183,680,350	\$ 1,314,971,597
State of Maryland	259,442,972	288,603,570	340,846,285	361,020,873
Federal government	218,319	296,773	262,516	88,274
Investment Earnings	326,041	146,555	76,537	155,210
Other revenue	219,607	562,402	8,019	70,671
Transfers	16,332	13,852	16,584	15,339
Total government activities	<u>1,373,668,796</u>	<u>1,398,017,526</u>	<u>1,524,890,291</u>	<u>1,676,321,964</u>
Business-type activities				
Investment Earnings	298,960	196,736	97,850	367,233
Transfers	(16,332)	(13,852)	(16,584)	(15,339)
Total business-type activities	<u>282,628</u>	<u>182,884</u>	<u>81,266</u>	<u>351,894</u>
Total primary government	<u>\$ 1,373,951,424</u>	<u>\$ 1,398,200,410</u>	<u>\$ 1,524,971,557</u>	<u>\$ 1,676,673,858</u>
Change in Net Assets				
Governmental activities	65,281,302	11,696,807	31,092,163	79,628,893
Business-type activities	(788,724)	(1,537,248)	(1,531,089)	447,133
Total primary government	<u>\$ 64,492,578</u>	<u>\$ 10,159,559</u>	<u>\$ 29,561,074</u>	<u>\$ 80,076,026</u>

	2006	2007	2008	2009	2010	2011
\$	1,088,588,014	\$ 1,160,855,790	\$ 1,300,214,158	\$ 1,344,807,372	\$ 1,382,022,729	\$ 1,395,636,699
	266,912,970	293,576,065	337,981,003	357,740,728	382,151,880	381,185,135
	146,798,786	160,163,136	183,915,725	192,005,481	195,915,953	198,448,243
	13,416,179	13,944,662	15,923,429	16,709,007	16,590,455	15,726,065
	42,357	53,540	39,372	31,477	40,091	17,919
	<u>1,515,758,306</u>	<u>1,628,593,193</u>	<u>1,838,073,687</u>	<u>1,911,294,065</u>	<u>1,976,721,108</u>	<u>1,991,014,061</u>
	96,768,183	100,930,995	117,962,721	122,633,059	125,139,197	126,428,398
	120,228,320	130,303,214	144,731,021	145,189,882	153,349,143	149,740,270
	48,872,594	55,832,785	56,469,713	57,587,517	59,180,621	60,799,687
	54,688,573	63,053,976	59,171,446	63,094,864	60,891,077	58,701,766
	2,110,374	2,176,910	2,470,942	2,168,062	2,291,223	2,129,034
	1,372,132	1,742,075	1,970,020	2,040,350	1,750,321	1,197,169
	<u>324,040,176</u>	<u>354,039,955</u>	<u>382,775,863</u>	<u>392,713,734</u>	<u>402,601,582</u>	<u>398,996,324</u>
	<u>1,839,798,482</u>	<u>1,982,633,148</u>	<u>2,220,849,550</u>	<u>2,304,007,799</u>	<u>2,379,322,690</u>	<u>2,390,010,385</u>
	40,757,291	42,161,738	46,125,487	46,457,265	45,687,584	48,218,118
	1,516,881	(48,642)	-	-	-	-
	2,102,497	2,926,351	2,290,554	2,489,426	2,591,862	3,055,284
	1,579,472	1,629,297	1,792,660	1,772,511	1,697,423	1,751,109
	1,266,811	1,376,930	1,619,087	1,444,433	2,001,442	2,031,272
	<u>47,222,952</u>	<u>48,045,674</u>	<u>51,827,788</u>	<u>52,163,635</u>	<u>51,978,311</u>	<u>55,055,783</u>
\$	<u>1,987,021,434</u>	<u>2,030,678,822</u>	<u>2,272,677,338</u>	<u>2,356,171,434</u>	<u>2,431,301,001</u>	<u>2,445,066,168</u>
	5,164,549	5,249,818	5,332,403	5,033,518	4,616,997	4,111,198
	81,343,855	83,451,485	84,349,531	77,829,710	126,099,052	112,581,279
	41,802,954	52,273,814	48,116,266	48,858,868	44,257,276	54,258,286
	<u>128,311,358</u>	<u>140,975,117</u>	<u>137,798,200</u>	<u>131,722,096</u>	<u>174,973,325</u>	<u>170,950,763</u>
	21,314,053	22,008,945	22,219,798	22,191,730	18,621,337	18,577,749
	1,614,777	-	-	-	-	-
	2,212,736	2,625,031	2,765,022	2,397,720	2,667,604	2,812,240
	1,491,097	1,543,101	1,722,208	1,578,741	1,543,871	1,671,121
	1,461,574	1,436,778	1,866,786	1,872,573	1,849,158	3,633,389
	17,268,485	18,798,444	19,955,950	21,564,749	24,871,047	27,800,835
	415,248	655,145	927,082	405,452	641,790	696,950
	<u>45,777,970</u>	<u>47,067,444</u>	<u>49,456,846</u>	<u>50,010,965</u>	<u>50,194,807</u>	<u>55,192,284</u>
\$	<u>174,089,328</u>	<u>188,042,561</u>	<u>187,255,046</u>	<u>181,733,061</u>	<u>225,168,132</u>	<u>226,143,047</u>
	(1,711,487,124)	(1,841,658,031)	(2,083,051,350)	(2,172,285,703)	(2,204,349,365)	(2,219,059,622)
	(1,444,982)	(978,230)	(2,370,942)	(2,152,670)	(1,783,504)	136,501
	<u>(1,712,932,106)</u>	<u>(1,842,636,261)</u>	<u>(2,085,422,292)</u>	<u>(2,174,438,373)</u>	<u>(2,206,132,869)</u>	<u>(2,218,923,121)</u>
	1,457,150,730	1,507,402,033	\$ 1,631,686,296	\$ 1,656,384,034	\$ 1,550,665,251	\$ 1,553,166,556
	411,828,686	468,650,022	510,142,429	597,009,068	616,478,426	668,581,752
	1,027,578	539,841	4,015,914	2,728,591	6,454,228	35,268,390
	632,532	929,696	1,378,734	684,245	985,888	367,906
	-	-	-	-	-	-
	35,216	127,762	21,428	4,501	-	-
	<u>1,870,674,742</u>	<u>1,977,649,354</u>	<u>2,147,244,801</u>	<u>2,256,810,439</u>	<u>2,174,583,793</u>	<u>2,257,384,604</u>
	751,031	995,628	617,038	161,500	70,501	36,183
	(35,216)	(127,762)	(21,428)	(4,501)	-	-
	715,815	867,866	595,610	156,999	70,501	36,183
\$	<u>1,871,390,557</u>	<u>1,978,517,220</u>	<u>2,147,840,411</u>	<u>2,256,967,438</u>	<u>2,174,654,294</u>	<u>2,257,420,787</u>
	159,187,618	135,991,323	64,193,451	84,524,736	(29,765,572)	38,324,982
	(729,167)	(110,364)	(1,775,332)	(1,995,671)	(1,713,003)	172,684
\$	<u>158,458,451</u>	<u>135,880,959</u>	<u>62,418,119</u>	<u>82,529,065</u>	<u>(31,478,575)</u>	<u>38,497,666</u>

