

Montgomery County Revenue Authority

Financial Report
June 30, 2009

McGladrey & Pullen
Certified Public Accountants

Contents

Independent Auditor's Report	1 – 2
Management's Discussion And Analysis	3 – 9
<hr/>	
Basic Financial Statements	
Balance Sheets	10 – 11
Statements Of Revenues, Expenses, And Changes In Net Assets	12
Statements Of Cash Flows	13 – 14
Notes To Financial Statements	15 – 36
Supplementary Information	
Schedule Of Management Activities Revenues And Expenses By Fund – Year Ended June 30, 2009	37
Schedule Of Management Activities Revenues And Expenses By Fund – Year Ended June 30, 2008	38

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Montgomery County Revenue Authority
Rockville, Maryland

We have audited the accompanying financial statements of the Montgomery County Revenue Authority, a component unit of Montgomery County, Maryland, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Montgomery County Revenue Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montgomery County Revenue Authority as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years 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 reports dated October 8, 2009 and September 25, 2008, on our consideration of the Montgomery County Revenue Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 audits were conducted for the purpose of forming an opinion on the basic financial statements of the Montgomery County Revenue Authority, taken as a whole. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Montgomery County Revenue Authority. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements of the Montgomery County Revenue Authority and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

As described in Note 1 to the financial statements, Montgomery County Revenue Authority changed its definition of cash and cash equivalents in 2009.

McGladrey & Pullen, LLP

Frederick, Maryland
October 8, 2009

MONTGOMERY COUNTY REVENUE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial managers of the Montgomery County Revenue Authority (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ending June 30, 2009. Our discussion and analysis is designed to assist readers in focusing on significant issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Management activities produced an operating income of \$592,113 for the year ended June 30, 2009, compared to \$1,461,249 for the year ended June 30, 2008. The Golf Course System and Management revenue for 2009 was \$15,547,000 as compared to \$17,106,000 in 2008.

The change in net assets was a decrease of \$1,278,308 for the year ending June 30, 2009, compared to an increase of \$386,816 for the year ending June 20, 2008. The change in revenue and net assets predominately results from a decrease in the income from management activities. A bad weather year coupled with the economic downturn produced a revenue shortfall from the previous year of \$1,552,489. Management reacted to the deteriorating situation in December by re-casting the operating budget in order to realize meaningful expense savings to help offset the revenue shortfall. See the Statement of Revenues, Expenses, and Changes in Net Assets display for more detailed information concerning the current year activity.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the basic financial statements and supplementary information. It represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's annual report, budget, bond resolutions and other management tools were used for this analysis.

Proprietary fund type is used to account for the entire operations of the Authority, as the activities of the Authority are similar to those often found in the private sector. The measurement focus is upon determination of net income. All of the activities of the Authority are operated as an enterprise fund because it is the intent of the Authority that costs of providing these services to the general public, both directly and through arrangements with Montgomery County, will be financed and recovered solely through user charges.

The Authority is comprised of three major segments which include Golf Course/Management, Montgomery County Airpark, and Special Projects.

The Golf Course/Management segment is further broken down into ten activities:

- Falls Road Golf Course
- Laytonsville Golf Course
- Poolesville Golf Course
- Rattlewood Golf Course
- Hampshire Greens Golf Course
- Sligo Creek Golf Course
- Northwest Park Golf Course
- Needwood Golf Course
- Little Bennett Golf Course
- Management

The special projects segment accounts for the activity relating to the issuance of lease revenue bonds and the related lending arrangements for the college arts center and parking garage and leasing arrangements for the indoor swim centers, the public school centralized food distribution center, the office building, and the conference center. The management activity administers the activity of the other segments.

The financial statements include balance sheets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements. The balance sheets present the financial position of the Authority on a full accrual historical cost basis. While the balance sheets provide information about the nature and amount of resources and obligations at year-end, the statements of revenues, expenses, and changes in net assets present the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the 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 the related cash flows.

The statements of cash flows present changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or when depreciation of capital assets occurs.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant accounting balances and activities, material risks, obligations, commitment, contingencies and subsequent events, if any.

Financial Analysis

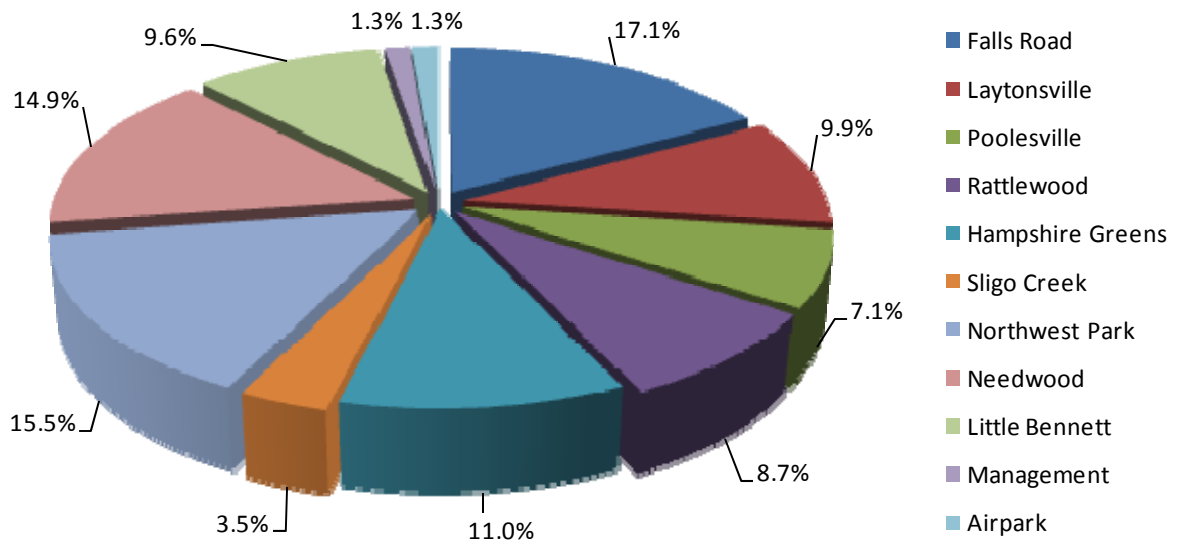
The following is a summary of net assets by each of the three segments as of June 30, 2009, June 30, 2008 and June 30, 2007:

Condensed Statements of Net Assets (in thousands of dollars)									
	Golf System & Management			Montgomery County Airpark			Special Projects		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Assets:									
Current	\$ 7,666	\$ 8,752	\$ 7,966	\$ 415	\$ 352	\$ 330	\$ 6,731	\$ 7,057	\$ 7,427
Capital	28,737	29,032	28,252	9,675	9,681	9,374	-	-	327
Other	557	618	1,228	-	-	-	75,820	63,436	67,877
Total assets	<u>36,960</u>	<u>38,402</u>	<u>37,446</u>	<u>10,090</u>	<u>10,033</u>	<u>9,704</u>	<u>82,551</u>	<u>70,493</u>	<u>75,631</u>
Liabilities									
Current	2,505	2,626	2,018	1,343	1,036	968	5,421	5,127	6,026
Noncurrent	20,707	20,999	20,777	-	-	-	77,130	65,366	69,605
Total liabilities	<u>23,212</u>	<u>23,625</u>	<u>22,795</u>	<u>1,343</u>	<u>1,036</u>	<u>968</u>	<u>82,551</u>	<u>70,493</u>	<u>75,631</u>
Net assets:									
Invested in capital assets, net of related debt	7,098	7,143	6,813	9,675	9,681	9,374	-	-	(313)
Restricted	4,052	4,757	4,355	256	178	55	-	-	313
Unrestricted	2,598	2,877	3,483	(1,184)	(862)	(693)	-	-	-
Total net assets	<u>\$ 13,748</u>	<u>\$ 14,777</u>	<u>\$ 14,651</u>	<u>\$ 8,747</u>	<u>\$ 8,997</u>	<u>\$ 8,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

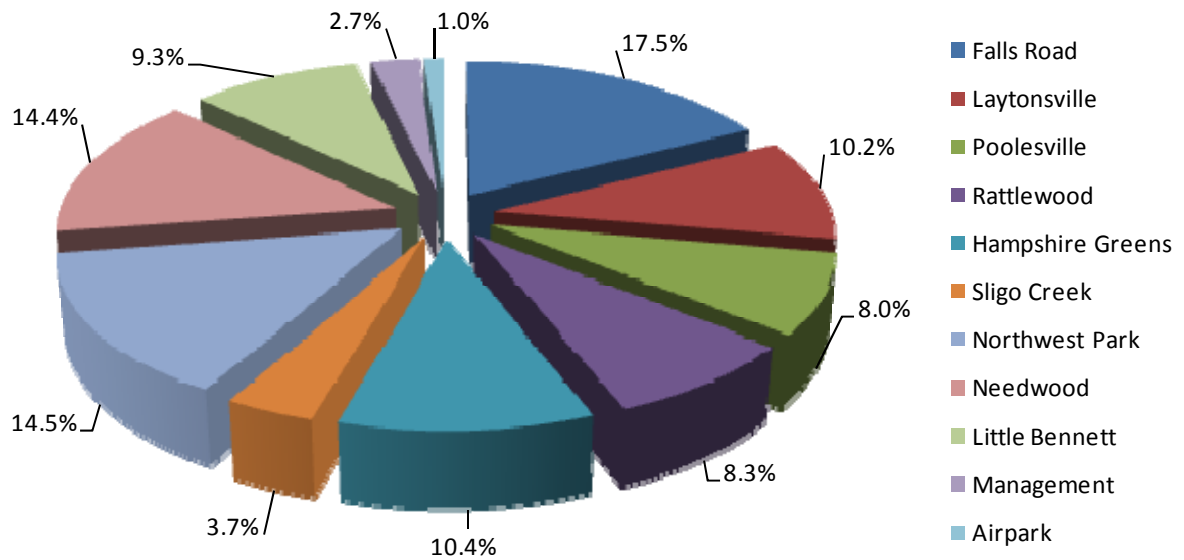
Enterprise revenues are generated from a variety of sources. Golf System revenues are generated from greens fees, cart rental, food and beverage sales, pro shop sales, and other services provided at the nine golf courses. Montgomery County Airpark revenues are generated from rents, common area maintenance charges, and user fees. The Airpark user fees are kept in a separate account and are used for improvements and other expenses at the Airpark. Non-operating revenue at the Airpark was \$148,000 representing a decrease of \$1,786,000 over 2008. Of this amount in 2008, however, \$1,368,000 was reimbursed to the Maryland Aviation Administration for fronting the money for the purchase of the Mardirossian property in 2003. Revenues and expenses for the years ended June 30, 2009, June 30, 2008 and June 30, 2007, are summarized as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)									
	Golf System & Management			Montgomery County Airpark			Special Projects		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Operating revenues	15,547	17,106	\$ 15,887	206	170	\$ 167	3,642	3,696	\$ 4,019
Depreciation	(1,628)	(1,417)	(1,246)	(195)	(186)	(185)	-	(327)	(436)
Other operating expenses	(12,928)	(13,908)	(13,076)	(410)	(304)	(285)	(3,642)	(3,369)	(3,583)
Operating income	991	1,781	1,565	(399)	(320)	(303)	-	-	-
Nonoperating revenues (expenses)									
Interest income	84	242	273	1	15	8	-	-	-
Interest expense	(1,127)	(1,091)	(1,023)	-	-	-	-	-	-
Gain (loss) on interest rate swap	(764)	(808)	(216)	-	-	-	-	-	-
Capital contribution	-	-	-	148	1,934	358	-	-	-
Intergovernmental transfer	-	-	-	-	(1,368)	-	-	-	-
Other	(213)	2	24	-	-	-	-	-	-
	(2,020)	(1,655)	(942)	149	581	366	-	-	-
Change in net assets	(1,029)	126	623	(250)	261	63	-	-	-
Net assets, beginning of year	14,777	14,651	14,028	8,997	8,736	8,673	-	-	-
Net assets, end of year	\$ 13,748	\$ 14,777	\$ 14,651	\$ 8,747	\$ 8,997	\$ 8,736	\$ -	\$ -	\$ -

