OFFICIAL STATEMENT DATED APRIL 6, 2010

<u>NEW ISSUE</u> -- BOOK-ENTRY-ONLY

Fitch Ratings: AA
Moody's Investors Service: Aa1
Standard and Poor's: AA+
(See "Ratings")

The interest portion of the Contract Payments to be made by the County under the Funding Agreement and to be received by the holders of the Certificates is not excludable from gross income for Federal income tax purposes and is not exempt from income taxation by the State of Maryland or by any of its political subdivisions. See "Tax Matters" herein.

$30,400,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Certificates
(Facility and Residential Development Projects)
Series 2010A

Dated: Date of Delivery **Due: May 1, as shown on inside front cover**

The Taxable Limited Obligation Certificates (the "Certificates") are being issued to finance the Montgomery Housing Initiative established by Montgomery County, Maryland (the "County") to promote a broad range of housing opportunities in the County. The Certificates represent proportionate interests in a Funding Agreement (the "Funding Agreement") between the County and U.S. Bank National Association (the "Bank"), and are payable solely from and secured by (i) periodic payments to be made by the County to the Bank pursuant to the Funding Agreement (the "Contract Payments") and (ii) amounts realized pursuant to the exercise of certain remedies under the Funding Agreement upon the occurrence of nonappropriation or certain defaults by the County thereunder.

The Certificates are issued pursuant to a Taxable Limited Obligation Certificate Trust Agreement (the "Trust Agreement") between the County and the Bank, as trustee (the "Trustee") and as the Bank, pursuant to which the County and the Bank have agreed to assign to the Trustee for the benefit of the holders of the Certificates all of the County's and the Bank's right, title and interest under the Funding Agreement, including the Contract Payments to be made by the County, and all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement, as provided thereunder.

Interest on the Certificates is payable on November 1, 2010, and semi-annually on each May 1 and November 1 thereafter until maturity. The Certificates will be issued in registered form in denominations of $5,000 or any integral multiple thereof. The Certificates initially will be maintained under a book-entry-only system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Certificates will be in book-entry-only form. So long as the Certificates shall be maintained under a book-entry system, payments of the principal or redemption price of and interest on the Certificates will be made when due by the Trustee to DTC in accordance with the Trust Agreement, and the Trustee will have no obligation to make any payments to any beneficial owner of any Certificate. See "The Certificates – Book-Entry-Only System" herein.

The Certificates, and the interest on them, are limited obligations of the County. The principal or redemption price of and the interest on the Certificates shall be payable solely from the Contract Payments and other funds pledged for the payment thereof under the Trust Agreement. All amounts payable by the County under the Funding Agreement, including the Contract Payments, are subject in each year to appropriation by the Montgomery County Council. The Montgomery County Council is under no obligation to make any appropriation with respect to the Funding Agreement. The Funding Agreement is not a general obligation of the County and shall never constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing power of the County.

The Certificates are offered, when, as and if issued by the County and subject to the approval of legality of McKennon Shelton & Henn LLP, Special Counsel, and to certain other conditions. It is expected that the Certificates will be available for delivery on or about April 22, 2010.

Maturity Schedule

$30,400,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Certificates
(Facility and Residential Development Projects)
Series 2010A

Maturity May 1	Principal Amount	Rate	Yield	CUSIP
2011	$ 930,000	4.000%	1.000%	61336PBG5
2012	1,005,000	4.000	1.700	61336PBH3
2013	1,045,000	4.000	2.210	61336PBJ9
2014	1,085,000	4.000	2.610	61336PBK6
2015	1,130,000	4.000	3.200	61336PBL4
2016	1,175,000	4.000	3.700	61336PBM2
2017	1,220,000	5.000	4.010	61336PBN0
2018	1,285,000	4.500	4.310	61336PBP5
2019	1,340,000	5.000	4.650	61336PBQ3
2020	1,410,000	5.000	4.750	61336PBR1
2021	1,480,000	5.000	5.000	61336PBS9
2022	1,550,000	5.000	5.050	61336PBT7
2023	1,630,000	5.100	5.150	61336PBU4
2024	1,715,000	5.200	5.250	61336PBV2
2025	1,800,000	5.300	5.350	61336PBW0
2026	1,900,000	5.400	5.450	61336PBX8
2027	2,000,000	5.600	5.650	61336PBY6
2028	2,110,000	5.700	5.750	61336PBZ3
2029	2,230,000	5.800	5.850	61336PCA7
2030	2,360,000	5.900	5.950	61336PCB5

The rates shown above are the interest rates payable by the County resulting from the successful bid for the Certificates at public sale on April 6, 2010. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Certificates should be obtained from the successful bidders and not from the County.

The CUSIP numbers listed above are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and the County does not take any responsibility for the accuracy thereof. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau information.

OFFICIAL STATEMENT DATED APRIL 6, 2010

$30,400,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Certificates
(Facility and Residential Development Projects)
Series 2010A

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations concerning the County or its obligations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

TABLE OF CONTENTS

MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS

COUNTY EXECUTIVE

Isiah Leggett

COUNTY COUNCIL

Nancy Floreen	*President*
Valerie Ervin	*Vice President*
Roger Berliner	
Marc Elrich	
Phil Andrews	
Michael Knapp	
George L. Leventhal	
Nancy Navarro	
Duchy Trachtenberg	

The terms of the County Executive and all County Council members expire in December 2010.

APPOINTED OFFICIALS

Timothy L. Firestine	*Chief Administrative Officer*
Jennifer E. Barrett	*Director, Department of Finance*
Joseph F. Beach	*Director, Office of Management and Budget*
Marc P. Hansen	*Acting County Attorney*
Linda M. Lauer	*Clerk of the Council*

SPECIAL COUNSEL

McKennon Shelton & Henn LLP
Baltimore, Maryland

FINANCIAL ADVISORS

Public Financial Management, Inc.
Philadelphia, Pennsylvania

INDEPENDENT PUBLIC ACCOUNTANTS

Clifton Gunderson, LLP
Timonium, Maryland

TRUSTEE

U.S. Bank National Association
Richmond, VA 23219

DEBT MANAGEMENT AND DISCLOSURE INFORMATION

Montgomery County Department of Finance
101 Monroe Street
Rockville, MD 20850
240-777-8860
240-777-8857 (Fax)
http://bonds.montgomerycountymd.gov

OFFICIAL STATEMENT

Relating to

$30,400,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Certificates
(Facility and Residential Development Projects)
Series 2010A

INTRODUCTION

The purpose of this Official Statement, which includes the attached Appendices, is to provide certain information concerning the sale and delivery of the Montgomery County, Maryland Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2010A (the "Certificates") in the aggregate principal amount of $30,400,000. The Certificates are to be issued pursuant to a Taxable Limited Obligation Certificate Trust Agreement (the "Trust Agreement") between Montgomery County, Maryland (the "County") and U.S. Bank National Association, as trustee (the "Trustee") and as the Bank (the "Bank") under the Funding Agreement (as defined herein). The Certificates are being issued to finance the Montgomery Housing Initiative established by the County to promote a broad range of housing opportunities in the County. For more information regarding the County's Housing Initiative see "The Montgomery Housing Initiative."