INTENTIONALLY BLANK

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund:					
Nonspendable	\$ 6,980,851	\$ 6,865,056	\$ 7,511,493	\$ 7,252,120	\$ 7,758,899
Assigned	5,555,636	3,221,172	3,868,022	5,945,116	14,230,646
Unassigned	5,447,168	(5,625,651)	(171,197)	3,263,757	(3,047,043)
Total general fund	\$ 17,983,655	\$ 4,460,577	\$ 11,208,318	\$ 16,460,993	\$ 18,942,502
All other governmental funds:					
Restricted - Special revenue fund	\$ 99,892	\$ 88,069	\$ 92,848	\$ 92,086	\$ 94,711
Committed - Capital projects fund	(7,768,903)	(8,133,947)	(10,802,854)	(12,604,232)	(13,472,262)
Total all other governmental funds	\$ (7,669,011)	\$ (8,045,878)	\$ (10,710,006)	\$ (12,512,146)	\$ (13,377,551)
	2007	2008	2009	2010	2011
General Fund:					
Nonspendable	\$ 6,663,737	\$ 6,870,750	\$ 6,289,918	\$ 7,221,461	\$ 6,567,714
Assigned	10,577,103	5,701,090	6,183,758	6,104,012	6,370,994
Unassigned	4,879,365	16,389,504	44,346,530	206,026	16,999,947
Total general fund	\$ 22,120,205	\$ 28,961,344	\$ 56,820,206	\$ 13,531,499	\$ 29,938,655
All other governmental funds:					
Restricted - Special revenue fund	\$ 888,399	\$ 136,374	\$ 245,077	\$ 265,873	\$ 279,707
Committed - Capital projects fund	(14,392,596)	(13,796,508)	(13,858,371)	-	-
Total all other governmental funds	\$ (13,504,197)	\$ (13,660,134)	\$ (13,613,294)	\$ 265,873	\$ 279,707

Information for fiscal years 2002 to 2010 have been restated to conform to the new fund balance classifications established by GASB Statement No. 54 *Fund Balance Reporting and Government type Definitions*.

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

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Intergovernmental:				
Montgomery County	\$ 1,148,280,914	\$ 1,137,558,192	\$ 1,233,511,048	\$ 1,356,035,517
State of Maryland	305,836,841	339,814,082	350,931,179	366,552,766
Federal Government	43,866,688	56,379,262	59,737,638	70,605,126
Other	4,332,529	4,827,458	4,970,961	8,194,694
Total Revenue	<u>1,502,316,972</u>	<u>1,538,578,994</u>	<u>1,649,150,826</u>	<u>1,801,388,103</u>
Expenditures				
Current:				
Administration	28,106,692	27,666,368	26,965,317	28,439,926
Mid-level administration	86,442,046	93,633,242	96,088,892	101,729,773
Instructional salaries and wages	594,976,886	635,877,265	654,152,515	686,486,182
Instructional textbooks and supplies	25,094,764	25,599,461	25,646,985	28,751,450
Other instructional costs	19,113,591	13,014,528	13,133,928	22,110,271
Special education	155,739,680	170,576,458	178,834,273	193,353,038
Student personnel services	5,814,326	6,227,216	8,623,619	9,111,032
Health services	37,150	104,058	32,474	34,127
Student transportation	58,249,923	56,900,115	59,958,528	71,323,679
Operation of plant	73,460,791	77,846,881	80,456,510	85,739,412
Maintenance of plant	24,929,368	25,833,275	25,714,753	26,776,709
Fixed charges	272,754,398	305,913,265	346,990,115	388,327,283
Community services	1,246,430	1,324,417	1,360,072	1,326,568
Debt service:				
Capital lease principal	11,358,196	11,841,404	15,124,117	19,300,633
Capital lease interest	1,801,781	1,027,855	1,324,991	1,262,669
Capital outlay	148,902,723	113,557,576	128,053,894	159,336,986
Total expenditures	<u>1,508,028,745</u>	<u>1,566,943,384</u>	<u>1,662,460,983</u>	<u>1,823,409,738</u>
Excess (deficiency) of Revenues over expenditures	(5,711,773)	(28,364,390)	(13,310,157)	(22,021,635)
Other financing sources				
Capital lease financing	16,377,140	13,447,873	16,783,521	25,456,831
Technology loans from Montgomery County	85,857	12,836		
Transfers in	538,515	13,852	16,584	15,339
Transfers out		629,884	593,755	
Total other financing sources	<u>17,001,512</u>	<u>14,104,445</u>	<u>17,393,860</u>	<u>25,472,170</u>
Net change in fund balances	<u>\$ 11,289,739</u>	<u>\$ (14,259,945)</u>	<u>\$ 4,083,703</u>	<u>\$ 3,450,535</u>
Debt service as a percentage of noncapital expenditures	1.0%	0.8%	1.1%	1.3%

2006	2007	2008	2009	2010	2011
\$ 1,498,345,349	\$ 1,558,647,046	\$ 1,633,111,352	\$ 1,704,483,481	\$ 1,593,469,961	\$ 1,598,298,058
417,013,817	474,951,016	561,788,026	602,257,843	619,385,100	672,165,098
74,573,378	75,177,789	81,098,923	73,709,427	127,230,073	146,479,166
8,999,000	9,547,103	9,026,435	8,081,214	8,107,202	6,936,945
<u>1,998,931,544</u>	<u>2,118,322,954</u>	<u>2,285,024,736</u>	<u>2,388,531,965</u>	<u>2,348,192,336</u>	<u>2,423,879,267</u>
36,625,851	43,163,115	40,223,462	41,116,832	39,543,392	36,954,635
109,442,018	118,650,653	128,825,484	133,558,653	133,865,561	135,139,216
719,934,184	760,940,050	801,621,226	835,121,087	851,338,027	824,315,364
33,245,147	36,680,260	30,676,046	27,836,308	26,674,306	21,939,573
16,855,159	18,687,106	17,748,901	13,416,424	11,456,405	11,571,972
207,149,010	227,023,151	245,993,338	259,846,857	273,368,914	271,395,047
9,936,670	10,264,691	11,051,597	11,544,552	11,289,494	10,680,737
36,530	44,821	32,162	31,125	38,695	16,267
79,509,617	81,298,925	92,544,044	87,139,938	87,252,913	94,135,828
92,411,740	102,598,137	112,699,200	113,847,318	115,639,206	113,952,839
28,718,901	30,815,334	31,498,027	34,797,983	34,612,073	33,013,662
419,075,926	463,825,658	531,185,474	557,052,644	596,364,990	636,600,510
1,731,259	1,750,520	1,902,912	1,662,113	1,756,954	1,608,047
22,597,421	23,997,477	23,510,181	24,465,455	20,178,442	19,024,733
1,372,132	1,742,075	1,970,020	2,040,350	1,750,321	1,197,169
244,402,835	218,839,987	234,409,417	239,036,321	178,597,204	213,558,453
<u>2,023,044,400</u>	<u>2,140,321,960</u>	<u>2,305,891,491</u>	<u>2,382,513,960</u>	<u>2,383,726,897</u>	<u>2,425,104,052</u>
(24,112,856)	(21,999,006)	(20,866,755)	6,018,005	(35,534,561)	(1,224,785)
25,693,744	24,922,301	27,530,529	21,883,195	6,125,021	17,645,775
35,216	127,762	21,428	4,501	-	-
<u>25,728,960</u>	<u>25,050,063</u>	<u>27,551,957</u>	<u>21,887,696</u>	<u>6,125,021</u>	<u>17,645,775</u>
<u>\$ 1,616,104</u>	<u>\$ 3,051,057</u>	<u>\$ 6,685,202</u>	<u>\$ 27,905,701</u>	<u>\$ (29,409,540)</u>	<u>\$ 16,420,990</u>
1.4%	1.4%	1.2%	1.3%	1.0%	0.9%