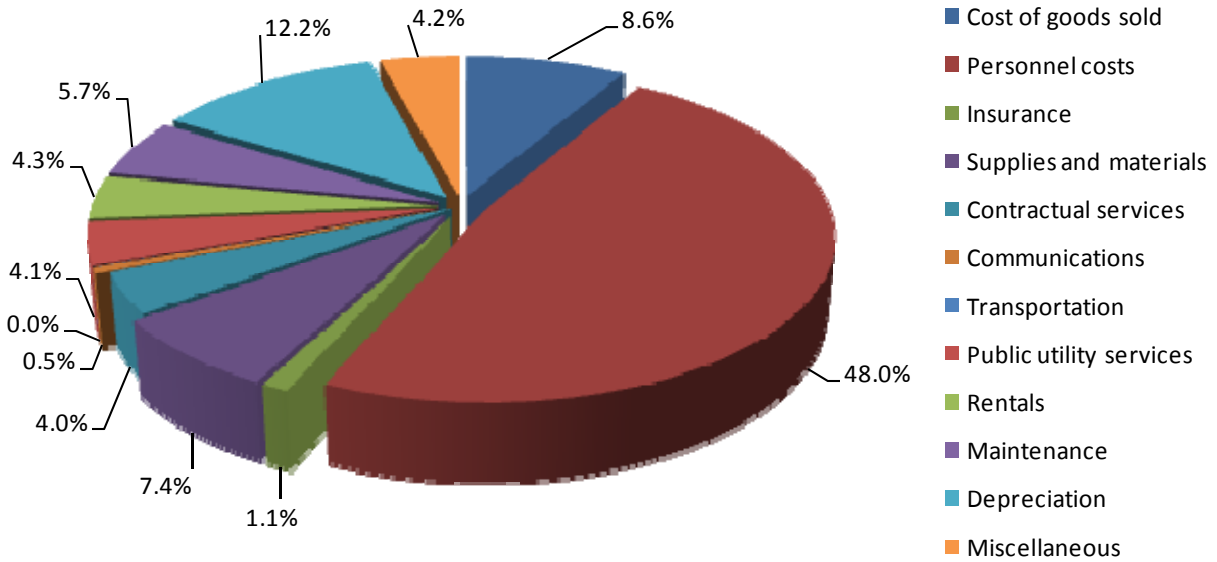
Operating Revenues - 2009



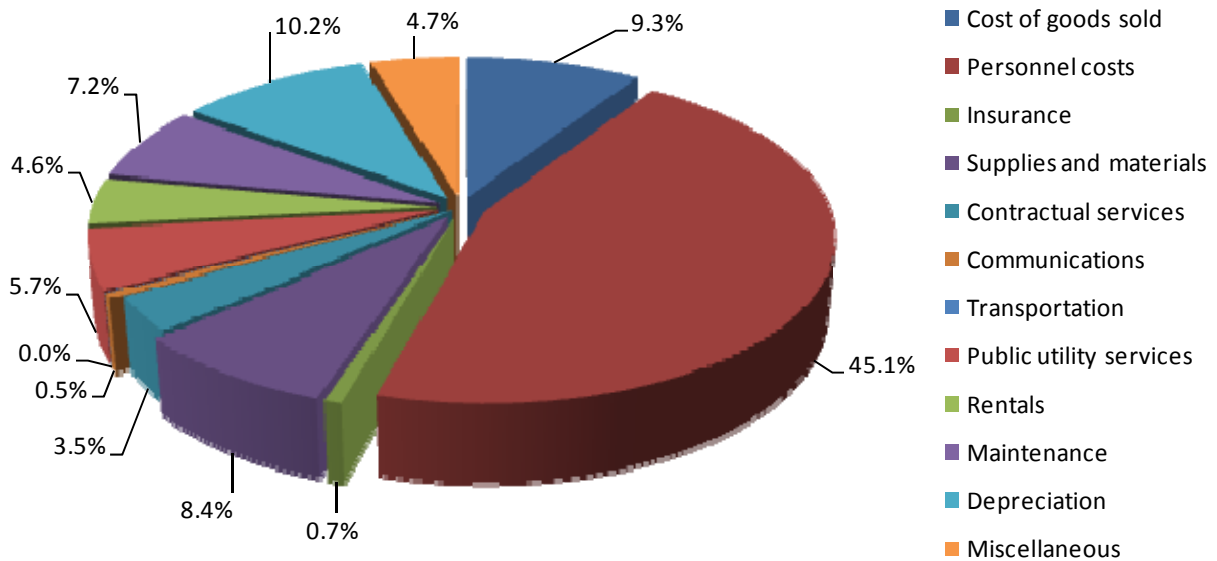
Operating Revenues - 2008



Operating Expenses - 2009



Operating Expenses - 2008



During the year, cash and cash equivalents decreased by \$1,183,000 to \$4,298,000 as of June 30, 2009. Specific changes are summarized below:

Condensed Statements of Cash Flows (in thousands of dollars)									
	Golf System & Management			Montgomery County Airpark			Special Projects		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Net cash provided by (used in):									
Operating activities	2,207	3,564	\$ 3,172	92	(72)	\$ 21	-	-	\$ -
Capital and related financing activities	-	-	(2,448)	-	-	(123)	-	-	(2,576)
Investing activities	239	1,424	468	1	15	8	(13,780)	2,612	2,576
Net increase (decrease) in cash and cash equivalents	(1,241)	1,804	1,192	58	282	(94)	-	-	-
Cash and cash equivalents:									
Beginning of the year	5,147	3,343	2,151	334	52	146	-	-	-
End of the year	\$ 3,906	\$ 5,147	\$ 3,343	\$ 392	\$ 334	\$ 52	\$ -	\$ -	\$ -

Capital Assets and Debt Administration

The Authority's investment in capital assets amounts to \$38,412,600 (net of accumulated depreciation) as of June 30, 2009, which is a decrease of \$299,989. See Note 7 to the basic financial statements for more detailed information concerning the current year activity.

As of June 30, 2009, the long-term debt of the Authority was \$101,019,988 which is \$11,566,216 more than the \$89,453,772 for the year ending June 30, 2008.

The debt includes: lease revenue bonds of \$80,470,000; Golf System revenue bonds of \$19,047,578 golf course equipment capital lease obligations of \$1,471,544, and vehicle notes payable of \$30,866. See Note 8 to the basic financial statements for more detailed information concerning the current year activity.

Factors Expected to have an Effect on Future Operations

The Federal Aviation Administration (FAA) funded an Environmental Assessment (EA), which was completed in December 2005. The EA was accepted by the FAA in June of 2006. The cost of the projects over the next five years is estimated to be \$26 million.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Keith Miller, Executive Director, Montgomery County Revenue Authority, 101 Monroe Street, Suite 410, Rockville, MD 20850.

Montgomery County Revenue Authority

Balance Sheets
June 30, 2009 And 2008

<u>Assets</u>	2009	2008
Current Assets		
Cash and cash equivalents	\$ 4,297,555	\$ 5,480,900
Investments	3,683,837	4,484,089
Due from other governments	5,725	12,334
Notes receivable – current	940,000	905,000
Other receivables, net	431,671	321,423
Inventory	379,949	348,777
Prepaid expenses	238,335	235,000
Investment in direct financing leases – current	3,535,000	3,340,000
Total current assets	<u>13,512,072</u>	<u>15,127,523</u>
 Investment In Direct Financing Leases, less current portion	 <u>27,955,178</u>	 <u>31,636,276</u>
 Deferred Charges		
Bond issuance costs	529,017	593,180
Discount on bonds payable	274,710	37,427
Premium on note receivable	242,767	262,303
	<u>1,046,494</u>	<u>892,910</u>
 Notes Receivable, less current portion	 <u>47,375,000</u>	 <u>31,525,000</u>
 Capital Assets, net of accumulated depreciation	 <u>38,412,600</u>	 <u>38,712,589</u>
	 <u>\$ 128,301,344</u>	 <u>\$ 117,894,298</u>

See Notes To Financial Statements.