The Certificates represent proportionate interests in a Funding Agreement (the "Funding Agreement") between the County and the Bank. The Funding Agreement requires the County to make periodic payments (the "Contract Payments") in amounts sufficient to pay the scheduled debt service on the Certificates until the County shall pay the principal of and interest and premium, if any, on the Certificates. Payment by the County of amounts owed under the Funding Agreement, including the Contract Payments, is dependent on the appropriation in each year by the County Council of the County (the "Montgomery County Council") of funds sufficient for such purpose. The County expects that amounts owed under the Funding Agreement, including the Contract Payments, will be appropriated and paid by the County.

The Certificates, and the interest on them, are limited obligations of the County. The principal or redemption price of and the interest on the Certificates shall be payable solely from the Contract Payments and all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement, as provided thereunder. All amounts payable by the County under the Funding Agreement, including the Contract Payments, are subject in each year to appropriation by the Montgomery County Council. The Montgomery County Council is under no obligation to make any appropriation with respect to the Funding Agreement. The Funding Agreement is not a general obligation of the County and shall never constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing power of the County.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Certificates are expected to be applied as follows:

SOURCES OF FUNDS:

Principal amount of Certificates	$30,400,000.00
Original issue premium	306,427.20
Total sources of funds	$30,706,427.20

USES OF FUNDS:

Montgomery Housing Initiative	$30,196,459.50
Underwriter's discount	309,967.70
Estimated costs of issuance	200,000.00
Total uses of funds	$30,706,427.20

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

The Certificates are limited obligations of the County, the principal or redemption price of or interest on which are payable solely from and secured by (i) the Contract Payments and (ii) amounts realized pursuant to the exercise of certain remedies under the Funding Agreement upon the occurrence of nonappropriation or certain defaults by the County thereunder. Pursuant to the Trust Agreement, in order to provide for the payment of the Certificates and the interest with respect thereto according to their tenor, purport and effect, the County and the Bank have pledged and assigned to the Trustee for the benefit of the Holders, all rights, title and interest of the County and the Bank, respectively, under the Funding Agreement, the right to receive Revenues (as defined herein), and all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement. The "Revenues" include all payments to be made by the County to the Bank pursuant to the Funding Agreement, the proceeds of the Certificates and all amounts from time to time on deposit in the funds and accounts established by under the Trust Agreement, and all other revenues derived from the Funding Agreement or from the exercise of remedies under the Trust Agreement. The pledge made under the Trust Agreement is, by its terms, for the equal and ratable benefit of the Holders of all the Certificates, without any priority of any one Certificate over any other, except as expressly provided in or permitted by the Trust Agreement. See "Summary of Principal Legal Documents -- Summary of Certain Provisions of the Trust Agreement" in Appendix D.

ALL AMOUNTS PAYABLE BY THE COUNTY UNDER THE FUNDING AGREEMENT, INCLUDING THE CONTRACT PAYMENTS, ARE SUBJECT IN EACH YEAR TO APPROPRIATION BY THE MONTGOMERY COUNTY COUNCIL. THE MONTGOMERY COUNTY COUNCIL IS UNDER NO OBLIGATION TO MAKE ANY APPROPRIATIONS WITH RESPECT TO THE FUNDING AGREEMENT. THE AMOUNTS PAYABLE BY THE COUNTY UNDER THE FUNDING AGREEMENT ARE NOT GENERAL OBLIGATIONS OF THE COUNTY AND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY. THE COUNTY HAS NOT PLEDGED ITS FULL FAITH AND CREDIT OR ITS TAXING POWERS TO THE PAYMENT OF AMOUNTS DUE UNDER THE FUNDING AGREEMENT.

THE FUNDING AGREEMENT MAY BE TERMINATED UPON THE OCCURRENCE OF NONAPPROPRIATION OR AN EVENT OF DEFAULT. IN SUCH EVENT, ALL PAYMENT OBLIGATIONS UNDER THE FUNDING AGREEMENT WILL TERMINATE, AND THE CERTIFICATES AND THE INTEREST THEREON WILL BE PAYABLE ONLY FROM AMOUNTS PAYABLE UNDER THE FUNDING AGREEMENT THAT WERE PREVIOUSLY APPROPRIATED AND FROM UNEXPENDED PROCEEDS OF THE CERTIFICATES. THERE IS NO ASSURANCE THAT SUCH MONEYS WILL BE SUFFICIENT FOR THE PAYMENT OF THE CERTIFICATES OR THE INTEREST THEREON UPON THE OCCURRENCE OF A NONAPPROPRIATION OR AN EVENT OF DEFAULT UNDER THE FUNDING AGREEMENT.

THE FUNDS FROM WHICH AMOUNTS ARE APPROPRIATED TO PAY CONTRACT PAYMENTS ARE NOT LIMITED TO ANY PARTICULAR SOURCE OF COUNTY REVENUES. THE COUNTY EXPECTS THAT ALL CONTRACT PAYMENTS WILL BE APPROPRIATED AND PAID BY THE COUNTY FROM AMOUNTS HELD IN CERTAIN FUNDS OR ACCOUNTS ESTABLISHED AND MAINTAINED BY THE COUNTY.

Funding Agreement

The term of the Funding Agreement begins as of April 1, 2010, and ends on May 1, 2030, unless terminated earlier in accordance with the Funding Agreement. The Contract Payments due under the Funding Agreement are sufficient to pay the scheduled debt service on the Certificates and the fees and expenses of the Trustee. The Contract Payments are payable semi-annually on May 1 and November 1 of each year so long as any of the Certificates are outstanding and will be paid directly to the Trustee.

The ability of the County to pay the Contract Payments is subject to annual appropriation of sufficient funds for such purpose by the Montgomery County Council. See “General Financial Policies – Legal Framework for Budgeting” in Appendix A. Under the Funding Agreement, the County Executive of the County covenants, to the extent permitted by law and subject to applicable public policy, to use best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the inclusion of such funds in the budget of the County to be submitted to the Montgomery County Council and a request for adequate funds to meet the County’s obligations under the Funding Agreement in full in its next fiscal year budget. Notwithstanding the foregoing, the Funding Agreement does not obligate the Montgomery County Council to make any such appropriation.