MONTGOMERY COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTGOMERY COUNTY AND BOARD OF EDUCATION SELF-INSURANCE FUND
FOR THE YEAR ENDED JUNE 30, 2010 *

Operating revenues:	
Contributions by other agencies	\$ 29,913,936
Contributions by the Board of Education	<u>9,752,270</u>
Total operating revenues	<u>39,666,206</u>
Operating expenses:	
Self-insurance losses, net of recoveries	35,202,884
Other costs at risk	5,193,383
Commercial insurance	3,974,380
Other operating expenses	<u>3,499,048</u>
Total operating expenses	<u>47,869,695</u>
Operating (loss)	<u>(8,203,489)</u>
Nonoperating revenues:	
Interest on investments	218,643
Other revenue	<u>223,408</u>
Total nonoperating revenues	<u>442,051</u>
Change in net assets	(7,761,438)
Total net assets - beginning of year	<u>770,448</u>
Total net assets (deficit) - end of year	<u><u>\$ (6,990,990)</u></u>

* Date of the most current available information.

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

Fiscal Year	Tax Levy			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
	Total Original Levy for Fiscal Year	Adjustments in Subsequent Years (1)	Total Adjusted Levy	Amount (2)	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2002	\$ 821,038,153	\$ (872,562)	\$ 820,165,591	\$ 805,329,587	98.09 %	\$ (2,753,334)	\$ 802,576,253	97.86 %
2003	867,011,819	(1,903,154)	865,108,665	861,862,819	99.41	(3,859,779)	858,003,040	99.18
2004	927,789,542	(1,511,975)	926,277,567	924,992,688	99.70	1,101,231	926,093,919	99.98
2005	1,006,556,130	(493,432)	1,006,062,698	1,005,935,155	99.94	(2,918,960)	1,003,016,195	99.70
2006	1,032,231,333	(2,106,535)	1,030,124,798	1,031,967,800	99.97	(3,793,842)	1,028,173,958	99.81
2007	1,087,613,905	(1,673,607)	1,085,940,298	1,081,566,118	99.44	(879,785)	1,080,686,333	99.52
2008	1,137,590,824	(3,484,933)	1,134,105,891	1,132,548,519	99.56	(2,592,234)	1,129,956,285	99.63
2009	1,282,437,423	2,268,263	1,284,705,686	1,278,337,019	99.68	2,500,329	1,280,837,348	99.70
2010	1,344,626,102	(3,161,779)	1,341,464,323	1,343,140,289	99.89	(10,149,147)	1,332,991,142	99.37
2011	1,350,416,973	-	1,350,416,973	1,349,698,631	99.95	-	1,349,698,631	99.95

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.

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

Fiscal Year	Real Property (1)							Total Direct Tax Rate
	Residential (2)		Commercial/Other		Total			
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value		
2002	\$ 57,865,511,378	\$ 62,829,002,582	\$ 19,709,436,172	\$ 21,400,039,274	\$ 77,574,947,550	\$ 84,229,041,856	\$ 1.005	
2003	61,732,348,676	69,991,325,030	20,674,989,155	23,441,030,788	82,407,337,831	93,432,355,818	1.004	
2004	67,348,233,048	74,009,047,306	21,914,772,219	24,082,167,274	89,263,005,267	98,091,214,580	1.005	
2005	74,808,909,028	80,181,038,615	23,472,815,695	25,158,430,541	98,281,724,723	105,339,469,156	0.994	
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931	0.952	
2007	96,569,606,606	101,120,006,917	29,141,169,512	30,514,313,625	125,710,776,118	131,634,320,542	0.902	
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902	
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,472	164,038,891,569	0.902	
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904	
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834	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					
2002	\$ 99,954,320	\$ 2,486,081,540	\$ 1,169,749,990	\$ 445,558,740	\$ 4,201,344,590	\$ 2.495	\$ 81,776,292,140	\$ 88,430,386,446	92.48
2003	85,622,460	2,421,490,420	1,187,075,200	533,666,320	4,227,854,400	2.494	86,635,192,231	97,660,210,218	88.71
2004	83,269,110	2,272,890,000	1,116,419,190	491,223,310	3,963,801,610	2.498	93,226,806,877	102,055,016,190	91.35
2005	45,777,000	2,290,059,500	1,097,481,440	469,294,170	3,902,612,110	2.474	102,184,336,833	109,242,081,266	93.54
2006	39,858,300	2,275,916,200	1,046,842,820	469,011,910	3,831,629,230	2.367	114,360,878,346	122,425,244,161	93.41
2007	36,342,680	2,353,070,220	1,070,305,710	489,230,940	3,948,949,550	2.244	129,659,725,668	135,583,270,092	95.63
2008	34,444,330	2,412,515,690	1,035,536,740	488,050,610	3,970,547,370	2.241	146,276,982,963	149,181,195,934	98.05
2009	31,767,940	2,328,560,300	1,077,766,490	482,076,290	3,920,171,020	2.241	162,053,662,492	167,959,062,589	96.48
2010	30,405,750	2,494,866,410	1,099,074,782	499,649,670	4,123,996,612	2.247	171,220,840,149	179,277,920,655	95.51
2011	44,693,880	2,295,053,040	1,075,595,252	440,849,780	3,856,191,952	2.247	171,646,984,481	193,664,780,786	88.63

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.