Liabilities And Net Assets	2009	2008
Current Liabilities		
Lease revenue bonds payable – current	\$ 4,475,000	\$ 4,245,000
Golf course revenue bond payable – current	680,000	650,000
Capital lease obligations – current	476,888	473,868
Note payable – current	11,879	11,399
Accounts payable	346,506	421,992
Due to other governments	95,843	53,016
Accrued expenses	1,679,566	1,678,406
Deferred revenue	171,368	199,234
Security and other deposits payable	31,568	21,650
Total current liabilities	7,968,618	7,754,565
Noncurrent Liabilities		
Lease revenue bonds payable, less current portion	75,995,000	63,645,000
Golf course revenue bond payable, less current portion	18,367,578	18,919,214
Capital lease obligations, less current portion	994,656	1,477,639
Note payable, less current portion	18,987	31,652
Deferred rent	236,889	245,555
Deferred lease revenue	-	700,601
Premium on bonds payable	886,676	1,020,933
Discount on note receivable	248,366	-
Interest rate swap agreement	1,088,861	325,118
	97,837,013	86,365,712
Commitments (Notes 15 and 17)		
Net Assets		
Invested in capital assets, net of related debt	16,773,751	16,823,699
Restricted for:		
Debt service	3,936,613	4,641,200
Capital projects	255,894	178,445
Other purposes	115,543	115,243
Unrestricted	1,413,912	2,015,434
	22,495,713	23,774,021
	\$ 128,301,344	\$ 117,894,298

Montgomery County Revenue Authority

Statements Of Revenues, Expenses, And Changes In Net Assets Years Ended June 30, 2009 And 2008

	2009	2008
Management Activities Revenues:		
Sales	\$ 12,890,457	\$ 13,784,322
Rent income	2,084,980	2,625,687
Other	609,315	727,232
	<u>15,584,752</u>	<u>17,137,241</u>
Management Activities Expenses:		
Cost of goods sold	1,282,305	1,454,595
Personnel costs	7,202,658	7,076,136
Insurance	165,796	113,044
Supplies and materials	1,116,822	1,322,619
Contractual services	593,976	553,070
Communications	81,366	82,770
Transportation	1,965	6,572
Public utility services	608,393	885,794
Rentals	637,496	716,394
Maintenance	847,226	1,126,367
Depreciation	1,823,086	1,602,767
Miscellaneous	631,550	735,864
	<u>14,992,639</u>	<u>15,675,992</u>
Income from management activities	<u>592,113</u>	<u>1,461,249</u>
Financing and Leasing Activities Revenues:		
Lease income	-	319,785
Investment income	2,016,403	1,541,260
Earned financing income	1,625,992	1,835,116
	<u>3,642,395</u>	<u>3,696,161</u>
Financing and Leasing Activities Expenses:		
Depreciation	-	327,087
Interest expense	3,604,466	3,324,189
Amortization of bond issuance costs	37,929	44,885
	<u>3,642,395</u>	<u>3,696,161</u>
Income from financing and leasing activities	<u>-</u>	<u>-</u>
Operating income	<u>592,113</u>	<u>1,461,249</u>
Non-Operating Revenues (Expenses):		
Interest income	85,029	256,840
Interest expense	(1,126,876)	(1,091,450)
Gain (loss) on interest rate swap agreement	(763,743)	(808,186)
Capital contribution	147,771	1,934,597
Intergovernmental transfer	-	(1,368,397)
Gain (loss) on disposal of fixed assets	(212,602)	2,163
	<u>(1,870,421)</u>	<u>(1,074,433)</u>
Change in net assets	<u>(1,278,308)</u>	<u>386,816</u>
Net Assets:		
Beginning	23,774,021	23,387,205
Ending	<u>\$ 22,495,713</u>	<u>\$ 23,774,021</u>

See Notes To Financial Statements.

Montgomery County Revenue Authority

Statements Of Cash Flows
Years Ended June 30, 2009 And 2008

	2009	2008
Cash Flows From Operating Activities		
Cash received from customers	\$ 15,560,164	\$ 17,282,402
Cash paid to suppliers	(7,680,284)	(8,156,568)
Cash paid to employees	(5,581,120)	(5,634,303)
Net cash provided by operating activities	2,298,760	3,491,531
Cash Flows From Capital And Related Financing Activities		
Payments received on operating leases	-	467,130
Payments received on direct financing leases	5,112,090	5,529,962
Investment in direct financing leases	-	(12,407)
Capital contribution received	154,380	2,201,097
Acquisition of property and equipment	(1,735,699)	(1,698,278)
Principal paid on note payable	(12,185)	(7,594)
Principal paid on revenue bonds	(4,895,000)	(5,700,000)
Principal paid on capital lease obligations	(479,963)	(387,152)
Interest paid on notes, bonds, and capital lease obligations payable	(4,652,621)	(4,480,105)
Proceeds received from issuance of revenue bonds	16,566,998	-
Intergovernmental transfer	-	(1,368,397)
Net cash provided by (used in) capital and related financing activities	10,058,000	(5,455,744)
Cash Flows From Investing Activities		
Income from investments	1,987,242	1,827,598
Principal collections on notes receivable	940,000	970,000
Decrease in investments held for bond retirements and construction commitments	99,651	1,253,243
Investment in note receivable	(16,566,998)	-
Net cash provided by (used in) investing activities	(13,540,105)	4,050,841
Net increase (decrease) in cash and cash equivalents	(1,183,345)	2,086,628
Cash And Cash Equivalents:		
Beginning, as restated (Note 1)	5,480,900	3,394,272
Ending	\$ 4,297,555	\$ 5,480,900

(Continued)

Montgomery County Revenue Authority

Statements Of Cash Flows (Continued)
Years Ended June 30, 2009 And 2008

	2009	2008
Reconciliation Of Operating Income To Net Cash Provided By		
Operating Activities:		
Operating income	\$ 592,113	\$ 1,461,249
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net adjustment for depreciation and amortization included in financing and leasing activities	(37,929)	(366,121)
Depreciation	1,823,086	1,929,854
Amortization	64,163	72,184
Allowance for doubtful accounts	10,564	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	3,278	1,658
Inventory	(31,172)	(4,204)
Prepaid expenses	(3,335)	1,402
Increase (decrease) in:		
Accounts payable	(75,486)	88,215
Due to other government	42,827	(4,802)
Accrued expenses	(62,735)	171,461
Deferred revenue	(27,866)	137,652
Security and other deposits payable	9,918	11,650
Deferred rent	(8,666)	(8,667)
Net cash provided by operating activities	\$ 2,298,760	\$ 3,491,531
Supplemental Schedule Of Noncash Financing Activities:		
Capital lease obligations incurred for the purchase of property and equipment	\$ -	\$ 961,115
Property and equipment acquired by issuance of long-term debt	\$ -	\$ 33,455
Investments held for lease revenue bonds payable retirement returned to leasee	\$ 700,601	\$ -

See Notes To Financial Statements.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 1. Nature Of Operations And Summary Of Significant Accounting Policies

Nature of operations: The Montgomery County Revenue Authority (Authority) is a component unit of Montgomery County, Maryland, authorized by the Montgomery County Revenue Authority Act to engage in projects for public use and welfare. The Authority owns and operates five public golf courses, along with operating four additional golf courses owned by the Maryland-National Capital Park and Planning Commission (MNCPPC) under a long-term lease agreement further discussed in Note 15. The Authority is also engaged in the leasing of the Montgomery County Airpark, the construction and acquisition financing of regional indoor swim centers, an office building, and a conference center, which are leased to Montgomery County, a public school centralized food distribution center which is leased to the Board of Education of Montgomery County. Additionally, the Authority has provided financing to Montgomery College Foundation for the construction of an arts center and parking garage that is leased to Montgomery College as further discussed in Note 6.

Basis of presentation and accounting: The Authority's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Additionally, the Authority has chosen to apply all FASB statements issued after November 30, 1989.

Proprietary fund type is used to account for the entire operations of the Authority, as the activities of the Authority are similar to those often found in the private sector. The measurement focus is upon determination of net income. All of the activities of the Authority are operated as an enterprise fund because it is the intent of the Authority that costs of providing these services to the general public, both directly and through arrangements with Montgomery County, will be financed and recovered solely through user charges.

The Authority is comprised of three major segments which include Golf Course/Management, Montgomery County Airpark, and Special Projects.

The Golf Course/Management segment is further broken down into ten activities:

- Falls Road Golf Course
- Laytonsville Golf Course
- Poolesville Golf Course
- Rattlewood Golf Course
- Hampshire Greens Golf Course
- Sligo Creek Golf Course
- Northwest Park Golf Course
- Needwood Golf Course
- Little Bennett Golf Course
- Management

The special projects segment accounts for the activity relating to the issuance of lease revenue bonds and the related lending arrangements for the college arts center and parking garage and leasing arrangements for the indoor swim centers, the public school centralized food distribution center, the office building, and the conference center. The management activity administers the activity of the other segments.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 1. Nature Of Operations And Summary Of Significant Accounting Policies (Continued)

Operating revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenue and expenses of management activities consist primarily of charges for services and direct costs associated with providing such services, including depreciation. Operating revenue and expenses of financing and leasing activities consists primarily of lease payments received and financing and investment income earned along with direct interest costs associated with providing such leasing and financing arrangements and depreciation and amortization. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses, including interest income and interest costs not directly associated with leasing and financing activities and federal and state capital contributions and intergovernmental reimbursements.

Cash and cash equivalents: Prior to fiscal year 2009 for purposes of reporting the statement of cash flows, the Authority considered the following as cash and cash equivalents:

- Demand deposit accounts
- Sweep agreements which are overnight investments of amounts from the Authority's demand deposit accounts at Chevy Chase FSB
- U.S. Government Treasury repurchase agreements
- U.S. Government money market funds (classified as investments)

During fiscal year 2009, the Authority changed its definition of cash equivalents to exclude U.S. Government money market funds classified as investments since the investments are restricted for bond retirements and construction commitments. This change in definition was made to report the statement of cash flows on a basis consistent with the Authority's cash management policy. Beginning cash equivalents in the accompanying statements of cash flows have been restated accordingly with decreases of \$4,484,089 and \$5,737,332 in 2009 and 2008, respectively.

Investments: Investments are stated at amortized cost, which approximates market value.

Accounts receivable: Accounts receivable is carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the provision for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Management has established an allowance of \$10,564 and \$0 as of June 30, 2009 and 2008, respectively. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Inventory: Inventories are valued at lower cost (first-in, first-out) or market, and consist primarily of golf pro shop merchandise.

Deferred charges: Bond discounts, premiums, and issuance costs are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method. Note receivable discount and premium are deferred and amortized over the term of the note using the effective interest method.

Property and equipment: Property and equipment purchased or constructed is stated at cost. Property and equipment donated to the Authority is stated at fair market value at the date of donation. Interest related to construction projects, net of interest earnings on idle construction funds, is capitalized as a cost of the project. Depreciation is computed on the straight-line method over the following estimated useful lives:

Category	Lives
Buildings	5 – 48 years
Furniture, fixtures, equipment and machinery	3 – 12 years
Equipment under capital leases	5 – 6 years

Montgomery County Revenue Authority

Notes To Financial Statements

Note 1. Nature Of Operations And Summary Of Significant Accounting Policies (Continued)

Interest rate swap: The fair value of the interest rate swap is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties.

Accrued vacation: It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. The amount of accrued vacation earned but unused is \$270,179 and \$237,141 at June 30, 2009 and 2008, respectively. This liability is included in the financial statements as an accrued expense.