In the event that sufficient funds are not appropriated for the payment of the Contract Payments, the County may terminate the Funding Agreement at the end of the last fiscal year or earlier date for which an appropriation is available and the County will not be obligated to make payment of the Contract Payments beyond the last date for which an appropriation is available. In the event the Funding Agreement is terminated for nonappropriation, the County will pay to the Trustee all proceeds of the Certificates not theretofore expended by the County, if any, or such lesser amount as shall be required to pay the outstanding principal of and interest on the Certificates and all other amounts payable under the Funding Agreement after the application to the payment thereof of amounts on deposit in the funds and accounts created by the Trust Agreement. See “Summary of Principal Legal Documents -- Summary of Certain Provisions of the Funding Agreement” in Appendix D.

In the event of termination due to the occurrence of an Event of Default under the Funding Agreement, the County shall pay to the Bank all proceeds of the Certificates not theretofore expended by the County, if any, or such lesser amount as shall be required to pay the outstanding principal of and interest on the Certificates and all other amounts payable under the Funding Agreement after the application to the payment thereof of amounts on deposit in the funds and accounts created by the Trust

Agreement. The County will be liable for any deficiency, if any, between (i) the amount actually appropriated for the payment of Contract Payments and other amounts payable under the Funding Agreement and unpaid by the County during the current fiscal year and which is therefore payable by the County to the end of the current fiscal year of the County and (ii) the sum of the amounts on deposit in the funds and accounts created by the Trust Agreement and the proceeds of the Certificates not theretofore expended by the County, if any, paid to the Bank, after deducting all the Bank's costs and expenses, including (without limitation) reasonable attorneys' fees and expenses incurred in the enforcement of the Funding Agreement. See "Summary of Principal Legal Documents -- Summary of Certain Provisions of the Funding Agreement" in Appendix D.

No Lien on Property

The payment of the Contract Payments by the County is *not* secured by any lien on housing or other assets that may be constructed, acquired or renovated with proceeds of the Certificates.

THE MONTGOMERY HOUSING INITIATIVE

The County has a long-standing tradition of commitment and dedication toward meeting the housing needs of its citizens. The County Executive is committed to continuing the tradition of creative action to provide affordable housing in the County, and as the need for affordable housing has increased in the County, the County has taken new approaches to development of ideas that will meet the challenge. Under the leadership of the County Executive, the County has implemented a number of programs and initiatives dedicated to the goal of providing affordable housing in the County. In May 1988, the County Council enacted Section 25B-9 of the Montgomery County Code establishing the Montgomery Housing Initiative program (the "Program") to help meet the County's existing and growing affordable housing needs.

Section 25B-9 of the Montgomery County Code requires the County Executive to establish the Program in order to promote a broad range of housing opportunities in the County. The County Executive utilizes the Program to assist in alleviating the difficulties of many low and moderate income households in obtaining and maintaining housing at prices that they can afford. The Program provides a flexible funding source to create and preserve affordable housing. The Program helps the County meet a number of its housing goals including constructing new affordable housing units, renovating distressed properties, preserving housing that might otherwise be removed from the supply of affordable housing, developing special needs housing, helping to create mixed-income communities, making sure that housing programs build neighborhoods and not just housing units and working toward an equitable distribution of affordable housing units.

As a result of annual increased demand for affordable housing in the County, the County Executive recommended and the County Council approved increasing funding for the Program from approximately $24,000,000 to $34,000,000 in Fiscal Year 2008 and to $53,000,000 in Fiscal Year 2009, a 120 percent increase over two years. Since Fiscal Year 2008, the County has been able to preserve and maintain affordable housing units.

The following table provides information regarding actual results for Fiscal Years 2008 and 2009 and projections for Fiscal Years 2010 through 2012 of affordable housing units preserved by the County's Department of Housing and Community Affairs (DHCA) .

DHCA Units Preserved	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
County Funded Units Online	34	423	222	543	380
No-Cost Units Online	131	0	702	737	774
Preservation Pipeline	954	190	150	170	175
Total Preservation	1,119	613	1,074	1,450	1,329

The County's Department of Housing and Community Affairs administers the Program fund pursuant to regulations adopted by the County Executive. The County partners with various affordable housing organizations and developers to construct new properties and to acquire and rehabilitate existing properties. The County anticipates using the proceeds of the Certificates to reimburse itself for advances made to fund a portion of the cost to acquire, construct, purchase and rehabilitate over 500 housing units, including over 200 affordable housing units at a number of locations in the County. To fund projects under the Program, upon the request of DHCA, the County will submit a requisition of funds to the Trustee. The County's partners for projects financed with Program funds to be reimbursed with proceeds of the Certificates include the County Housing Opportunities Commission, Montgomery County Coalition for the Homeless, Montgomery Housing Partnerships, Inc., and Washington Property Company. These projects include: (1) a $5,000,000 mezzanine debt for project financing to acquire or rehabilitate 48 affordable housing units in an apartment complex; (2) a $1,800,000 construction bridge loan for the acquisition or rehabilitation of 16 affordable housing units in an apartment complex to be repaid at closing with permanent financing; and (3) a $4,200,000 construction financing loan for the construction and sale of multi-family affordable homes.

The County is in the process of identifying the next round of properties to be financed with proceeds of a future financing for the Program fund. The County anticipates the sale of an additional $25,000,000 of Certificates for this purpose in calendar year 2011.

THE CERTIFICATES

The Certificates will be dated the date of delivery, and will be issued in serial form, mature (subject to the redemption provisions set forth below) on the dates and in the amounts and bear interest as set forth on the inside front cover hereof.

The Certificates will be executed and delivered in fully registered form, without coupons, in denominations of $5,000 each or any integral multiple thereof. Interest will be payable on the Certificates on each May 1 and November 1 (each an "Interest Payment Date"), beginning November 1, 2010. Interest paid on November 1, 2010 will accrue from the date of delivery of the Certificates. The principal or redemption price of and interest on the Certificates will be paid as described below under Book-Entry Only System so long as the Book-Entry Only System is maintained. If the Book-Entry Only System is discontinued then the Certificates will be payable at the corporate trust office of the Trustee in Richmond, Virginia and interest will be payable by check mailed by the Trustee to the registered Holders of Certificates as their names and addresses appear in the registration books maintained by the Trustee as of (i) the fifteenth calendar day of the month next preceding each Interest Payment Date or (ii) in the case of the payment of any defaulted interest, the tenth (10^{th}) day before such payment. At the request of a Holder of Certificates in the aggregate principal amount of at least $100,000, any such payments may be made by wire transfer in accordance with written instructions filed by such Holder with the Trustee.

Interest on the Certificates shall be calculated on the basis of a year consisting of 360 days divided into twelve 30-day months.

Authority for the Certificates

The Certificates are issued pursuant to Article 25B-9 of the Montgomery County Code, Resolution No. 16-675 of the County Council for Montgomery County, Maryland (the "County Council"), adopted on July 29, 2008, and effective on July 31, 2008, as amended by Resolution No. 16-1298 of the County Council, adopted on March 23, 2010, and Executive Order No. 301-10 of the County Executive of the County executed and delivered as of April 6, 2010.