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

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

	County-wide					Substantially County-wide (1)				Prorata Tax Rate	Total County Direct Rate (4)
	County		M-NCPPC (2)			County		M-NCPPC (2)			
	County	District	Fire Tax	Transit District	Advance Land Acquisition	Subtotal	Recreation	Storm Drainage	Regional District		
Real Property:											
2002 (3)	\$.741	\$.109	\$.050	\$.001	\$.901	\$.027	\$.003	\$.024	\$.066	\$.104	\$ 1.005
2003	.754	.117	.038	.001	.910	.020	.003	.023	.063	.094	1.004
2004	.751	.118	.044	.001	.914	.022	.003	.021	.059	.091	1.005
2005	.734	.123	.044	.001	.902	.025	.003	.020	.059	.092	.994
2006	.679	.134	.042	.001	.856	.025	.003	.022	.061	.096	.952
2007	.624	.134	.053	.001	.812	.024	.003	.020	.057	.090	.902
2008	.627	.126	.058	.001	.812	.024	.003	.019	.058	.090	.902
2009	.661	.116	.040	.001	.818	.022	.003	.019	.053	.084	.902
2010	.683	.105	.037	.001	.826	.019	.003	.018	.050	.078	.904
2011	.699	.097	.037	.001	.834	.018	.003	.015	.045	.070	.904
Personal Property:											
2002	\$ 1.852	\$.273	\$.125	\$.002	\$ 2.252	\$.068	\$.007	\$.059	\$.165	\$.243	\$ 2.495
2003	1.885	.293	.095	.003	2.276	.050	.008	.058	.158	.218	2.494
2004	1.878	.295	.110	.003	2.286	.055	.008	.053	.148	.212	2.498
2005	1.835	.308	.110	.003	2.256	.063	.008	.050	.148	.218	2.474
2006	1.698	.335	.105	.003	2.141	.063	.008	.055	.153	.226	2.367
2007	1.560	.335	.133	.003	2.031	.060	.008	.050	.143	.213	2.244
2008	1.567	.315	.145	.003	2.030	.060	.007	.047	.145	.211	2.241
2009	1.652	.290	.100	.003	2.045	.055	.007	.047	.132	.196	2.241
2010	1.707	.262	.092	.003	2.064	.047	.007	.045	.125	.183	2.247
2011	1.747	.242	.092	.003	2.084	.045	.007	.038	.112	.163	2.247

NOTES:

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

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

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

Fiscal Year	Parking Lot Districts (1)				Urban Districts			Noise Abatement Districts		Development Districts	
	Silver Spring	Bethesda	Wheaton	Montgomery Hills	Silver Spring	Bethesda	Wheaton	Bradley	Cabin John	Kingsview Village	West Germantown
Real Property:											
2002	\$.28	\$.28	\$.24	\$.24	\$.030	\$.016	\$.02	\$.16	\$.18	\$.092	\$ -
2003	.28	.28	.24	.24	.030	.016	.02	.16	.18	.108	.224
2004	.28	.28	.24	.24	.030	.016	.02	.145	.18	.101	.213
2005	.28	.28	.24	.24	.030	.016	.02	.145	.175	.098	.192
2006	.28	.28	.24	.24	.024	.016	.03	.145	.185	.089	.187
2007	.28	.28	.24	.24	.024	.016	.03	.050	.001	.065	.161
2008	.28	.28	.24	.24	.024	.016	.03	.080	.080	.071	.156
2009	.28	.28	.24	.24	.024	.012	.03	.080	.080	.063	.144
2010	.28	.18	.24	.24	.024	.012	.03	.080	.080	.086	.137
2011	.317	.104	.240	.240	.024	.012	.030	.080	.080	.079	.163
Personal Property:											
2002	\$.70	\$.70	\$.60	\$.60	\$.075	\$.04	\$.05	\$.40	\$.45	\$ -	\$ -
2003	.70	.70	.60	.60	.075	.04	.05	.40	.45	-	-
2004	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2005	.70	.70	.60	.60	.075	.04	.05	.363	.438	-	-
2006	.70	.70	.60	.60	.060	.04	.075	.363	.463	-	-
2007	.70	.70	.60	.60	.060	.04	.075	.125	.125	-	-
2008	.70	.70	.60	.60	.060	.04	.075	.200	.200	-	-
2009	.70	.70	.60	.60	.060	.03	.075	.200	.200	-	-
2010	.70	.45	.60	.60	.060	.03	.075	.200	.200	-	-
2011	.792	.260	.600	.600	.060	.030	.075	.200	.200	-	-

NOTES:

- * Tax rates are per \$100 of assessed value.
- * Personal property tax rates are applied to 100 percent of the property assessment.
- * The County special taxing district rates above represent taxes that are levied against mutually exclusive specific geographic portions of the County's assessable base.

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

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

Fiscal Year	Cities			Towns				
	Gaithersburg	Rockville	Takoma Park	Barnesville	Brookeville	Chevy Chase	Garrett Park	Glen Echo
Real Property:								
2002	\$.212	\$.322	\$.642	\$.08	\$.20	\$.04	\$.20	\$.14
2003	.212	.322	.660	.08	.20	.037	.20	.14
2004	.212	.322	.660	.078	.20	.035	.20	.14
2005	.212	.322	.660	.072	.20	.033	.20	.13
2006	.212	.322	.630	.065	.15	.029	.20	.12
2007	.212	.312	.630	.060	.15	.026	.19	.12
2008	.212	.302	.610	.054	.15	.023	.19	.12
2009	.212	.292	.605	.054	.15	.021	.19	.13
2010	.212	.292	.580	.049	.15	.010	.192	.13
2011	.262	.292	.580	.0514	.15	.010	.192	.13
Personal Property:								
2002	\$.53	\$.805	\$ 1.605	\$.20	\$.45	\$.10	\$.50	\$.80
2003	.53	.805	1.605	.20	.45	.10	.50	.80
2004	.53	.805	1.650	.20	.45	.10	.50	.80
2005	.53	.805	1.650	.20	.45	.10	.50	.80
2006	.53	.805	1.575	.20	.45	.10	1.000	.80
2007	.53	.805	1.575	.20	.45	.10	1.000	.80
2008	.53	.805	1.525	.20	.45	.10	1.000	.80
2009	.53	.805	1.513	.20	.45	.10	1.000	.80
2010	.53	.805	1.450	.20	.45	.10	1.000	.80
2011	.53	.805	1.450	.20	.45	.10	1.000	.80

Fiscal Year	Towns				
	Kensington	Laytonsville	Poolesville	Somerset	Washington Grove
Real Property:					
2002	\$.20	\$.125	\$.240	\$.05	\$.235
2003	.193	.132	.24	.05	.235
2004	.187	.160	.24	.05	.217
2005	.170	.160	.23	.05	.217
2006	.155	.160	.221	.045	.202
2007	.147	.140	.200	.040	.202
2008	.139	.140	.180	.040	.202
2009	.130	.120	.160	.040	.181
2010	.122	.110	.150	.040	.181
2011	.136	.100	.1594	.080	.221
Personal Property:					
2002	\$.50	\$.31	\$.60	\$.22	\$.60
2003	.50	.33	.60	.22	.60
2004	.50	.35	.60	.22	.60
2005	.50	.35	.60	.22	.60
2006	.50	.35	.60	.22	.60
2007	.50	.35	.60	.22	.60
2008	.50	.35	.60	.22	.60
2009	.50	.33	.60	1.000	.60
2010	.50	.31	.60	1.000	.60
2011	.55	.30	.60	1.000	.60