Unpaid sick leave: Personnel policies provide Authority employees with varying amounts of sick leave. No reimbursement is made upon termination for accumulated sick leave. However, the accumulated sick leave of retiring employees hired prior to October 1, 1994, is added to any retirement benefit received. At June 30, 2009 and 2008, the liability owed to Authority employees hired prior to October 1, 1994, for unpaid sick leave is approximately \$402,773 and \$359,188 based upon the salary and wage rates in effect at that date. This liability is not included in the financial statements.

Restricted net assets: Hampshire Greens Golf Course is required to maintain a separate reserve account restricted for repairs and maintenance. The Montgomery County Airpark (Airpark) is required to keep the fees it collects from the Airpark's users in a separate account. Amounts in this account can be expended for the improvement of the Airpark. The Special Projects segment is required to restrict its cash and investments for construction commitments and bond retirements.

Recognition of lease income: The Authority accounts for its leasing arrangement with Montgomery County Public Schools for the Public Schools Central Food Production Facility as an operating lease. As allowed under the provisions of Statement No. 13 of the Government Accounting Standards Board, *Accounting for Operating Leases With Scheduled Rent Increases*, the Authority accounts for this lease in a systematic and rational manner which reflects the timing of economic benefits accruing both to the Authority and Montgomery County Public Schools.

The Authority accounts for its leasing arrangements with the County for the Montgomery Aquatic Center (Wall Lane Pool), the Western County Swim Facility, the Olney Indoor Swim Center, the Germantown Aquatic Center, the Piccard Drive Office Building, and the Conference Center as direct financing leases. Similar with the accounting for the operating lease discussed above, the Authority recognizes the unearned income on these direct financing leases in a systematic and rational manner which reflects the timing of economic benefits accruing both to the Authority and the County.

Pension plan: The Authority participates in the Employees' Retirement System of Montgomery County, Maryland. It is the County's policy to annually fund the normal cost and amortization of the unfunded accrued liability.

Self-insurance: The Authority participates in the County's self-insurance program for group health, liability, life and worker's compensation benefits. The Authority is charged premiums by the County's Self-Insurance Fund.

Fair value of financial instruments: The carrying amounts including cash, investments, due from governments, accounts receivable, accounts payable, bond issuance costs payable, accrued expenses and security and other deposits payable approximate fair value because of the short maturity of these instruments. The carrying amount of investment in direct financing leases, lease revenue receivable, and notes receivable (Montgomery College Foundation, Inc.) directly correlates with that of lease revenue bonds payable which approximates market because of the varying interest rates on the bonds and their tax exempt status fluctuates with current rates offered to the Authority for debt with similar terms and maturities. The carrying value of the note receivable (Takoma Tower, L.P.) approximates market since it accrues interest at a variable rate linked to prime. The carrying amount of golf course revenue bonds payable approximates fair value because the interest rates on these bonds fluctuate with market rates offered to the Authority for debt with similar terms and maturities.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 1. Nature Of Operations And Summary Of Significant Accounting Policies (Continued)

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications to 2008 balances have made in the accompanying financial statements to make them consistent with the 2009 presentation. These reclassifications had no effect on previously reported change in net assets.

Recently issued accounting pronouncements: Effective July 1, 2008, the Authority adopted SFAS No. 157, *Fair Value Measurements*, issued by FASB. SFAS No. 157 defines fair value of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS No. 157 as assumptions market participants would use in pricing an asset or liability. The Authority has added the required disclosures in Note 18 of the financial statements.

Subsequent events: The Authority evaluated subsequent events for potential required disclosure through October 8, 2009, which represents the date the financial statements were available to be issued.

Note 2. Cash

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Maryland State Law prescribes that local government units such as the Authority must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2009 and 2008, all of the Authority's deposits were either covered by federal depository insurance or were covered by collateral held by the Authority's agent in the Authority's name.

Restricted cash consists of the following at June 30, 2009 and 2008:

	2009	2008
Golf course repairs and maintenance	\$ 115,543	\$ 115,243
Debt service	252,776	157,111
Airpark improvements	255,894	178,445
	<u>\$ 624,213</u>	<u>\$ 450,799</u>

Cash and cash equivalents for reporting cash flows consist of the following as of June 30, 2009 and 2008:

	2009	2008
Time/demand deposits	\$ 2,099,587	\$ 2,232,575
U.S. Government Treasury Repurchase Agreements	2,197,968	3,248,325
	<u>\$ 4,297,555</u>	<u>\$ 5,480,900</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 3. Investments

Investments as of June 30, 2009 and 2008 amounted to \$3,683,837 and \$4,484,089, respectively.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investments consist entirely of U.S. Government Money Market Funds which are restricted for bond retirements. State statutes require that money market mutual funds invest only in obligations of U.S. Treasuries, U.S. agencies and repurchase agreements collateralized by an obligation of the United States, its agencies or instrumentalities. The Authority's investments have a Standard & Poor's rating of AAA and a Moody's rating of Aaa as of June 30, 2009 and 2008.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Authority does not have an investment policy for custodial credit risk. At June 30, 2009 and 2008, all of the Authority's investments are exposed to custodial credit risk since the securities are held by the counterparty and are not in the Authority's name.

Note 4. Receivables And Payables

	2009	2008
Due from other governments:		
Federal Government – FAA	\$ 3,863	\$ -
State of Maryland – MAA	1,862	12,334
	<u>\$ 5,725</u>	<u>\$ 12,334</u>
Other receivables:		
Accounts receivable	\$ 60,481	\$ 38,543
Tournaments receivable	8,310	2,454
Accrued interest	367,162	243,072
Insurance claims	6,282	37,354
	<u>442,235</u>	<u>321,423</u>
Less allowance for doubtful accounts	10,564	-
	<u>\$ 431,671</u>	<u>\$ 321,423</u>
Accounts payable:		
Vendors	\$ 324,470	\$ 396,895
Sales tax	22,036	25,097
	<u>\$ 346,506</u>	<u>\$ 421,992</u>
Due to other governments:		
Montgomery County, Maryland	\$ 95,843	\$ 53,016
Accrued expenses:		
Payroll and payroll taxes	\$ 386,426	\$ 395,722
Vacation	270,179	237,141
Interest	945,504	881,609
Utilities	-	95,000
Other	77,457	68,934
	<u>\$ 1,679,566</u>	<u>\$ 1,678,406</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 5. Deferred Charges

Deferred charges on bonds payable and notes receivable consist of the following at June 30, 2009:

	Bond Issuance Costs			Balance June 30, 2009
	Balance June 30, 2008	Additions / (Reductions)	Amortization	
Western County Swim Facility	\$ 1,798	\$ -	\$ (1,438)	\$ 360
Olney Swim Center	10,153	-	(2,389)	7,764
Piccard Drive Office Building	40,157	-	(4,046)	36,111
Conference Center	92,458	-	(10,207)	82,251
Germantown Aquatic Center	130,664	-	(19,850)	110,814
Golf Course Master Plan	317,950	-	(26,233)	291,717
	<u>\$ 593,180</u>	<u>\$ -</u>	<u>\$ (64,163)</u>	<u>\$ 529,017</u>

	Discount on Bonds Payable			Balance June 30, 2009
	Balance June 30, 2008	Additions	Amortization	
Western County Swim Facility	\$ 4,074	\$ -	\$ (3,259)	\$ 815
Olney Swim Center	33,353	-	(7,824)	25,529
Montgomery College Parking Facility	-	258,002	(9,636)	248,366
	<u>\$ 37,427</u>	<u>\$ 258,002</u>	<u>\$ (20,719)</u>	<u>\$ 274,710</u>

	Premium on Note Receivable			Balance June 30, 2009
	Balance June 30, 2008	Additions	Amortization	
Montgomery College Arts Center	\$ 262,303	\$ -	\$ (19,536)	\$ 242,767

Deferred charges on bonds payable and notes receivable consist of the following at June 30, 2008:

	Bond Issuance Costs			Balance June 30, 2008
	Balance June 30, 2007	Additions / (Reductions)	Amortization	
Western County Swim Facility	\$ 3,236	\$ -	\$ (1,438)	\$ 1,798
Olney Swim Center	12,541	-	(2,388)	10,153
Montgomery County Public Schools				
Central Food Production Facility	5,864	-	(5,864)	-
Piccard Drive Office Building	43,965	-	(3,808)	40,157
Conference Center	103,195	-	(10,737)	92,458
Germantown Aquatic Center	151,477	-	(20,813)	130,664
Golf Course Master Plan	345,086	-	(27,136)	317,950
	<u>\$ 665,364</u>	<u>\$ -</u>	<u>\$ (72,184)</u>	<u>\$ 593,180</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 5. Deferred Charges (Continued)

	Discount on Bonds Payable			
	Balance June 30, 2007	Additions	Amortization	Balance June 30, 2008
Western County Swim Facility	\$ 7,332	\$ -	\$ (3,258)	\$ 4,074
Olney Swim Center	41,077	-	(7,724)	33,353
Montgomery County Public Schools				
Central Food Production Facility	1,711	-	(1,711)	-
	<u>\$ 50,120</u>	<u>\$ -</u>	<u>\$ (12,693)</u>	<u>\$ 37,427</u>

	Premium on Note Receivable			
	Balance June 30, 2007	Additions	Amortization	Balance June 30, 2008
Montgomery College Arts Center	\$ 282,314	\$ -	\$ (20,011)	\$ 262,303

Note 6. Notes Receivable

On December 17, 2003, the Authority issued a note receivable to Takoma Tower, L.P. for \$700,000. The initial rate of interest was 4.00 percent per year through December 31, 2003. Beginning January 1, 2004, and continuing every January 1 through January 1, 2021, the rate will be changed to prime rate as of the preceding business day. Monthly interest payments will begin on February 1, 2006. Interest accruing through January 31, 2006 is added to the principal balance due. The note is due in full on December 31, 2021. The outstanding balance of the note receivable at June 30, 2009 and 2008 was \$265,000 and \$300,000, respectively.

On October 1, 2005, the Authority issued its lease revenue bonds series 2005A in the aggregate principal amount of \$33,000,000 as further discussed in Note 8. Simultaneously, the Authority entered into a loan agreement with Montgomery College Foundation, Inc. (Foundation) whereby the Authority agreed to loan the proceeds of the bonds, including an issuance premium of \$316,410, to the Foundation in order to finance the construction of the Montgomery College Arts Center. Contemporaneously with the execution of this loan agreement, the Foundation entered into a lease agreement with Montgomery College, Maryland (College) to lease the Arts Center. The terms of the lease call for payments to be made in time to make scheduled principal and interest payments on the lease revenue bonds. The note receivable has similar terms of that of the lease revenue bonds as further discussed in Note 8. The loan is secured by the assignment of the rents between the Foundation and College and a deed of trust on the Arts Center facility. The outstanding balance of the note receivable was \$31,225,000 and \$32,130,000 at June 30, 2009 and 2008, respectively.