Book-Entry Only System

The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by The Depository Trust Company ("DTC") entitled "Sample Offering Document Language Describing Book-Entry-Only Issuance." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

General

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates in principal amount equal to the aggregate principal amount of the Certificates of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and any premium on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, DTC's nominee, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest or premium to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or its Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Book-Entry-Only System — Miscellaneous

The information in the Section "Book-Entry-Only System — General" has been obtained from DTC. The County takes no responsibility for the accuracy or completeness thereof. The County will have no responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuation of Book-Entry-Only System

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Certificate certificates are required to be printed and delivered. The County may also decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered.

In the event that the Book-Entry-Only System is discontinued, the Certificates in fully certificated form will be issued as fully registered Certificates without coupons in the denomination of $5,000 each or any integral multiple thereof. Such Certificates will be transferable only upon the registration books kept at the principal office of the Trustee, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Trustee, and duly executed by the registered owner or a duly authorized attorney. Within a reasonable time of such surrender, the County shall cause to be issued in the name of the transferee a new registered Certificate or Certificates of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Certificate surrendered and maturing on the same date and bearing interest at the same rate. The new Certificate or Certificates shall be delivered to the transferee only after due authentication by an authorized officer of the Trustee. The County may deem and treat the person in whose name a Certificate is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

The Trustee shall not be required to transfer or exchange any Certificate after the mailing of notice calling such Certificate or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Certificate in excess of $5,000 which is not being called for redemption.

Neither the County nor the Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to 1) the accuracy of any records maintained by DTC, any DTC Participant or any Indirect Participant; 2) the payment by DTC, any DTC Participant or any Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Certificates; 3) any notice which is permitted or required to be given to holders; 4) any consent given by DTC or other action taken by DTC as holder; or 5) the selection by DTC, any DTC

Participant or any Indirect Participant of any Beneficial Owner to receive payment in the event of partial redemption of Certificates.

Redemption Provisions

Optional Redemption

Certificates which mature on or before May 1, 2020, are not subject to redemption prior to their respective maturities. Certificates which mature on or after May 1, 2021, are subject to redemption beginning May 1, 2020, as a whole or in part at any time thereafter, in any order of their maturities, at the option of the County, at a redemption price for each bond equal to the principal amount of the bond to be redeemed, together with interest accrued to the date fixed for redemption, without premium.

Selection of Certificates to be Redeemed

If fewer than all of the outstanding Certificates are called for redemption, the Trustee shall redeem the Certificates of the maturities directed by the County and by lot in such manner as the Trustee shall determine within any maturity; provided however, that the portion of any Certificate to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof and, in selecting Certificates for redemption, the Trustee shall treat each Certificate as representing that number of Certificates that is obtained by dividing the principal amount of such Certificate by $5,000.

Notice of Redemption

The Trustee will mail notice of redemption, by first class mail, not less than 30 days and not more than 60 days before the date of redemption to the registered Holders of the Certificates of the maturity or maturities to be redeemed at their addresses shown on the registration books maintained by the Trustee. Notice having been given and sufficient moneys having been delivered to the Trustee, interest will cease to accrue on the Certificates to be redeemed on and after the redemption date. Any notice of redemption may indicate that such redemption is conditioned upon the deposit of sufficient moneys to effect such redemption on the redemption date. The failure by the Trustee to mail a notice of redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of the Certificates.

Additional Certificates

The County may issue additional parity Certificates (the "Additional Certificates") under the Trust Agreement to provide additional funds to finance the objectives of the Program. See "The Montgomery Housing Initiative."

The Certificates will be secured equally and ratably on parity with any Additional Certificates and the Contract Payments made pursuant to the Funding Agreement by the County shall be increased in the principal amount equal to such Additional Certificates issued.

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DEBT SERVICE REQUIREMENTS OF THE CERTIFICATES

The following tables set forth for each calendar year the amount required for the payment of principal due on the Certificates on May 1 and for the payment of interest on such Certificates on May 1 and November 1 and the total debt service requirements of the Certificates.

Year	Principal	Interest	Total Debt Service Requirement
2010		$ 805,237.13	$ 805,237.13
2011	$ 930,000	1,515,185.00	2,445,185.00
2012	1,005,000	1,476,485.00	2,481,485.00
2013	1,045,000	1,435,485.00	2,480,485.00
2014	1,085,000	1,392,885.00	2,477,885.00
2015	1,130,000	1,348,585.00	2,478,585.00
2016	1,175,000	1,302,485.00	2,477,485.00
2017	1,220,000	1,248,485.00	2,468,485.00
2018	1,285,000	1,189,072.00	2,474,072.00
2019	1,340,000	1,126,660.00	2,466,660.00
2020	1,410,000	1,057,910.00	2,467,910.00
2021	1,480,000	985,660.00	2,465,660.00
2022	1,550,000	909,910.00	2,459,910.00
2023	1,630,000	829,595.00	2,459,595.00
2024	1,715,000	743,440.00	2,458,440.00
2025	1,800,000	651,150.00	2,451,150.00
2026	1,900,000	552,150.00	2,452,150.00
2027	2,000,000	444,850.00	2,444,850.00
2028	2,110,000	328,715.00	2,438,715.00
2029	2,230,000	203,910.00	2,433,910.00
2030	2,360,000	69,620.00	2,429,620.00

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THE COUNTY

General

Montgomery County, Maryland is a body politic and corporate and a political subdivision of the State of Maryland. For more information respecting the County, see Appendix A – "Information about the County as of January 15, 2010."

Selected Debt and Financial Schedules

Supplemental Information Dated April 5, 2010

The information (including Tables 1 through 7) presented on the following pages has been updated to provide current information on Montgomery County's financial position. Subsequent to the December 31, 2009 date of the accompanying Schedule of General Fund Revenues, Expenditures, & Transfers In (Out) and the General Fund Schedule of Budgetary Fund Balance to GAAP Fund Balance Reconciliation (Tables 6 and 7, respectively) and to the March 31, 2010 date of the Preliminary Official Statement, the County's actual income tax collections were $24.5 million lower than projected, and lower than the amounts included in the accompanying Table 6. The County is in the process of taking additional actions to offset such revenue shortfalls, and anticipates ending FY10 with a General Fund balance consistent with the amounts presented in the accompanying Table 7.

For more information on the County, and a complete overview of the County's debt, please see Appendix A, "INFORMATION ABOUT THE COUNTY AS OF JANUARY 15, 2010."