NOTES:

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

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

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

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

Fiscal Year	Villages								
	Battery Park	Chevy Chase Section 3	Chevy Chase Section 5	Chevy Chase View	Chevy Chase Village	Drummond	Friendship Heights	Martin's Additions to Chevy Chase	North Chevy Chase
Real Property:									
2002	\$.05	\$.02	\$ -	\$.03	\$.10	\$.048	\$.08	\$.008	\$.052
2003	.05	.02	-	.03	.12	.048	.07	.008	.052
2004	.05	.02	-	.025	.14	.048	.06	.008	.052
2005	.05	.02	-	.025	.14	.048	.06	.008	.052
2006	.05	.02	-	.023	.13	.048	.05	.008	.052
2007	.05	.02	-	.023	.123	.048	.04	.008	.052
2008	.05	.02	-	.022	.111	.048	.04	.008	.052
2009	.05	.02	-	.022	.103	.048	.04	.008	.052
2010	.05	.02	-	.022	.096	.048	.04	.008	.052
2011	.05	.02	-	.022	.0898	.048	.04	.040	.052
Personal Property:									
2002	\$.125	\$.05	\$.00	\$.00	\$.10	\$.12	\$.08	\$.008	\$.13
2003	.125	.05	-	-	.50	.12	.07	.008	.13
2004	.125	.05	-	-	.50	.12	.06	.008	.13
2005	.125	.05	-	-	.60	.12	.06	.008	.13
2006	.125	.05	-	-	.60	.12	.05	.008	.13
2007	.125	.05	-	-	.66	.12	.04	.008	.13
2008	.125	.05	-	-	.66	.12	.04	.500	.13
2009	.125	.05	-	-	.66	.12	.04	.500	.13
2010	.125	.05	-	-	.66	.12	.04	.500	.13
2011	.125	.05	-	-	.66	.12	.04	.500	.13

NOTES:

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

MONTGOMERY COUNTY, MARYLAND
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

For the Fiscal Year Ended June 30, 2011				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 686,620,820	\$ 8,067,700	\$ 678,553,120	0.40%
Verizon Maryland Inc	610,124,340	35,200,000	574,924,340	0.36%
Montgomery Mall LLC	340,730,300	340,048,200	682,100	0.20%
Washington Gas Light Co	260,082,650	-	260,082,650	0.15%
Camalier, Anne D et al, Trustee	216,903,628	216,903,628	-	0.13%
Chevy Chase Land Co	214,070,700	214,070,700	-	0.12%
7501 Wisconsin Avenue LLC	212,000,000	212,000,000	-	0.12%
Federal Realty Investment Trust	201,681,952	199,101,232	2,580,720	0.12%
Democracy Associates	171,000,000	171,000,000	-	0.10%
Bethesda Arc LLC	160,293,790	159,999,700	294,090	0.09%
Total	\$ 3,073,508,180	\$ 1,556,391,160	\$ 1,517,117,020	1.79%
Total Assessable Base	\$ 171,646,984,481			100.00%

For the Fiscal Year Ended June 30, 2002				
	Assessable Base			Ratio:
	Total	Real Property	Personal Property	Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 851,052,270	\$ 8,911,000	\$ 842,141,270	1.04%
Verizon/Bell Atlantic	674,847,570	27,034,990	647,812,580	0.83%
Montgomery Mall	232,522,680	232,217,400	305,280	0.28%
Washington Gas Light Co.	185,723,370	-	185,723,370	0.23%
Bryant F. Foulger, Trustee	146,146,266	146,146,266	-	0.18%
Camalier, Anne D et al, Trustee	130,482,114	130,482,114	-	0.16%
Lakeforest Associates	127,095,532	127,095,532	-	0.16%
Albert & R Abramson, et al	126,909,383	126,909,383	-	0.16%
Marbeth Partnership	123,962,492	123,962,492	-	0.15%
Democracy Associates	123,961,566	123,961,566	-	0.15%
Total	\$ 2,722,703,243	\$ 1,046,720,743	\$ 1,675,982,500	3.33%
Total Assessable Base	\$ 81,776,292,140			100.00%

Source: State of Maryland Department of Assessments and Taxation

INTENTIONALLY BLANK

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

Fiscal Year	General Bonded Debt Outstanding (1)			Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds (2)	Variable Rate Demand Obligations(2)	Taxable BABs General Obligations (2)			
2002	\$ 1,242,553,054	\$ -	\$ -	\$ 1,242,553,054	1.41 %	\$ 1,371
2003	1,288,293,054	-	-	1,288,293,054	1.32	1,408
2004	1,329,778,054	-	-	1,329,778,054	1.30	1,444
2005	1,415,208,054	-	-	1,415,208,054	1.30	1,524
2006	1,393,888,054	100,000,000	-	1,493,888,054	1.22	1,597
2007	1,512,675,607	100,000,000	-	1,612,675,607	1.19	1,713
2008	1,366,758,054	100,000,000	-	1,466,758,054	0.98	1,538
2009	1,496,561,371	100,000,000	-	1,596,561,371	0.95	1,643
2010	1,437,839,285	100,000,000	232,000,000	1,769,839,285	0.99	1,821
2011	1,517,280,000	100,000,000	338,320,000	1,955,600,000	1.01	1,996

NOTES:

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

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

	2002	2003	2004	2005
Assessed Value				
Real property	\$ 77,574,947,550	\$ 82,407,337,831	\$ 89,263,005,267	\$ 98,281,724,723
Personal property	4,201,344,590	4,227,854,400	3,963,801,610	3,902,612,110
Total Assessed Value	\$ 81,776,292,140	\$ 86,635,192,231	\$ 93,226,806,877	\$ 102,184,336,833
Legal Debt Margin				
Debt Limit - Percentage of Assessable Base:				
For real property at 6% (15% for 2001 and prior) (2)	\$ 4,654,496,853	\$ 4,944,440,270	\$ 5,355,780,316	\$ 5,896,903,483
For personal property at 15%	630,201,689	634,178,160	594,570,242	585,391,817
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	5,284,698,542	5,578,618,430	5,950,350,558	6,482,295,300
Debt Applicable to Limit:				
General obligation bonds	1,242,553,054	1,288,293,054	1,329,778,054	1,415,208,054
Variable Rate Demand Obligation	-	-	-	-
Taxable BABs General Obligation	-	-	-	-
Bond anticipation notes	125,000,000	125,000,000	150,000,000	-
Long-term notes payable	1,408,951	1,341,206	1,270,924	1,198,385
Total Debt Applicable to Limit	1,368,962,005	1,414,634,260	1,481,048,978	1,416,406,439
Legal Debt Margin	\$ 3,915,736,537	\$ 4,163,984,170	\$ 4,469,301,580	\$ 5,065,888,861
Legal Debt Margin as a Percentage of Debt Limit	74%	75%	75%	78%