On November 1, 2008, the Authority issued its lease revenue bonds series 2008A in the aggregate principal amount of \$16,825,000 as further discussed in Note 8. Simultaneously, the Authority entered into a loan agreement with the Foundation whereby the Authority agreed to loan the proceeds of the bonds, including an issuance discount of \$258,002, to the Foundation in order to finance the construction of the Montgomery College Parking Facility. Contemporaneously with the execution of this loan agreement, the Foundation entered into a lease agreement with the College to lease the land and Parking Facility. The terms of the lease call for payments to be made in time to make scheduled principal and interest payments on the lease revenue bonds. The note receivable has similar terms of that of the lease revenue bonds as further discussed in Note 8. The loan is secured by the assignment of the rents between the Foundation and College and a deed of trust on the Parking Facility. The outstanding balance of the note receivable was \$16,825,000 at June 30, 2009.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 6. Notes Receivable (Continued)

Maturities of the notes receivable at June 30, 2009 are as follows:

Years Ending June 30,	
2010	\$ 940,000
2011	1,390,000
2012	1,440,000
2013	1,495,000
2014	1,555,000
Later years	41,495,000
	<u>\$ 48,315,000</u>

Note 7. Property And Equipment

Property and equipment consists of the following as of and for the years ended June 30, 2009:

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 24,009,952	\$ 43,912	\$ -	\$ 24,053,864
Construction in progress	1,113,864	1,708,057	(2,197,971)	623,950
	<u>25,123,816</u>	<u>1,751,969</u>	<u>(2,197,971)</u>	<u>24,677,814</u>
Capital assets being depreciated:				
Land improvements	11,368,806	1,886,029	-	13,254,835
Buildings	8,241,601	137,629	(8,975)	8,370,255
Buildings leased to others	5,740,508	-	-	5,740,508
Furniture, fixtures, equipment and machinery	4,989,505	418,163	(1,298,679)	4,108,989
Equipment under capital lease	2,541,185	-	(415,532)	2,125,653
	<u>32,881,605</u>	<u>2,441,821</u>	<u>(1,723,186)</u>	<u>33,600,240</u>
Accumulated depreciation for:				
Land improvements	(6,471,029)	(709,289)	-	(7,180,318)
Buildings	(2,864,524)	(229,737)	8,975	(3,085,286)
Buildings leased to others	(5,740,508)	-	-	(5,740,508)
Furniture, fixtures, equipment and machinery	(3,377,739)	(551,277)	1,205,445	(2,723,571)
Equipment under capital lease	(839,032)	(508,675)	211,936	(1,135,771)
	<u>(19,292,832)</u>	<u>(1,998,978)</u>	<u>1,426,356</u>	<u>(19,865,454)</u>
	<u>\$ 38,712,589</u>	<u>\$ 2,194,812</u>	<u>\$ (2,494,801)</u>	<u>\$ 38,412,600</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 7. Property And Equipment (Continued)

Property and equipment consists of the following as of and for the years ended June 30, 2008:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 23,797,240	\$ 212,712	\$ -	\$ 24,009,952
Construction in progress	996,561	836,940	(719,637)	1,113,864
	<u>24,793,801</u>	<u>1,049,652</u>	<u>(719,637)</u>	<u>25,123,816</u>
Capital assets being depreciated:				
Land improvements	11,039,052	329,754	-	11,368,806
Buildings	8,227,510	14,091	-	8,241,601
Buildings leased to others	5,740,508	-	-	5,740,508
Furniture, fixtures, equipment and machinery	3,585,735	1,421,173	(17,403)	4,989,505
Equipment under capital lease	1,947,058	961,115	(366,988)	2,541,185
	<u>30,539,863</u>	<u>2,726,133</u>	<u>(384,391)</u>	<u>32,881,605</u>
Accumulated depreciation for:				
Land improvements	(5,832,463)	(638,566)	-	(6,471,029)
Buildings	(2,616,255)	(248,269)	-	(2,864,524)
Buildings leased to others	(5,413,421)	(327,087)	-	(5,740,508)
Furniture, fixtures, equipment and machinery	(2,758,931)	(636,211)	17,403	(3,377,739)
Equipment under capital lease	(759,311)	(443,021)	363,300	(839,032)
	<u>(17,380,381)</u>	<u>(2,293,154)</u>	<u>380,703</u>	<u>(19,292,832)</u>
	<u>\$ 37,953,283</u>	<u>\$ 1,482,631</u>	<u>\$ (723,325)</u>	<u>\$ 38,712,589</u>

Note 8. Long-Term Obligations

Long-term debt consists of the following as of and for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due within One Year
Lease revenue bonds payable	\$ 67,890,000	\$ 16,825,000	\$ (4,245,000)	\$ 80,470,000	\$ 4,475,000
Golf course revenue bond payable	21,125,000	-	(650,000)	20,475,000	680,000
Vehicle note payable	43,051	-	(12,185)	30,866	11,879
Capital lease obligations	1,951,507	-	(479,963)	1,471,544	476,888
	<u>91,009,558</u>	<u>16,825,000</u>	<u>(5,387,148)</u>	<u>102,447,410</u>	<u>5,643,767</u>
Less deferred amount on refundings	(1,555,786)	-	128,364	(1,427,422)	-
	<u>\$ 89,453,772</u>	<u>\$ 16,825,000</u>	<u>\$ (5,258,784)</u>	<u>\$ 101,019,988</u>	<u>\$ 5,643,767</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 8. Long-Term Obligations (Continued)

The lease revenue bonds payable consist of the following at June 30, 2009 and 2008:

	2009	2008
Advance refunded 1989 series, lease revenue bond; February 1994; secured by buildings; \$1,935,000 serial bonds payable in annual principal payments of \$120,000 to \$265,000 due October 1, 1996 through 2005; interest payable semi-annually on April 1 and October 1 at 3.7 - 4.9%; 1,510,000 term bonds payable with interest only at 5.125% until sinking fund contributions due annually October 1, 2005 through 2009 of \$275,000 - \$330,000	\$ 330,000	\$ 645,000
Advance refunded 1992 series, lease revenue bond; February 1994; secured by buildings; \$2,325,000 serial bonds payable in annual principal payments of \$175,000 - \$315,000 due October 1, 1996 through 2005; interest payable semi-annually on April 1 and October 1 at 3.7 - 4.9%; \$1,510,000 term bonds payable with interest only at 5.0%; \$3,200,000 term bond payable with interest only at 5.25% until sinking fund contributions due annually October 1, 2005 through 2012 of \$330,000 - \$475,000	1,770,000	2,155,000
Lease revenue bond; secured by a deed of trust on land and building; payable in annual principal payments of \$230,000 - \$625,000 due April 1, 1997 through 2016; interest payable semi-annually on February 1 and August 1 at 5.4 - 5.6%	4,115,000	4,510,000
Lease revenue bond; secured by a deed of trust on land and assigned lease payments; \$5,770,000 term bond payable with interest only at 7.39% payable semi-annually on February 15 and August 15 until sinking fund contributions due annually February 15, 2002 through 2012 of \$135,000 - \$845,000	2,365,000	3,045,000
Lease revenue bond; secured by a deed of trust on land, building, and assigned lease payments; \$11,835,000 serial bond payable in annual principal payments of \$345,000 - \$940,000 due February 15, 2005 through 2023; interest payable semi-annually on February 15 and August 15 at 4.0% - 6.0%	9,405,000	9,855,000
Lease revenue bond; secured by deed of trust on building and assigned lease payments; \$19,595,000 serial bond payable in annual principal payments of \$940,000 - \$1,745,000 due April 1, 2005 through 2019; interest payable semi-annually on April 1 and October 1 at 3.0% - 5.0%	14,435,000	15,550,000
Lease revenue bond; secured by deed of trust on building and assigned lease payments; \$28,605,000 serial bond payable in annual principal payments of \$870,000 - \$2,045,000 due May 1, 2008 through 2028; interest payable semi-annually on May 1 and November 1 at 4.0% - 5.0%; \$4,395,000 term bonds payable with interest only at 4.625% until sinking fund contributions due annually May 1, 2029 and 2030 of \$2,150,000 and \$2,245,000, respectively	31,225,000	32,130,000
Lease revenue bond; secured by deed of trust on land and parking facility and assigned lease payments; \$16,825,000 serial bond payable in annual principal payments of \$415,000 - \$1,160,000 due November 1, 2008 through 2033; interest payable semi-annually on May 1 and November 1 at 3.25% - 5.25%	16,825,000	-
	<u>\$ 80,470,000</u>	<u>\$ 67,890,000</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 8. Long-Term Obligations (Continued)

The golf course revenue bond payable consists of the following at June 30, 2009 and 2008:

	2009	2008
Advanced refunded 1996 series, current refunded 2000 series, golf course revenue bond payable, December 2002, \$24,000,000; secured by net revenues of the golf course system along with a letter of credit agreement with a bank expiring December 2012; monthly payments of interest at the market variable rate determined weekly with a maximum rate of 10%, currently at 0.45% as of June 30, 2009; interest rate hedging protection on 100% of the bond through December 2012 with a fixed rate interest rate swap of 3.12%; annual sinking fund contributions due December 1, 2004 through 2027 of \$510,000 - \$2,935,000	\$ 20,475,000	\$ 21,125,000
Less deferred amount on refundings	(1,427,422)	(1,555,786)
	<u>\$ 19,047,578</u>	<u>\$ 19,569,214</u>

In order to enhance the marketability of the bonds, the Authority obtained an irrevocable transferable letter of credit expiring December 2012, from the bank in the amount of \$24,230,137, with a quarterly fee of 0.60 percent based on the outstanding balance of the bonds. In addition, the Authority entered into a "floating-to-fixed" interest rate swap agreement with the bank in order to obtain interest rate hedging protection on the entire amount of the bonds for a ten-year period expiring December 2012.