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Table 1
Statement of Direct and Overlapping Debt
As of December 31, 2009
and Including Proposed Short-Term BANs

Direct Debt:		
General Obligation Bonds Outstanding	$1,756,479,285	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding	185,000,000	
Proposed Short-Term BANs/Commercial Paper	240,000,000	
Revenue Bonds Outstanding	92,517,500	
Total Direct Debt		$2,373,996,785
Overlapping Debt (as of June 30, 2009):		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	885,925,181	
Housing Opportunities Commission	720,703,667	
Montgomery County Revenue Authority	99,517,578	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	42,153,188	
Kingsview Village Center Development District	2,075,000	
West Germantown Development District	15,060,000	
Towns, Cities and Villages within Montgomery County	47,851,848	
Total Overlapping Debt		1,813,286,462
Total Direct and Overlapping Debt		4,187,283,247
Less Self-Supporting Debt:		
County Government Revenue Bonds	92,517,500	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County (as of June 30, 2009)	885,925,181	
Housing Opportunities Commission (as of June 30, 2009)	720,703,667	
Montgomery County Revenue Authority (as of June 30, 2009)	99,517,578	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County (as of June 30, 2009)	4,522,821	
Total Self-Supporting Debt		(1,803,186,747)
Net Direct and Overlapping Debt		$2,384,096,500
Ratio of Debt to June 30, 2009 Assessed Valuation of (100% Assessment):		$162,053,662,492
Direct Debt		1.46%
Net Direct Debt *		1.41%
Direct and Overlapping Debt		2.58%
Net Direct and Overlapping Debt		1.47%
Ratio of Debt to June 30, 2009 Market Value of:		$167,959,062,589
Direct Debt		1.41%
Net Direct Debt *		1.36%
Direct and Overlapping Debt		2.49%
Net Direct and Overlapping Debt		1.42%

*Net Direct Debt of $2,281,479,285 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Table 2
Statement of Legal Debt Margin
As of December 31, 2009
and Including Proposed Short-Term BANs

June 30, 2009 Assessed Valuation – Real Property		$158,133,491,472
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		$ 9,488,009,484
June 30, 2009 Assessed Valuation – Personal Property		$3,920,171,020
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		$ 588,025,653
Total Assessed Valuation – Real and Personal Property		$162,053,662,492
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$10,076,035,137
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$1,756,479,285	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper	185,000,000	
Proposed Short-Term BANs/Commercial Paper	240,000,000	
Net Direct Debt		2,281,479,285
Legal Debt Margin		$7,794,555,852
Net Direct Debt as a Percentage of Assessed Valuation		1.41%

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Table 3
General Obligation Debt of the County
As of June 30, 2009
And December 31, 2009

Issue	Dated Date	Original Issue Size	Original Interest Rates	TIC*	Maturity	Principal Outstanding June 30, 2009	Principal Outstanding Dec. 31, 2009
GO Refunding Bonds	07/01/92	$273,038,054	2.75-5.80%	5.7431%	1993-10	$ 5,541,371	$ 1,289,285
GO Bonds	04/01/99	120,000,000	4.00-5.00	4.4764	2000-19	6,000,000	6,000,000
GO Bonds	01/01/00	130,000,000	5.00-6.00	5.4853	2001-13	13,000,000	6,500,000
GO Bonds	02/01/01	140,000,000	4.00-5.00	4.5447	2002-21	28,000,000	14,000,000
GO Refunding Bonds	11/15/01	146,375,000	3.60-5.25	4.5107	2003-19	120,470,000	114,200,000
GO Bonds	02/01/02	160,000,000	3.00-5.00	4.4619	2003-22	48,000,000	32,000,000
GO Refunding Bonds	11/15/02	93,595,000	2.75-5.25	3.2799	2005-13	55,145,000	44,355,000
GO Bonds	05/01/03	155,000,000	1.50-4.00	3.6304	2004-23	108,500,000	93,000,000
GO Refunding Bonds	05/01/03	49,505,000	2.00-5.00	2.2900	2004-11	16,955,000	10,195,000
GO Bonds	03/15/04	154,600,000	3.00-5.00	3.8290	2005-24	115,950,000	92,760,000
GO Refunding Bonds	08/15/04	97,690,000	3.00-5.25	3.7208	2008-17	93,285,000	87,210,000
GO Bonds	05/15/05	200,000,000	4.00-5.00	3.8806	2006-25	160,000,000	120,000,000
GO Refunding Bonds	06/01/05	120,355,000	5.00	3.7817	2011-21	120,355,000	120,355,000
GO Bonds	05/01/06	100,000,000	4.25-5.00	3.8711	2007-16	70,000,000	70,000,000
GO VRDO**	06/07/06	100,000,000	variable	variable	2017-26	100,000,000	100,000,000
GO Bonds	05/01/07	250,000,000	5.00	4.0821	2008-27	225,000,000	175,000,000
GO Refunding Bonds	03/20/08	70,295,000	2.75-5.00	2.8965	2009-15	60,360,000	60,360,000
GO Bonds	07/15/08	250,000,000	3.00-5.00	4.1809	2009-28	250,000,000	237,500,000
GO Bonds***	11/17/09	232,000,000	3.75-5.50	4.8782	2015-29	--	232,000,000
GO Refunding Bonds	11/17/09	161,755,000	2.00-5.00	2.6487	2011-20	--	161,755,000
GO Bonds	12/02/09	78,000,000	2.00-5.00	1.1823	2010-14	--	78,000,000
Total						$1,596,561,371	$1,856,479,285

* True Interest Cost
** Variable Rate Demand Obligations
*** Federally Taxable – Build America Bonds – Direct Pay

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Table 4
General Obligation Bonds Authorized – Unissued
As of December 31, 2009

Purpose	Chapter	Act	Amount	Amount Unissued
General County, Parks, and	19	2005	$ 44,100,000	$ 15,390,000
Consolidated Fire Tax District	43	2006	92,000,000	92,000,000
	12	2007	51,300,000	51,300,000
	36	2008	68,200,000	68,200,000
	29	2009	58,700,000	58,700,000
			314,300,000	285,590,000
Road & Storm Drainage	43	2006	66,700,000	47,140,000
	12	2007	45,800,000	45,800,000
	36	2008	36,000,000	36,000,000
	29	2009	64,600,000	64,600,000
			213,100,000	193,540,000
Public Schools and	12	2007	118,900,000	27,268,000
Community College	36	2008	222,500,000	222,500,000
	29	2009	272,500,000	272,500,000
			613,900,000	522,268,000
Mass Transit	29	2009	57,100,000	33,005,000
			57,100,000	33,005,000
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
	29	2009	1,000,000	1,000,000
			6,630,000	6,570,000
Parking Districts:				
Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
			4,165,000	3,265,000
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			9,150,000	4,865,000
Total Parking Districts			13,315,000	8,130,000
Total General Obligation Bonds			$1,218,345,000	$1,049,103,000

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1994, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Table 5
Bond Anticipation Notes Outstanding
As of April 8, 2010

Issue	Balance July 1, 2009	BANs Issued	BANs Retired	Balance April 8, 2010
BAN Series 2002-L	$ 50,000,000	$ --	$ 50,000,000	$ --
BAN Series 2002-M	150,000,000	--	33,000,000	117,000,000
BAN Series 2002-N	100,000,000	--	32,000,000	68,000,000
BAN Series 2002-O	--	115,000,000	--	115,000,000
BAN Series 2009-A	--	200,000,000	200,000,000	--
BAN Series 2009-B	--	125,000,000	--	125,000,000
Total	$300,000,000	$440,000,000	$315,000,000	$425,000,000