NOTES:

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

2006	2007	2008	2009	2010	2011
\$ 110,529,249,116	\$ 125,710,776,118	\$ 142,306,435,593	\$ 158,133,491,472	\$ 167,096,843,537	\$ 167,790,792,529
3,831,629,230	3,948,949,550	3,970,547,370	3,920,171,020	4,123,996,612	3,856,191,952
<u>\$ 114,360,878,346</u>	<u>\$ 129,659,725,668</u>	<u>\$ 146,276,982,963</u>	<u>\$ 162,053,662,492</u>	<u>171,220,840,149</u>	<u>171,646,984,481</u>
\$ 6,631,754,947	\$ 7,542,646,567	\$ 8,538,386,136	\$ 9,488,009,488	\$ 10,025,810,612	\$ 10,067,447,552
574,744,385	592,342,433	595,582,106	588,025,653	618,599,492	578,428,793
<u>7,206,499,332</u>	<u>8,134,989,000</u>	<u>9,133,968,242</u>	<u>10,076,035,141</u>	<u>10,644,410,104</u>	<u>10,645,876,345</u>
1,393,888,054	1,512,675,607	1,366,758,054	1,496,561,371	1,437,839,285	1,517,280,000
100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
-	-	-	-	232,000,000	338,320,000
100,000,000	150,000,000	300,000,000	300,000,000	425,000,000	500,000,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,593,888,054</u>	<u>1,762,675,607</u>	<u>1,766,758,054</u>	<u>1,896,561,371</u>	<u>2,194,839,285</u>	<u>2,455,600,000</u>
\$ 5,612,611,278	\$ 6,372,313,393	\$ 7,367,210,188	\$ 8,179,473,770	8,449,570,819	8,190,276,345
78%	78%	81%	81%	79%	77%

MONTGOMERY COUNTY, MARYLAND
DEBT CAPACITY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
AS OF JUNE 30, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Towns, Cities, and Villages: (2, 3)			
Garrett Park - bonds	\$ 519,200	100.00 %	\$ 519,200
Poolesville - bonds	1,708,970	100.00	1,708,970
Rockville:			
Bonds	50,918,770	100.00	50,918,770
Loan payable	90,530	100.00	90,530
Somerset - bonds	1,800,000	100.00	1,800,000
Takoma Park:			
Bonds	6,147,438	100.00	6,147,438
Certificates or notes	150,000	100.00	150,000
Capital leases	46,507	100.00	46,507
Component Units (2):			
MCPS - capital leases	31,405,867	100.00	31,405,867
MCC - capital leases	46,232,121	100.00	46,232,121
Joint Venture - M-NCPPC (4):			
Park acquisition and development bonds	92,635,197	28.83	26,710,000
Advance land acquisition bonds	2,145,000	100.00	2,145,000
Notes payable	680,001	45.81	311,494
Loan payable	56,800	100.00	56,800
Development Districts (2):			
Kingsview Village Center - bonds	1,895,000	100.00	1,895,000
West Germantown - bonds	14,545,000	100.00	<u>14,545,000</u>
Total Overlapping Debt			184,682,697
Montgomery County direct debt			<u>2,689,416,062</u>
Total Direct and Overlapping Debt			<u>\$ 2,874,098,759</u>

NOTES:

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF LONG-TERM INDEBTEDNESS (PUBLIC SCHOOLS)
YEAR ENDED JUNE 30, 2011*

Description of Bonds and Purpose of Issue	Interest Rate	Date of		Amount of General Tax Bonds	
		Bond Issue	Maturity	Issued	Outstanding June 30, 2011
General bonded indebtedness:					
Consolidated Public Improvement Refunding	2.75 - 5.8	7/1/1992	1993-10	\$ 124,229,500	\$ -
Consolidated Public Improvement	4.0 - 5.0	2/1/2001	2002-21	74,978,422	-
Consolidated Public Improvement Refunding	3.6 - 5.25	11/15/2002	2003-19	61,667,788	42,976,814
Consolidated Public Improvement	3.0 - 5.0	2/1/2001	2003-22	76,000,000	7,600,000
Consolidated Public Improvement Refunding	2.75 - 5.25	11/15/2002	2005-13	58,187,994	20,876,681
Consolidated Public Improvement	1.50 - 4.0	5/1/2003	2004-23	86,500,000	43,250,000
Consolidated Public Improvement Refunding	2.0 - 5.0	5/1/2003	2004-11	25,633,689	1,820,067
Consolidated Public Improvement	3.0 - 5.0	3/15/2004	2005-24	62,800,000	31,400,000
Consolidated Public Improvement Refunding	3.0 - 5.25	8/15/2004	2008-17	52,850,289	47,104,869
Consolidated Public Improvement	4.0 - 5.0	5/15/2005	2006-25	66,550,000	33,275,000
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	25,000,000
Consolidated Public Improvement	Variable	6/7/2006	2017-26	64,000,000	64,000,000
Consolidated Public Improvement	5.0	5/1/2007	2008-27	149,600,000	89,760,000
Consolidated Public Improvement Refunding	2.75 - 5.0	3/12/2008	2009-15	40,841,395	18,658,815
Consolidated Public Improvement	3.00 - 5.0	3/15/2008	2009-29	127,000,000	114,300,000
Consolidated Public Improvement Refunding	2.00 - 5.0	11/3/2009	2011-20	78,095,307	78,095,307
Consolidated Public Improvement Build America Bonds	3.75 - 5.5	11/3/2009	2015-29	130,000,000	130,000,000
Consolidated Public Improvement	2.00 - 5.0	11/17/2009	2010-14	29,000,000	23,200,000
Consolidated Public Improvement	2.00 - 5.0	7/26/2010	2011-22	80,500,000	80,500,000
Consolidated Public Improvement Build America Bonds	4.75 - 5.4	7/26/2010	2023-30	18,600,000	18,600,000
Total				\$ 1,519,498,624	\$ 932,881,793