The vehicle notes payable consist of the following at June 30, 2009 and 2008:

	2009	2008
Vehicle notes payable to manufacturers; combined monthly installments of \$1,075 including interest ranging from 0% - 5.9%; varying due dates through August 2012	\$ 30,866	\$ 43,051

Maturities of the revenue bonds and vehicle notes payable are as follows at June 30, 2009:

Years Ending June 30,	Lease Revenue Bonds	Golf Course Revenue Bonds	Vehicle Note Payable	Total
2010	\$ 4,475,000	\$ 680,000	\$ 11,879	\$ 5,166,879
2011	4,770,000	705,000	12,389	5,487,389
2012	4,990,000	735,000	6,598	5,731,598
2013	4,340,000	765,000	-	5,105,000
2014	4,045,000	795,000	-	4,840,000
2015 - 2019	22,010,000	4,505,000	-	26,515,000
2020 - 2024	14,485,000	5,495,000	-	19,980,000
2025 - 2029	13,860,000	6,795,000	-	20,655,000
2030 - 2034	7,495,000	-	-	7,495,000
	<u>80,470,000</u>	<u>20,475,000</u>	<u>30,866</u>	<u>100,975,866</u>
Less deferred amount on refundings	-	(1,427,422)	-	(1,427,422)
	<u>\$ 80,470,000</u>	<u>\$ 19,047,578</u>	<u>\$ 30,866</u>	<u>\$ 99,548,444</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 8. Long-Term Obligations (Continued)

Interest requirements on revenue bonds and vehicle notes payable are as follows at June 30, 2009:

Years Ending June 30,	Lease Revenue Bonds	Golf Course Revenue Bonds **	Vehicle Note Payable	Total
2010	\$ 3,963,470	\$ 628,241	\$ 1,020	\$ 4,592,731
2011	3,726,108	606,636	511	4,333,255
2012	3,497,730	585,224	55	4,083,009
2013	3,232,148	559,736	-	3,791,884
2014	3,032,054	536,440	-	3,568,494
2015 - 2019	12,038,528	2,280,068	-	14,318,596
2020 - 2024	7,323,706	1,502,841	-	8,826,547
2025 - 2029	3,898,938	504,344	-	4,403,282
2030 - 2034	821,243	-	-	821,243
	<u>\$ 41,533,925</u>	<u>\$ 7,203,530</u>	<u>\$ 1,586</u>	<u>\$ 48,739,041</u>

** Interest is calculated using the ten-year interest rate swap fixed rate of 3.12% applied to maturity of the bonds.

The capital lease obligations consist of the following at June 30, 2009 and 2008:

	2009	2008
Various equipment capital lease obligations with combined monthly installments of \$17,951 including interest with varying rates of 3.78% - 6.53%; annual installments totaling \$319,936 including interest with varying rates of 3.37% - 5.21%; varying due dates through August 2013	<u>\$ 1,471,544</u>	<u>\$ 1,951,507</u>

Following is a schedule of future minimum lease payments under capital lease obligations as of June 30, 2009:

Years Ending June 30,	Total	Principal	Interest
2010	\$ 535,349	\$ 476,888	\$ 58,461
2011	535,349	497,711	37,638
2012	395,414	379,544	15,870
2013	111,685	109,237	2,448
2014	8,232	8,164	68
	<u>\$ 1,586,029</u>	<u>\$ 1,471,544</u>	<u>\$ 114,485</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 9. Bond Premium

Premium on bonds payable consists of the following at June 30, 2009:

	Balance June 30, 2008	Additions	Amortization	Balance June 30, 2009
Conference Center	\$ 9,225	\$ -	\$ (1,019)	\$ 8,206
Germantown Aquatic Center	749,405	-	(113,702)	635,703
Montgomery College Arts Center	262,303	-	(19,536)	242,767
	<u>\$ 1,020,933</u>	<u>\$ -</u>	<u>\$ (134,257)</u>	<u>\$ 886,676</u>

Premium on bonds payable consists of the following at June 30, 2008:

	Balance June 30, 2007	Additions	Amortization	Balance June 30, 2008
Conference Center	\$ 10,280	\$ -	\$ (1,055)	\$ 9,225
Germantown Aquatic Center	868,628	-	(119,223)	749,405
Montgomery College Arts Center	282,314	-	(20,011)	262,303
	<u>\$ 1,161,222</u>	<u>\$ -</u>	<u>\$ (140,289)</u>	<u>\$ 1,020,933</u>

Note 10. Note Receivable Discount

Discount on note receivable consists of the following at June 30, 2009:

	Balance June 30, 2008	Additions	Amortization	Balance June 30, 2009
Montgomery College Parking Facility	\$ -	\$ 258,002	\$ (9,636)	\$ 248,366

Note 11. Interest Rate Swap

The Authority has entered into a 10-year interest rate swap agreement expiring December 2012 for a notional amount equal to the obligation under the series 2002 golf course revenue bonds. The Authority receives a variable interest rate based on 0.67 percent of the LIBOR BBA index reset monthly and pays a fixed rate of 3.12 percent. This instrument is intended to allow the Authority to realize the potential benefit of a lower fixed rate. At June 30, 2009 and 2008, the fair value of the interest rate swap was projected to be a liability of \$1,088,861 and \$325,118, respectively, and is reflected in the accompanying Balance Sheets. The change in fair value for the years ended June 30, 2009 and 2008 of \$763,743 and \$808,186, respectively has been recognized as nonoperating expense in the accompanying Statements Of Revenue, Expenses, And Changes In Net Assets.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 12. Segment Information

Segment information as of, and for the year ended June 30, 2009, is as follows:

	2009		
	Golf Course/ Management	Montgomery County Airpark	Special Projects
Condensed Statement of Net Assets			
Assets:			
Current	\$ 7,666,385	\$ 415,086	\$ 6,730,591
Capital	28,737,266	9,675,334	-
Other	556,717	-	75,819,955
Total assets	36,960,368	10,090,420	82,550,546
Liabilities:			
Current	2,504,783	1,343,321	5,420,504
Noncurrent	20,706,971	-	77,130,042
Total liabilities	23,211,754	1,343,321	82,550,546
Net assets:			
Invested in capital assets, net of related debt	7,098,417	9,675,334	-
Restricted	4,052,156	255,894	-
Unrestricted	2,598,041	(1,184,129)	-
Total net assets	\$ 13,748,614	\$ 8,747,099	\$ -
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating revenues	\$ 15,546,913	\$ 206,019	\$ 3,642,395
Depreciation	(1,627,932)	(195,154)	-
Other operating expenses	(12,927,981)	(409,752)	(3,642,395)
Operating income (loss)	991,000	(398,887)	-
Nonoperating revenues (expenses)			
Interest income	84,110	919	-
Interest expense	(1,126,876)	-	-
Gain on interest rate swap agreement	(763,743)	-	-
Capital contribution	-	147,771	-
Intergovernmental transfer	-	-	-
Other	(212,523)	(79)	-
Change in net assets	(1,028,032)	(250,276)	-
Total net assets, beginning	14,776,646	8,997,375	-
Total net assets, ending	\$ 13,748,614	\$ 8,747,099	\$ -
Condensed Statement of Cash Flows			
Net cash provided by (used in):			
Operating activities	\$ 2,207,032	\$ 91,728	\$ -
Capital and related financing activities	(3,686,504)	(35,475)	13,779,979
Investing activities	238,955	919	(13,779,979)
Net increase (decrease) in cash and cash equivalents	(1,240,517)	57,172	-
Cash and cash equivalents:			
Beginning, as restated	5,146,670	334,230	-
Ending	\$ 3,906,153	\$ 391,402	\$ -

Montgomery County Revenue Authority

Notes To Financial Statements

Note 12. Segment Information (Continued)

Segment information as of, and for the year ended June 30, 2008, is as follows:

	2008		
	Golf Course/ Management	Montgomery County Airpark	Special Projects
Condensed Statement of Net Assets			
Assets:			
Current	\$ 8,751,580	\$ 351,814	\$ 7,056,907
Capital	29,031,877	9,680,712	-
Other	617,950	-	63,436,236
Total assets	38,401,407	10,032,526	70,493,143
Liabilities:			
Current	2,625,583	1,035,151	5,126,609
Noncurrent	20,999,178	-	65,366,534
Total liabilities	23,624,761	1,035,151	70,493,143
Net assets:			
Invested in capital assets, net of related debt	7,142,987	9,680,712	-
Restricted	4,756,443	178,445	-
Unrestricted	2,877,216	(861,782)	-
Total net assets	\$ 14,776,646	\$ 8,997,375	\$ -
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating revenues	\$ 17,105,867	\$ 170,478	\$ 3,696,161
Depreciation	(1,416,363)	(186,404)	(327,087)
Other operating expenses	(13,908,101)	(304,228)	(3,369,074)
Operating income (loss)	1,781,403	(320,154)	-
Nonoperating revenues (expenses)			
Interest income	241,778	15,062	-
Interest expense	(1,091,450)	-	-
Loss on interest rate swap agreement	(808,186)	-	-
Capital contribution	-	1,934,597	-
Intergovernmental transfer	-	(1,368,397)	-
Other	2,163	-	-
Change in net assets	125,708	261,108	-
Total net assets, beginning	14,650,938	8,736,267	-
Total net assets, ending	\$ 14,776,646	\$ 8,997,375	\$ -
Condensed Statement of Cash Flows			
Net cash provided by (used in):			
Operating activities	\$ 3,563,513	\$ (71,982)	\$ -
Capital and related financing activities	(3,183,598)	339,606	(2,611,752)
Investing activities	1,424,027	15,062	2,611,752
Net increase (decrease) in cash and cash equivalents	1,803,942	282,686	-
Cash and cash equivalents:			
Beginning, as restated	3,342,728	51,544	-
Ending	\$ 5,146,670	\$ 334,230	\$ -

Montgomery County Revenue Authority

Notes To Financial Statements

Note 13. Pension Plan

The Authority participates in the Employees Retirement System of Montgomery County (System). The System is a cost-sharing multiple-employer defined-benefit plan that covers substantially all employees. Employees of the Authority contribute either 3 percent or 4 percent of their salary to the plan depending upon their date of employment. Montgomery County assigns a contribution percentage to the Authority on a fiscal year basis. The contribution percentage varies with the plan applicable to the employee. There are currently two plans depending upon date of employment. For the year ended June 30, 2009, Montgomery County assigned a contribution percentage to the Authority of 21.34 percent for those employees hired after June 30, 1978. A new plan was established during fiscal year 1995, for which the contribution percentage is 8.0 percent. For fiscal years ended June 30, 2009 and 2008, there was no administration charge. The Authority's required contributions and administrative charges charged to operations for the years ended June 30, 2009, 2008, and 2007, were \$283,959 and \$218,845 and \$217,578, respectively. The disclosures required for the System under Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, are included in the County's Comprehensive Annual Financial Report (CAFR).

Note 14. Other Employee Benefits

Employees of the Authority participate in the comprehensive insurance program of Montgomery County Government. The Authority's contributions totaled \$671,459 and \$612,144, for the years ended June 30, 2009 and 2008, respectively.