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Table 6
Montgomery County, Maryland
Schedule Of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual[1]			Fiscal Year Budget 2010[2]	Actual July 1 to December 31, 2009 (Unaudited)
	2007	2008	2009		
Revenues:					
Taxes:					
Property, including interest & penalty	$ 791,299,455	$ 796,770,740	$ 962,319,307	$1,050,802,421	$ 987,306,175
Transfer tax and recordation tax	179,575,410	135,038,965	107,208,955	123,359,000	60,946,209
County income tax	1,265,377,139	1,291,339,613	1,291,716,935	1,214,770,000	303,717,177
Other taxes	168,113,476	168,735,248	179,232,787	185,344,000	84,355,236
Total Taxes	2,404,365,480	2,391,884,566	2,540,477,984	2,574,275,421	1,436,324,797
Licenses and permits	10,496,148	9,279,207	9,319,612	9,117,380	6,343,327
Intergovernmental revenue	138,069,464	132,669,827	90,521,958	71,320,675	24,041,787
Charges for services	11,979,461	12,220,040	14,631,624	10,273,470	4,397,433
Fines and forfeitures	10,216,457	20,335,482	27,604,483	37,523,790	13,742,480
Investment income	13,236,271	8,880,917	568,785	600,160	35,595
Miscellaneous	10,125,190	10,418,813	17,801,203	14,454,353	2,072,926
Total Revenues	2,598,488,471	2,585,688,852	2,700,925,649	2,717,565,249	1,486,958,345
Expenditures (including encumbrances):					
General County:					
General government	223,391,051	241,768,119	257,466,968	240,346,531	140,042,860
Public safety	313,532,989	343,516,856	355,854,194	370,077,427	184,948,482
Public works and transportation	58,265,269	56,432,172	56,329,154	51,373,332	37,211,153
Health and human services	208,632,008	232,979,224	201,771,333	210,953,233	141,095,953
Culture and recreation	53,032,039	55,872,703	51,710,097	49,535,146	31,390,159
Housing and community development	5,284,806	5,606,887	5,473,883	5,078,080	2,347,799
Environment	3,795,318	4,473,884	5,224,553	4,716,391	3,057,128
Total Expenditures	865,933,480	940,649,845	933,830,182	932,080,140	540,093,534
Transfers In (Out):					
Transfers In:					
Special Revenue Funds	13,915,724	15,470,240	17,699,145	21,177,875	10,805,629
Enterprise Funds	27,585,780	27,734,670	38,601,750	33,604,990	10,814,657
Internal Service Funds	--	--	--	12,500,000	6,250,000
Component Units	606,183	598,645	591,084	328,420	255,150
Total Transfers In	42,107,687	43,803,555	56,891,979	67,611,285	28,125,436
Transfers Out:					
Special Revenue Funds	(27,614,179)	(26,366,223)	(13,437,311)	(23,714,720)	(11,900,587)
Debt Service Fund	(203,384,307)	(215,900,200)	(204,596,878)	(143,070,868)	(90,664,735)
Capital Projects Fund	(36,435,691)	(43,259,243)	(28,736,385)	(46,374,808)	441,370
Enterprise Funds	(4,270,955)	(3,121,110)	(2,988,617)	(3,200,620)	(1,560,140)
Internal Service Funds		(1,551,516)	(1,214,928)	(30,000)	--
	(1,171,249)				
Component Units	(1,497,615,804)	(1,570,726,627)	(1,650,994,360)	(1,679,335,552)	(857,909,727)
Total Transfers Out	(1,770,492,185)	(1,860,924,919)	(1,901,968,479)	(1,895,726,568)	(961,593,819)
Net Transfers In (Out)	(1,728,384,498)	(1,817,121,364)	(1,845,076,500)	(1,828,115,283)	(933,468,383)
Excess of revenues and transfers in over (under) expenditures, encumbrances and transfers out	4,170,493	(172,082,357)	(77,981,033)	(42,630,174)	13,396,428
Fund Balances, July 1 as previously stated	273,333,694	295,785,593	146,932,820	86,905,675	86,905,675
Net Adjustment for previous year encumbrances	18,281,406	23,229,584	17,953,888	18,629,942	18,629,942
Fund Balances, July 1 restated	291,615,100	319,015,177	164,886,708	105,535,617	105,535,617
Equity transfers in (out)	--	--	--	--	--
Budgetary Fund Balance – Subtotal	$ 295,785,593	$ 146,932,820	$ 86,905,675	$ 62,905,443	$ 118,932,045
Projections through year end:					
Revenue/Transfers In Remaining				--	1,220,845,203
Expenditures/Transfers Out Remaining				--	(1,285,927,372)
Budgetary Fund Balance Projected to June 30				$ 62,905,443	$ 53,849,876

(1) Amounts for FY07-09 are audited.

(2) Updated for budget adjustments as of December 31, 2009.

Table 7
General Fund
Schedule Of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Projected July 1, 2009 to June 30, 2010 (Unaudited)
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above	$295,785,593	$146,932,820	$ 86,905,675	$ 53,849,876
Plus encumbrances outstanding	24,603,431	24,158,117	18,630,308	18,000,000
Adjustment for prior year encumbrances	(902,723)	(1,373,849)	(6,204,232)	(6,988,670)
Unrealized investment gain (loss)	(5,473,442)	(641,355)	(338,014)	(338,014)
Net differences between beginning fund balances[(1)]	2,738,749	3,737,073	9,112,325	2,908,459
GAAP Fund Balance as Reported	$316,751,608	$172,812,806	$108,106,062	$ 67,431,651
Elements of GAAP Fund Balance:				
Reservations	$ 7,774,404	$ 8,465,100	$ 8,621,928	$ 8,600,000
Designated for General Fund	143,723,513	56,609,030	51,999,830	32,300,000
Unreserved – Designated for Encumbrances	24,603,431	24,158,117	18,630,308	18,000,000
Unreserved / Undesignated	140,650,260	83,580,559	28,853,996	8,531,651
	$316,751,608	$172,812,806	$108,106,062	$ 67,431,651

(1) Amount restated to break out the impact of unrealized investment gains (losses).

Note: All amounts are for fiscal years ended June 30.

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TAX MATTERS

Pursuant to the regulations governing practice before the Internal Revenue Service, prospective investors are thereby informed that: (i) any advice regarding federal income tax matters pertaining to the Certificates contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice is written to support the promotion or marketing of the Certificates and the transactions described herein; and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

State of Maryland Taxation

Under existing law of the State of Maryland, the interest on the Certificates is not exempt from income taxation by the State of Maryland or by any of its political subdivisions.