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, 2011

MONTGOMERY COUNTY, MARYLAND
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Calendar Year	Population (1)	Personal Income (\$ thousands) (2)	Per Capita Income (3)	Civilian Labor Force (4)	Resident Employment (5)	Unemployment Rate (6)	Average Registered Number of Pupils (Fiscal Year)(7)
2002	906,145	\$ 46,951,186	\$ 51,814	496,101	478,782	3.5 %	136,832
2003	914,893	48,650,108	53,176	496,223	479,675	3.3	138,891
2004	920,965	52,238,928	56,722	497,204	481,248	3.2	139,203
2005	928,916	55,846,295	60,120	508,251	492,431	3.1	139,337
2006	935,168	60,372,289	64,558	518,142	503,476	2.8	139,387
2007	941,491	62,643,745	66,537	517,734	503,663	2.7	137,798
2008	953,685	64,809,366	67,957	521,326	504,055	3.3	137,745
2009	971,600	64,438,944	66,323	516,728	488,607	5.4	137,763
2010	971,777	67,000,000	68,946	513,884	485,050	5.6	140,500
2011	979,551	69,220,000	70,665	517,995	492,199	5.0	143,309

NOTES:

- (1) Sources: Data for 2002-2009 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2010 from Montgomery Planning Department (MNCPPC) and 2011 are estimated by the Montgomery County Department of Finance from Round 8.0 Cooperative Estimates and pertain to population in households. Estimates for 2002-2009 published by BEA in April 2011 and reflect the County's population estimates available as of April 2010.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2002-2008 were revised by BEA and data for 2009 is a preliminary estimate from BEA. Data for 2010 and 2011 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.
- (4) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Civilian labor force data include all persons in the civilian noninstitutional population classified as either employed or unemployed and counted by place of residence and are revised by BLS for 2006 - 2010. Data for 2011 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2009 to the first half of CY2010.
- (5) Source: Bureau of Labor Statistics (BLS), U.S. Department of Labor. Resident employment includes all persons who during the survey week (a) did any work as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of their family, or (b) were not working but who had jobs from which they were temporarily absent because of vacation, illness, bad weather etc. Each employed person is counted only once, even if he or she holds more than one job and is counted by place of residence and not by place of employment. Data for 2006-2010 revised by BLS. Data for 2011 estimated by Montgomery County Department of Finance based on the percent change from first half of CY2010 to the first half of CY2011.
- (6) The unemployment rates for 2006 and 2010 were revised by the Bureau of Labor Statistics, U.S. Department of Labor. Unemployment rate for 2011 estimated by Montgomery County Department of Finance based on the average of the monthly unemployment rates for the first half of 2011.
- (7) Source: County Executive's Recommended FY12 Operating Budget, Office of Management and Budget, Montgomery County, p 10-5.

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

Employer	Fiscal Year 2011			Fiscal Year 2002		
	Employees(1)	Rank	Percentage of Total County Employment(2)	Employees	Rank	Percentage of Total County Employment(2)
U.S. Department of Health and Human Services	27,000	1	5.77 %	34,600	1	7.42 %
Montgomery County Public Schools	22,016	2	4.71	19,759	2	4.24
U.S. Department of Defense	14,100	3	3.01	13,030	3	2.80
Montgomery County Government	8,849	4	1.89	10,238	4	2.20
U.S. Department of Commerce	7,500	5	1.60	6,500	5	1.39
Adventist Healthcare	5,900	6	1.26	6,000	6	1.29
Marriott International, Inc. (Headquarters)	5,497	7	1.18	*		
Lockheed Martin	4,995	8	1.07	3,896	10	0.84
Verizon	3,571	9	0.76	4,700	8	1.01
Giant Food Corporation	3,493	10	0.75	4,900	7	1.05
Chevy Chase Bank	*		-	4,700	8	1.01
Total	102,921		22.00 %	108,323		23.25 %

NOTES:

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

(1) The employee numbers listed were prepared jointly by Montgomery County's Department of Economic Development (DED) and the Maryland Department of Business & Economic Development. The figures are based on DED's analysis of the MD Department of Labor, Licensing & Regulation's Quarterly Census of Employment & Wages, 4th quarter 2010 data of public and private employers in Montgomery County.

(2) Total payroll employment in FY02 was 466,100, and in FY11, 467,700.

Source: Montgomery County Department of Economic Development

INTENTIONALLY BLANK

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

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:								
Instruction:								
Total enrollment ⁽¹⁾	139,203	139,337	139,387	137,798	137,745	139,276	141,777	144,064
Regular students ⁽⁴⁾	130,852	130,601	130,444	128,511	128,478	130,371	140,065	142,342
ESOL students ⁽⁴⁾	12,200	12,905	13,200	14,718	15,961	16,685	17,664	17,900
Special education classroom students ⁽⁴⁾	8,114	8,520	8,645	8,888	8,853	8,534	9,107	9,067
Cost per pupil (accrual basis) ⁽⁵⁾	\$ 11,628	\$ 12,361	\$ 13,199	\$ 14,388	\$ 16,081	\$ 16,543	\$ 16,782	\$ 16,601
Number of teaching stations ⁽³⁾	6,430	6,598	6,817	7,098	7,379	7,660	7,085	7,101
Average teacher salary ⁽⁶⁾	\$ 61,962	\$ 62,608	\$ 65,173	\$ 67,439	\$ 71,039	\$ 75,517	\$ 76,499	\$ 73,638
Student/Teacher ratio - Regular Instruction ⁽⁴⁾	14:1	14:1	14:1	13:1	13:1	14:1	13.5:1	14:1
Average SAT score ^{(1) *}	1,094	1,102	1,101	1,634	1,624	1,616	1,615	1,653
Seniors taking SAT ⁽¹⁾	81 %	80 %	77 %	76 %	79 %	74 %	81 %	73 %
Building capacity used ^{(3) #}	100 %	107 %	104 %	100 %	100 %	100 %	98.3 %	100 %
Support services:								
Student transportation:								
Number of buses ⁽¹⁾	1,202	1,230	1,252	1,264	1,272	1,271	1,270	1,268
Students transported ⁽¹⁾	96,000	93,845	95,962	95,711	96,000	96,700	97,100	98,535
Operation of plant:								
School buildings ⁽¹⁾	191	192	194	199	200	199	200	200
Square footage ⁽³⁾	18.9 million	19.6 million	20.0 million	20.9 million	21.1 million	21.1 million	21.4 million	23.5 million
Number of rooms ⁽³⁾	6,961	7,140	7,357	7,377	7,385	7,458	7,652	7,737
Maintenance of plant:								
Work orders completed	58,172	58,885	64,550	63,380	60,156	59,393	60,322	64,754
Average building age (years) ^{(3) +}	20	21	21	22	22	22	23	23
Administration:								
Payments issued	61,458	62,909	67,125	69,653	70,328	65,060	66,412	64,504
Purchased orders issued	42,621	46,843	48,343	49,609	43,233	58,858	49,870	59,866
Business-Type Activities:								
Food Service:								
Meals served	10.9 million	11.4 million	12.1 million	12.5 million	12.8 million	13.1 million	12.9 million	13.7 million
Free & Reduced meals	5.6 million	5.7 million	5.6 million	6.4 million	7.0 million	7.5 million	8.1 million	8.9 million
Real Estate Management:								
Square footage under lease	98,114	84,618	104,426	103,567	188,248	168,949	162,389	167,416
Average annual rental months	11	10	11	11	11	11	11.1	11.42
Field Trip:								
Number of trips run	NA	NA	7,224	7,392	8,004	9,277	9,800	10,913
Trip miles	NA	NA	259,977	270,741	298,324	366,796	385,878	427,679
Entrepreneurial activities:								
Science kits sold	3,239	3,922	4,356	12,621	5,871	7,975	4,806	5,676

Notes:

NA - Data not readily available.