Note 15. Leasing Activities

As lessor

Direct Financing Leases:

Pursuant to the advance refunding of the 1988 Lease Revenue Bonds, the Authority was obligated to lease the Montgomery Aquatic Center to Montgomery County at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. The lease ended October 1, 2007.

Pursuant to the advance refunding of the 1989 Lease Revenue Bonds, the Authority is obligated to lease the Western County Swim Facility to Montgomery County at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. The lease has a term of 15 years, ending on October 1, 2009.

Pursuant to the advance refunding of the 1992 Lease Revenue Bonds, the Authority is obligated to lease the Olney Swim Center to Montgomery County at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. The lease has a term of 18 years, ending on October 1, 2012.

Pursuant to the issue of the 1996 Lease Revenue Bonds, the Authority is obligated to lease the Piccard Drive Office Building to Montgomery County at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. The lease has a term of 20 years, ending on August 1, 2016.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 15. Leasing Activities (Continued)

Pursuant to the issue of the 2000 Lease Revenue Bonds, the Authority is obligated to lease the land underneath the conference center to Montgomery County at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. Also, the Authority has received additional rent in the amount of \$2,500,000 from Montgomery County which is being used to construct a parking lot for Washington Metropolitan Area Transit Authority (WMATA) pursuant to the Authority's purchase agreement with WMATA for the conference center land. The lease has a term of 25 years ending June 15, 2024.

Pursuant to the issue of the 2003 Lease Revenue Bonds, the Authority is obligated to lease a conference center to Montgomery County at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. The lease has a term of 20 years ending February 1, 2023. The Maryland Stadium Authority (MSA) has also issued \$23.185 million of tax supported debt of the State of Maryland to help fund the construction of the conference center. As a result, the Authority has entered into an agreement whereby they will lease a 50 percent interest in the conference center to MSA for an annual lease payment of one dollar. MSA will then sublease its 50 percent leasehold interest to the State for an amount and term equal to the debt service on MSA's bonds. Upon the retirement of the Authority's bonds for the land and construction and MSA's bonds, the County will have the option to purchase the conference center and land for one dollar each.

Pursuant to the issue of the 2004 Lease Revenue Bonds, the Authority is obligated to lease an indoor swim center to Montgomery County at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. The lease has a term of 15 years ending April 1, 2019.

The composition of the net investment in direct financing leases at June 30, 2009 and 2008, is as follows:

	2009	2008
Minimum lease payments receivable	\$ 42,403,319	\$ 47,597,774
Initial direct costs (benefits)	(380,265)	(445,973)
Investments held	(1,889,147)	(1,870,047)
Unearned lease income	(8,643,729)	(10,305,478)
Net investment in direct financing leases	<u>\$ 31,490,178</u>	<u>\$ 34,976,276</u>

At June 30, 2009, the minimum future lease payments due under the direct financing leases are as follows:

Years Ending June 30,	
2010	\$ 5,203,801
2011	4,859,933
2012	4,862,605
2013	3,955,329
2014	3,465,929
Later years	20,055,722
	<u>\$ 42,403,319</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 15. Leasing Activities (Continued)

Operating Leases:

Pursuant to the issue of the 1993 Lease Revenue Bonds, the Authority was obligated to lease the Central Food Production Facility to the Montgomery County Board of Education at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. The lease, ended on April 1, 2008. This lease was accounted for as an operating lease. At June 30, 2009 and 2008, the value of the building held for this lease was \$5,740,508, less accumulated depreciation of \$5,740,508. The Authority leases the Montgomery County Airpark to a fixed-base operator. The lease has a term of 50 years and provides for annual rental equal to 120 percent of the annual real estate tax assessment.

Under the terms of a private activity bond issued in 1985, the Authority issued \$4,951,000 in revenue bonds which were used to acquire land and construct a building which is leased under a 99 year lease to Meridian Nursing Centers Inc. Neither the Authority nor Montgomery County is liable for payment of the bonds except from revenues derived from operations of the constructed facilities and, accordingly, the asset and the related obligation are not included in the financial statements. The Authority received a monthly fee from the lessor for its services under the bond period between October 1985 and September 2006, which was equal to one-twelfth of 0.5 percent of the outstanding balance for the preceding month. The Authority currently receives a monthly fee, which the Authority classifies as rent, from the lessor for its services in the amount of \$2,063 which began in October 2006 and will continue to the end of the lease period of September 2084. The agreement calls for total required rent in the amount of \$2,423,926 over the lease period. Additional rent of the difference between total required rent payments of \$2,423,926 less the amounts paid under the bond period less the amounts to be paid under the remaining lease term were to be paid in two equal installments of \$129,820 each due October 2006 and October 2007.

Under the terms of an operating agreement that began in November 2006 and ended December 31, 2007 with Holy Cross Hospital, the Authority leases 55 parking spaces at Sligo Creek Golf Course to Holy Cross Hospital for \$3,003 per month. Subsequent to the end of the lease, the Authority continues to lease the spaces on a month-to-month basis with a current monthly rent of \$3,153.

As lessee

The Authority has entered into lease agreements accounted for as operating leases for its golf cars at six of its courses. The terms of these lease agreements for golf cars require combined monthly lease and service payments of \$23,753 expiring various times through April 2012.

On July 1, 2005, the Authority exercised the final five year renewal option to lease its office facilities from Montgomery County, Maryland which will expire on June 30, 2010. The terms of the lease provide for monthly payments currently ranging from \$2,528 to \$2,723.

Future minimum lease payments under all golf car and office facility agreements are as follows:

Years Ending June 30,	Golf Cars	Office Facility	Total
2010	\$ 285,036	\$ 32,672	\$ 317,708
2011	234,978	-	234,978
2012	1,650	-	1,650
	<u>\$ 521,664</u>	<u>\$ 32,672</u>	<u>\$ 554,336</u>

Montgomery County Revenue Authority

Notes To Financial Statements

Note 15. Leasing Activities (Continued)

Also, the Authority leases the Falls Road Golf Course and the land under the Western County Swim Facility and Olney Swim Center from Montgomery County for an annual lease payment of one dollar. The Authority also leases the land under the Montgomery Aquatic Center and the land under the Germantown Indoor Swim Facility from MNCPPC for an annual lease payment of one dollar. The Authority also accounts for these leases as operating leases.

On November 1, 2006, the Authority entered into a lease agreement with MNCPPC whereby MNCPPC transferred the operation and maintenance of Sligo Creek, Northwest Park, Needwood, and Little Bennett golf courses owned by MNCPPC to the Authority. The lease expires on October 31, 2036, with a one ten-year renewal period. Under the terms of the agreement, the Authority will pay an annual base rent of \$300,000 which will terminate after the sixth payment. Annual base rent for the initial lease year was made on November 1, 2006, provided however the Authority received credit for payments totaling \$260,000 made previously under an operating agreement as discussed. As such, this rental concession is being amortized over the term of the lease resulting in unamortized deferred rent totaling \$236,889 and \$245,555 as of June 30, 2009 and 2008, respectively, which is included in the accompanying balance sheets. Thereafter, all payments of annual base rent and percentage rent will be made on October 15th of each lease year. Percentage rent will begin on the fifth anniversary of the lease term and will continue for the remaining term of the lease and will be payable based on net revenues in excess of \$5.6 million as follows: year 5 – 5 percent; year 6 – 6 percent; year 7 – 7 percent; year 8 – 8 percent; year 9 – 9 percent; and years 10 through 40 – 10 percent.

Additionally, in accordance with the lease agreement the Authority purchased all MNCPPC related equipment and inventory for a total purchase price of \$1,080,000 payable in six annual installments of \$180,000 upon the same terms as the annual base rent. The net present value of the lease payments resulted in the recognition of a capital lease obligation in the amount of \$995,710 and corresponding values of inventory and property and equipment of \$211,971 and \$783,739, respectively.

During 2009, the Authority entered into an amendment of the lease agreement discussed above whereby Sligo Creek golf course will be extracted from the lease agreement and the Authority is exercising its right to return Sligo Creek to MNCPPC and will no longer operate the course effective October 1, 2009. Subsequently, effective October 1, 2009 the Authority entered into a new operating agreement with MNCPPC with respect to Sligo Creek golf course that will expire on June 30, 2010. Under this agreement the Authority will continue to operate Sligo Creek golf course for which the Authority will be entitled to receive a operational cost reimbursement in the amount of \$150,000 as appropriated by the Montgomery County Council during the operational period October 1, 2009 to June 30, 2010. Both parties have the option to extend this agreement up to June 30, 2011 only if the County Council appropriates and encumbers sufficient funds as an additional operational cost reimbursement as determined by the Authority no later than May 31, 2010. Otherwise, this agreement shall automatically terminate on the expiration date and without further action by either party.

Note 16. Post-Employment Benefits

In addition to the pension benefits described in Note 13, the Authority provides post-retirement health care benefits, in accordance with applicable statutes, to all employees who retire from active service. Currently, 15 retirees meet those eligibility requirements. The Authority reimburses 80 percent of the amount of premiums for medical, dental, and hospitalization costs incurred by retirees for the period of time equal to the time that they were enrolled as active employees. As discussed in Note 14, the Authority participates in the comprehensive insurance program of Montgomery County Government, as such the Authority makes monthly premium payments to the County for the qualified retirees insurance costs. Expenditures incurred and charged to management activities in the accompanying statement of revenues, expenses, and changes in net assets for the years ended June 30, 2009 and 2008 for post-retirement health care benefits were \$82,794 and \$77,068, respectively.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 16. Post-Employment Benefits (Continued)

In conjunction with the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 1, 2007, the County established an Other Post-Employment Benefit, known as the Retiree Health Benefits Trust Fund in order to pre-fund the liability associated with maintaining retiree benefit plans. The Authority has signed an agreement with the County whereby the Authority is required to pre-fund its portion of the liability through annual contributions in order to provide retiree benefits under the County's retiree benefit plans. The Authority's annual required contribution is based on the actuarial valuation of the benefit plans by the County's actuary and is determined based on the plans' structure as a multiple employer cost sharing plan. The Authority's required contribution for the years ended June 30, 2009 and 2008 of \$100,000 and \$68,000, respectively, were paid in full before year end resulting in other post-employment benefit liability of \$0 as of June 30, 2009 and 2008. The Required Supplementary Information disclosures under GASB Statement No. 45 are included in the County's Comprehensive Annual Financial Report (CAFR).