Interest on the Certificates may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Holders or prospective purchasers of the Certificates should consult their tax advisors regarding the taxable status of the Certificates in a particular state or local jurisdiction other than the State of Maryland.

United States Federal Income Taxation

A holder or prospective purchaser of the Certificates should seek advice based on the holder's or prospective purchaser's particular circumstances from an independent tax advisor.

General

The interest on the Certificates will be includable in gross income for United States federal income tax purposes.

Many factors may impact the application of federal income tax laws pertaining to the Certificates and the receipt of interest on the Certificates, including the status of the beneficial owner of the Certificates as a United States holder or non-United States holder under applicable rules, whether the Certificates are held as capital assets or in some other context, and whether the status of the beneficial owner and/or the financial context in which it is operating represents a special tax situation, such as S corporations, insurance companies, tax-exempt organizations, financial institutions, regulated investment companies, real estate investment trusts, certain broker-dealers and traders in securities. Persons considering the purchase of the Certificates should consult their own tax advisors concerning the application of federal income tax laws to their particular situations as well as any consequences arising from the federal alternative minimum tax or the federal estate tax or under the laws of any other taxing jurisdiction.

The following is a summary of certain United States federal income tax consequences of the ownership of the Certificates held as capital assets by United States holders. The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date of this Official Statement. Those authorities may be changed, in some cases retroactively, so as to result in United States federal income tax consequences different from those discussed below.

As used herein, "United States holder" means a beneficial owner of a Certificate who or that, for United States federal income tax purposes, is (i) a citizen or resident of the United States, (ii) an entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision of the United States, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or if it has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership, or other entity classified as a partnership for federal income tax purposes, holds Certificates, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership holding Certificates should consult its tax advisor.

Payment of Interest. Interest on a Certificate will be taxable to a United States holder as ordinary interest income at the time it is accrued or is paid in accordance with the United States holder's method of accounting for tax purposes.

Purchase, Sale and Retirement of Certificates. Except as noted below in the case of market discount, the sale or other disposition of a Certificate will normally result in capital gain or loss. A United States holder's initial tax basis in a Certificate will be its cost. Upon the sale, redemption or retirement of a Certificate, for federal income tax purposes, a United States holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition (less an amount equal to any accrued qualified stated interest, which will be treated as a payment of interest) and (b) the tax basis in such Certificate, determined by adding to the original cost basis in such Certificate the amount of any original issue discount and any market discount previously included in such holder's income, and by subtracting any amortized premium and any cash payments on the Certificate other than qualified stated interest, as more fully described below under "Tax Accounting Treatment of Discount Certificates". Such gain or loss will be long-term capital gain or loss if at the time of the sale, redemption or retirement the Certificate has been held for more than one year. Under present law, both long and short-term capital gains of corporations are taxed at the rates applicable to ordinary income. For noncorporate taxpayers, however, net capital gains will be taxed at a maximum rate of 15%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 35%. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses. Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective rate of tax may be higher in certain circumstances. The operation of sunset, effective date and similar provisions in current law could result in a change in the tax rates in certain future periods.

Tax Accounting Treatment of Discount Certificates. Certain maturities of the Certificates may be issued at an initial public offering price which is less than the stated redemption price at maturity of such Certificates (the "Discount Certificates"). If the stated redemption price at maturity of Discount Certificates of a particular maturity exceeds the first price at which a substantial amount of such Discount Certificates was sold for money (excluding sales to Certificate houses, brokers or similar persons acting as underwriters, placement agents or wholesalers) by more than a *de minimis* amount, the Discount Certificates will be treated as having original issue discount. A holder of Discount Certificates (whether a cash or accrual method taxpayer) is required to include in gross income as interest the amount of such original issue discount which is treated as having accrued during a taxable year with respect to such Discount Certificates, in advance of the receipt of some or all of the related cash payments.

Accrued original issue discount is added to the original cost basis of the holder in determining, for federal income tax purpose, gain or loss upon disposition (including sale, early redemption or repayment at maturity).

Original issue discount on Discount Certificates will be attributed to permissible compounding periods during the life of any Discount Certificates in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Certificates of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Certificates and must begin or end on the date of such payments. The amount of original issue discount allocable to any compounding period is equal to the excess, if any, of (a) the Discount Certificate's adjusted issue price at the beginning of the compounding period multiplied by its yield to maturity, determined on the basis of compounding at the close of each compounding period and properly adjusted for the length of the compounding period, over (b) the aggregate of all qualified stated interest allocable to the compounding period. Original issue discount allocable to a final compounding period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final compounding period. Special rules apply for calculating original issue discount for an initial short compounding period. The "adjusted issue price" of a Discount Certificate at the beginning of any compounding period is equal to its issue price increased by the accrued original issue discount for each prior compounding period (determined without regard to the amortization of any acquisition or Certificate premium, as described below) and reduced by any payments made on the Discount Certificate (other than qualified stated interest) on or before the first day of the compounding period. Under these rules, a holder of a Discount Certificate will have to include in income increasingly greater amounts of original issue discount in successive compounding periods. The amount of original issue discount accrued on Discount Certificates held of record by persons other than corporations and other exempt holders will be reported to the Internal Revenue Service. If a Discount Certificate is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, if the interest to be paid is payable at least once per year, is payable over the entire term of the Discount Certificate and is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

Holders of Discount Certificates should note that, under applicable regulations, the yield and maturity of a Discount Certificate is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Certificate is redeemed in advance of stated maturity will be treated as taxable gain.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Certificates but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Certificates should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Certificates. In addition, prospective foreign corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Certificates under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Certificates should consult their tax advisors.

Market Discount. If a United States holder acquires a Certificate after its original issuance at a cost which is less than its stated redemption price at maturity (or, in the case of a Certificate having original issue discount, its revised issue price) by more than a certain *de minimis* amount, such holder will be deemed to have acquired the Certificate at "market discount." The amount of market discount treated as having accrued will be determined either on a ratable basis, or, if the holder so elects, on a constant interest method. Upon any subsequent disposition (including a gift, redemption or payment at maturity) of such Certificate (other than in connection with certain nonrecognition transactions), the lesser of any gain on such disposition (or appreciation, in the case of a gift) or the portion of the market discount that accrued while the Certificate was held by such holder will be treated as ordinary income at the time of the disposition. In lieu of including accrued market discount in income at the time of disposition, a holder may elect to include market discount in income currently. Unless a holder so elects, a holder may be required to defer deductions for a portion of such holder's interest expenses with respect to any indebtedness incurred or maintained to purchase or carry such Certificate until the holder disposes of the Certificate. The election to include market discount in income currently, once made, is irrevocable and applies to all market discount obligations acquired on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

Acquisition Premium. A subsequent United States holder of a Certificate is generally subject to rules for accruing original issue discount described above. However, if such holder's purchase price for the Certificate exceeds the adjusted issue price (the sum of the issue price of the Certificate and the aggregate amount of the original issue discount includable in the gross income of all holders for periods before the acquisition of the Certificate by such holder and reduced by any payment previously made on the Certificate other than a payment of qualified stated interest, the excess (referred to as "acquisition premium") is offset ratably against the amount of original issue discount otherwise includable in such holder's taxable income (*i.e*., such holder may reduce the daily portions of original issue discount by a fraction, the numerator of which is the excess of such holder's purchase price for the Certificate over the adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Certificate after the purchase date other than qualified stated interest over the Certificates' adjusted price).