Data for FY 2002 - 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 2011:

(1) FY2011 Annual Report on Our Call to Action: Pursuit of Excellence (The Strategic Plan for the Montgomery County Public Schools)

(2) Citizens Report 2011

(3) FY2011 Educational Facilities Master Plan and the Amended FY2010-2015 Capital Improvements Program

(4) The Superintendent's FY2011 Operating Budget Summary and Personnel Complement

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

Various MCPS departments where not otherwise noted

(6) FY2011 Fact Sheet Prepared by Employee and Retiree Service Center

MONTGOMERY COUNTY PUBLIC SCHOOLS
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities:				
Instruction				
Regular instruction:				
Teachers	8,974	9,197	9,257	9,302
Other staff	1,488	1,400	1,343	1,354
Total Regular instruction	<u>10,462</u>	<u>10,597</u>	<u>10,600</u>	<u>10,656</u>
Special education:				
Teachers	1,587	1,665	1,708	1,775
Other staff	1,052	1,117	1,166	1,206
Total Special education	<u>2,639</u>	<u>2,782</u>	<u>2,874</u>	<u>2,981</u>
School administration	1,432	1,486	1,498	1,543
Student personnel services	88	89	121	121
Total Instruction	<u>14,621</u>	<u>14,954</u>	<u>15,093</u>	<u>15,301</u>
Support services:				
Student transportation	1,503	1,522	1,620	1,688
Operation of plant	1,243	1,272	1,280	1,285
Maintenance of plant	371	368	363	380
Administration	337	321	326	334
Total Support services	<u>3,454</u>	<u>3,483</u>	<u>3,589</u>	<u>3,687</u>
Special Revenue:				
Instructional TV	13	14	14	14
Business-Type Activities:				
Food Service	520	545	575	577
Adult Education	6	8	8	6
Real Estate Management	4	4	4	4
Field Trips	3	3	3	3
Entrepreneurial activities	<u>5</u>	<u>6</u>	<u>7</u>	<u>9</u>
Position Grand total	<u><u>18,626</u></u>	<u><u>19,017</u></u>	<u><u>19,293</u></u>	<u><u>19,601</u></u>

Source:

The Superintendent's FY 2011 Operating Budget Summary and Personnel Complement

2006	2007	2008	2009	2010	2011
9,546	9,679	9,666	9,589	9,690	9,453
<u>1,354</u>	<u>1,392</u>	<u>1,429</u>	<u>1,371</u>	<u>1,374</u>	<u>1,351</u>
<u>10,900</u>	<u>11,071</u>	<u>11,095</u>	<u>10,960</u>	<u>11,064</u>	<u>10,804</u>
1,867	1,985	2,024	2,047	2,094	2,117
<u>1,269</u>	<u>1,377</u>	<u>1,412</u>	<u>1,424</u>	<u>1,514</u>	<u>1,545</u>
<u>3,136</u>	<u>3,362</u>	<u>3,436</u>	<u>3,471</u>	<u>3,608</u>	<u>3,662</u>
1,610	1,675	1,691	1,677	1,662	1,683
<u>122</u>	<u>120</u>	<u>122</u>	<u>118</u>	<u>111</u>	<u>110</u>
<u>15,768</u>	<u>16,228</u>	<u>16,344</u>	<u>16,226</u>	<u>16,445</u>	<u>16,259</u>
1,728	1,750	1,751	1,745	1,742	1,742
<u>1,322</u>	<u>1,390</u>	<u>1,405</u>	<u>1,403</u>	<u>1,398</u>	<u>1,407</u>
389	377	380	396	389	380
<u>345</u>	<u>363</u>	<u>377</u>	<u>369</u>	<u>358</u>	<u>339</u>
<u>3,784</u>	<u>3,880</u>	<u>3,913</u>	<u>3,913</u>	<u>3,887</u>	<u>3,868</u>
14	14	14	14	14	14
590	601	602	605	584	584
5	-	-	-	-	-
5	4	4	7	7	7
3	3	3	4	5	5
<u>9</u>	<u>10</u>	<u>10</u>	<u>8</u>	<u>10</u>	<u>9</u>
<u>20,178</u>	<u>20,740</u>	<u>20,890</u>	<u>20,777</u>	<u>20,952</u>	<u>20,746</u>

MONTGOMERY COUNTY PUBLIC SCHOOLS
SCHEDULE OF INSURANCE IN FORCE
as of June 30, 2011

Type of Coverage	Name of Company	Policy Number	Policy period		Coverage
			From	To	
Comprehensive General Liability	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/11-07/01/12		\$100,000
Workers' Compensation	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/11-07/01/12		As required by Maryland Statues Plus \$100,000 Insurance Fund
Broiler and Machinery	FM Global	LP893	07/01/11-06/30/12		Extra expense \$25,000 deductible
Property All Risk Coverage	FM Global	LP893	07/01/11-06/30/12		Replacement cost less \$250,000 Deductible per Occurrence including Flood and Earthquake \$500,000 per occurrence
Bus, Truck, and Auto Fleet Fire, Theft and Comprehensive	FM Global	LP550	07/01/98-07/01/12		Same as Above
Commercial Crime Policy Bond Coverage - all Employees	Zurich insurance	CCP006103407	07/01/11-06/30/12		\$1,000,000 per loss \$500,000 forgery alteration \$5,000 deductible
Public Official Bond	Travelers	105635454	07/01/11-07/01/15		\$10,000
Tackle Football for Students	Nationwide life Insurance Co.	N/A	08/15/11-08/15/12		\$100,00 Medical Expense after 52 weeks After accident - \$2,500 Death
Catastrophe/Liability for School Athletics	National Union Fire Group	SRG910086-B	08/01/11-08/01/12		\$5,000,000 Medical Expense benefit with a \$25,000 retention
Public Official Liability	Montgomery County Board of Education Self-Insurance Program	N/A	07/01/11-06/30/12		No limits
Fiduciary Liability	National Union Fire Insurance Co.	02-190-90-69	07/01/11-06/30/12		\$5,000,000
Excess Liability Auto	Technology Insurance Co. (Amtrust Financial Group)	TPP101425800	07/01/11-6/30/12		\$10,000,000 \$3,000,000 Self-Insurance Fund Pays 1st \$3 Million

N/A-Not Applicable

Source: Department of Financial Services



ROCKVILLE, MARYLAND

Published by the Department of Materials Management
for the Division of Controller
0691.12 • Editorial, Graphics & Publishing Services • 10/11 • 250