Note 17. Related Party Transactions

As previously discussed, the Authority participates in various transactions in the normal course of business with the County as well as with other component units of the County. A summary of such transactions for the years ended June 30, 2009 and 2008, and the amounts due to/from these related parties as of June 30, 2009 and 2008, are as follows:

	2009	2008
Income from:		
Earned financing income from Montgomery County	\$ 1,625,992	\$ 1,835,116
Interest income from Montgomery College Foundation	1,914,941	1,450,745
Costs incurred for:		
Group health insurance paid to Montgomery County	671,459	612,144
Required retirement plan contributions paid to Montgomery County	283,959	218,845
Property and casualty insurance paid to Montgomery County	158,800	111,290
Other post-employment benefits paid to Montgomery County	100,000	68,000
Rent expense paid to Montgomery County	31,875	31,098
Legal services paid to Montgomery County	47,553	16,353
Amounts due from related parties:		
Direct financing lease receivable due from Montgomery County	31,490,178	34,976,276
Notes receivable due from Montgomery College Foundation	48,050,000	32,130,000
Amounts due to related parties:		
Due to Montgomery County	95,843	53,016

In conjunction with legal services provided by the Montgomery County, the Authority entered into a formal agreement with the County on March 9, 2009, whereby the Authority has agreed to make an annual lump sum payment equal to the cost of a one-quarter work year of a fully funded Attorney III position paid at top of grade, with such lump sum payment not to exceed \$45,630. This agreement is effective through June 30, 2011.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 18. Fair Value Measurement

During the year ended June 30, 2009, the Authority adopted SFAS No. 157, *Fair Value Measurements*. This statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Authority performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Authority at June 30, 2009.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2009:

	Total	Level 1	Level 2	Level 3
Interest rate swap agreement	<u>\$ 1,088,861</u>	<u>\$ -</u>	<u>\$ 1,088,861</u>	<u>\$ -</u>

The Authority's interest rate swap is fixed. The swap rate is observable at commonly quoted intervals for the full term of the swap and therefore is considered a Level 2 item.

Montgomery County Revenue Authority

Notes To Financial Statements

Note 19. New Governmental Accounting Standards Board (GASB) Standard

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2008, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the Authority:

- GASB Statement Number 51, *Accounting and Financial Reporting for Intangible Assets*, will be effective for the Authority beginning with its year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.
- GASB Statement Number 53, *Accounting and Financial Reporting for Derivative Instruments*, will be effective for the Authority beginning with its year ending June 30, 2010. This Statement requires that all effects of derivatives be recorded on accrual based statements.
- GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the Authority beginning with its year ending June 30, 2011. This Statement creates a presentation hierarchy based primarily on spending constraints placed upon use of resources versus availability for appropriation.

Montgomery County Revenue Authority

Schedule Of Management Activities Revenues And Expenses By Fund
Year Ended June 30, 2009

	Falls Road Golf Course	Laytonsville Golf Course	Poolesville Golf Course	Rattlewood Golf Course	Hampshire Greens Golf Course	Northwest Sligo Creek Golf Course	Northwest Park Golf Course	Needwood Golf Course	Little Bennett Golf Course	Montgomery County Management	Montgomery County Airpark	Total
Management activities revenues:												
Sales	\$ 2,221,568	\$ 1,348,026	\$ 908,487	\$ 1,097,103	\$ 1,440,213	\$ 482,573	\$ 2,087,390	\$ 1,955,539	\$ 1,249,317	\$ -	\$ 100,241	\$ 12,890,457
Rent income	252,855	156,870	169,120	229,332	247,896	53,343	285,564	315,935	206,858	61,429	105,778	2,084,980
Other	196,812	33,396	33,750	37,119	20,663	3,564	48,253	56,918	33,579	145,261	-	609,315
	<u>2,671,235</u>	<u>1,538,292</u>	<u>1,111,357</u>	<u>1,363,554</u>	<u>1,708,772</u>	<u>539,480</u>	<u>2,421,207</u>	<u>2,328,392</u>	<u>1,489,754</u>	<u>206,690</u>	<u>206,019</u>	<u>15,584,752</u>
Management activities expenses:												
Cost of goods sold	232,275	126,548	114,709	118,919	161,950	34,978	166,261	138,868	187,797	-	-	1,282,305
Personnel costs	921,027	586,344	489,897	548,978	667,346	264,927	818,159	702,498	720,269	1,378,479	104,734	7,202,658
Insurance	17,644	17,644	17,644	17,644	17,644	17,644	17,644	17,644	17,644	-	7,000	165,796
Supplies and materials	184,481	108,762	88,565	70,482	155,643	27,475	170,653	140,342	165,389	-	5,030	1,116,822
Contractual services	13,364	20,816	9,000	21,826	17,122	33,896	18,219	21,473	15,545	401,044	21,671	593,976
Communications	12,986	7,301	3,449	5,356	7,017	5,796	7,105	7,267	9,299	9,195	6,595	81,366
Transportation	-	-	-	-	-	-	-	-	-	1,965	-	1,965
Public utility services	49,490	38,110	30,672	56,663	126,003	45,489	111,668	64,358	68,545	-	17,395	608,393
Rentals	56,880	46,997	58,574	3,823	61,129	43,099	99,411	102,917	127,451	37,215	-	637,496
Maintenance	107,344	66,889	79,211	46,103	107,324	31,820	138,510	99,537	114,015	-	56,473	847,226
Depreciation	389,631	230,605	157,409	259,659	247,490	24,973	92,913	78,506	115,190	31,556	195,154	1,823,086
Miscellaneous	88,752	33,794	29,896	34,553	48,168	12,563	51,409	51,658	39,264	218,819	22,674	631,550
	<u>2,073,874</u>	<u>1,283,810</u>	<u>1,079,026</u>	<u>1,184,006</u>	<u>1,616,836</u>	<u>542,660</u>	<u>1,691,952</u>	<u>1,425,068</u>	<u>1,580,408</u>	<u>2,078,273</u>	<u>436,726</u>	<u>14,992,639</u>
Income (loss) from management activities before interfund allocations	597,361	254,482	32,331	179,548	91,936	(3,180)	729,255	903,324	(90,654)	(1,871,583)	(230,707)	592,113
Interfund allocations for management fee revenue (expense)	(168,180)	(168,180)	(168,180)	(168,180)	(168,180)	(168,180)	(168,180)	(168,180)	(168,180)	1,681,800	(168,180)	-
Income (loss) from management activities	<u>\$ 429,181</u>	<u>\$ 86,302</u>	<u>\$ (135,849)</u>	<u>\$ 11,368</u>	<u>\$ (76,244)</u>	<u>\$ (171,360)</u>	<u>\$ 561,075</u>	<u>\$ 735,144</u>	<u>\$ (258,834)</u>	<u>\$ (189,783)</u>	<u>\$ (398,887)</u>	<u>\$ 592,113</u>

Montgomery County Revenue Authority

Schedule Of Management Activities Revenues And Expenses By Fund
Year Ended June 30, 2008

	Falls Road Golf Course	Laytonsville Golf Course	Poolesville Golf Course	Rattlewood Golf Course	Hampshire Greens Golf Course	Sligo Creek Golf Course	Northwest Park Golf Course	Needwood Golf Course	Little Bennett Golf Course	Management	Montgomery County Airpark	Total
Management activities revenues:												
Sales	\$ 2,478,176	\$ 1,469,118	\$ 1,086,065	\$ 1,126,992	\$ 1,456,288	\$ 564,613	\$ 2,148,897	\$ 2,106,150	\$ 1,301,219	\$ -	\$ 46,804	\$ 13,784,322
Rent income	321,076	241,923	243,095	263,508	313,795	68,590	285,972	302,582	270,466	191,496	123,184	2,625,687
Other	206,112	31,271	41,570	30,546	18,678	3,532	49,184	54,760	26,972	264,117	490	727,232
	<u>3,005,364</u>	<u>1,742,312</u>	<u>1,370,730</u>	<u>1,421,046</u>	<u>1,788,761</u>	<u>636,735</u>	<u>2,484,053</u>	<u>2,463,492</u>	<u>1,598,657</u>	<u>455,613</u>	<u>170,478</u>	<u>17,137,241</u>
Management activities expenses:												
Cost of goods sold	293,847	137,538	134,443	135,095	192,038	49,702	154,977	161,745	195,210	-	-	1,454,595
Personnel costs	987,538	619,413	563,186	540,402	641,450	299,439	772,646	733,042	706,520	1,212,500	-	7,076,136
Insurance	12,366	12,366	12,366	12,366	12,366	12,366	12,366	12,366	12,366	-	1,750	113,044
Supplies and materials	191,435	123,005	142,186	87,891	159,725	61,847	192,155	161,674	194,806	-	7,895	1,322,619
Contractual services	16,037	26,615	20,494	12,964	15,649	19,092	20,545	17,616	23,101	348,103	32,854	553,070
Communications	15,031	8,212	5,251	5,879	6,933	150	502	10,661	11,652	12,484	6,015	82,770
Transportation	-	-	-	-	-	737	831	737	967	3,300	-	6,572
Public utility services	123,568	40,273	30,256	56,677	163,646	61,617	215,672	62,899	93,450	-	37,736	885,794
Rentals	56,808	66,679	67,852	36,577	73,618	44,784	98,380	100,905	132,480	38,311	-	716,394
Maintenance	134,771	83,908	103,102	85,220	132,507	51,604	193,164	127,715	145,413	3,369	65,594	1,126,367
Depreciation	361,928	213,913	128,631	200,849	215,464	21,818	83,264	74,295	95,035	21,166	186,404	1,602,767
Miscellaneous	112,351	46,059	45,812	42,986	56,981	19,145	54,442	55,970	42,759	246,079	13,280	735,864
	<u>2,305,680</u>	<u>1,377,981</u>	<u>1,253,579</u>	<u>1,216,906</u>	<u>1,670,377</u>	<u>642,301</u>	<u>1,798,944</u>	<u>1,519,625</u>	<u>1,653,759</u>	<u>1,885,312</u>	<u>351,528</u>	<u>15,675,992</u>
Income (loss) from management activities before interfund allocations	699,684	364,331	117,151	204,140	118,384	(5,566)	685,109	943,867	(55,102)	(1,429,699)	(181,050)	1,461,249
Interfund allocations for management fee revenue (expense)	(139,104)	(139,104)	(139,104)	(139,104)	(139,104)	(139,104)	(139,104)	(139,104)	(139,104)	1,391,040	(139,104)	-
Income (loss) from management activities	<u>\$ 560,580</u>	<u>\$ 225,227</u>	<u>\$ (21,953)</u>	<u>\$ 65,036</u>	<u>\$ (20,720)</u>	<u>\$ (144,670)</u>	<u>\$ 546,005</u>	<u>\$ 804,763</u>	<u>\$ (194,206)</u>	<u>\$ (38,659)</u>	<u>\$ (320,154)</u>	<u>\$ 1,461,249</u>