Amortizable Certificate Premium. If the United States holder's basis in a Certificate exceeds the sum of all amounts payable on the Certificate after the date on which the holder acquires it other than qualified stated interest, such excess will constitute amortizable premium with respect to the Certificate and, in the case of a Discount Certificate, such holder will not have to account for original issue discount with respect to such Certificate. The holder of a Certificate having amortizable premium generally may elect to amortize the premium over the remaining term of the Certificate on a constant yield method as an offset to interest when includable in income under its regular accounting method. In the case of instruments that provide for alternative payment schedules, premium is calculated by assuming that (a) the holder will exercise or not exercise options in a manner that maximizes its yield and (b) the issuer will exercise or not exercise options in a manner that minimizes its yield (except that the issuer will be assumed to exercise call options in a manner that maximizes the holder's yield). If the holder does not elect to amortize premium, that premium will decrease the gain or increase the loss that would otherwise be recognized on disposition of the Certificate. An election to amortize premium on a constant yield method will also apply to all debt obligations held or subsequently acquired by the holder on or after the first day of the first taxable year to which the election applies. The holder may not revoke the election without the consent of the Internal Revenue Service. Holders of Certificates having amortizable premium should consult with their own tax advisors before making this election.

Election to Use Original Discount Method with Respect to a Certificate. The holder of a Certificate may elect to treat all interest on the Certificate as original issue discount and calculate the amount includable in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable premium or acquisition premium. The holder must make this election for the taxable year in which the Certificate is acquired and may not revoke the election without the consent of the Internal Revenue Service. Holders of Certificates should consult with their own tax advisors about this election.

Consequences of Defeasance. The Certificates may be defeased prior to maturity at the option of the County. Holders of the Certificates should be aware that under applicable Treasury Regulations, any such defeasance may be treated as a sale or retirement and subsequent reissuance of the Certificates for tax purposes with the result that such holders would be required to recognize capital gain or loss for federal income tax purposes at the time of such defeasance.

The foregoing discussion does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Certificates in light of his or her particular circumstances and income tax situation. Each holder of Certificates should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of the Certificates, including the application of State, local, foreign and other tax laws.

LITIGATION

The County is currently processing numerous claims for damages and is also a defendant in a number of lawsuits which are expected to be paid, when applicable, through its self-insurance program. Management and legal counsel believe that the self-insurance program is adequately funded to cover such claims and lawsuits to be paid out of the program. In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation and other suits and actions arising in the normal course of business. In the opinion of the County Attorney, the possible liability of the County in the resolution of these cases will not exceed $1,200,000, and it appears that, of this amount, the County will probably not incur any liability. In any event, in the opinion of management and legal counsel, none of such claims and suits will materially affect the County's ability to perform its obligations to the Holders of the Certificates.

INDEPENDENT PUBLIC ACCOUNTANTS

The audited basic financial statements of the County included in Appendix A to this Official Statement have been audited by Clifton Gunderson LLP (Clifton Gunderson), independent public accountants, as indicated in their report with respect thereto. In that report, Clifton Gunderson states that with respect to certain of the County's component units, its opinion is based on the reports of other auditors. The report of Clifton Gunderson also contains an explanatory paragraph which states that Clifton Gunderson did not audit certain identified supplementary information and expressed no opinion thereon. Such audited basic financial statements have been included in reliance upon the qualification of said firm to issue said report.

FINANCIAL ADVISOR

Public Financial Management, Inc., Philadelphia, Pennsylvania, has acted as Financial Advisor to the County for the sale and issuance of the Certificates and on certain other financial matters.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Rating Group have given the Certificates the respective ratings indicated on the cover page of this Official Statement. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer and the Director of Finance of the County will furnish a certificate to the successful bidders for the Certificates to the effect that, to the best of their knowledge and belief, this Official Statement, as of the date of sale and the date of delivery of the Certificates, is true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact, required to be stated or necessary to be stated, to make such statements, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE UNDERTAKING

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Certificates, the form of which is attached to this Official Statement as Appendix C. Potential purchasers of the Certificates should note that the definition of Reportable Events in Appendix C is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Certificates, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Certificates.

The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

LEGALITY OF THE CERTIFICATES

The authorization, sale, issuance and delivery of the Certificates will be subject to legal approval by McKennon Shelton & Henn LLP, Baltimore, Maryland, Special Counsel, and a copy of their unqualified approving legal opinion with respect to the Certificates will be delivered upon request, without charge, to the successful bidders for the Certificates. The opinion is expected to be substantially in the form of the draft opinion attached to this Official Statement as Appendix B.

INFORMATION IN OFFICIAL STATEMENT

All quotations, summaries and explanations in this Official Statement of State and County laws and the Montgomery County Charter do not purport to be complete and reference is made to pertinent provisions of the same for complete statements. Any estimates or opinions herein, whether or not expressly so stated, are intended as such and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date as of which such information is stated or the date hereof. This Official Statement shall not be construed as part of any contract between the County and the purchasers or holders of its Certificates. The County has been advised by McKennon Shelton & Henn LLP, Special Counsel, in connection with legal statements contained in this Official Statement; however, Special Counsel has not passed upon or assumed responsibility for the accuracy of the statistical data, financial statements and economic data contained herein.

Any questions regarding this Official Statement or the Certificates should be directed to Ms. Jennifer E. Barrett, Director, Department of Finance, Montgomery County, Maryland, 101 Monroe Street, 15th floor, Rockville, Maryland 20850, Telephone: (240) 777-8860.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been duly authorized by the County. This Official Statement is hereby deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

MONTGOMERY COUNTY, MARYLAND

/s/ Isiah Leggett__________________
Isiah Leggett
County Executive

/s/ Jennifer E. Barrett______________
Jennifer E. Barrett
Director of Finance

Dated: April 6, 2010

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APPENDIX A

INFORMATION ABOUT THE COUNTY AS OF JANUARY 15, 2010

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TABLE OF CONTENTS

LIST OF TABLES

STATISTICAL HIGHLIGHTS

Debt

General Obligation Bonds and Notes Outstanding	$1,596,561,371
Total Assessed Value	$162,053,662,492
Direct Debt (incl. Revenue Bonds)	$1,990,591,371
Ratio of Direct Debt to Assessed Value	1.23%
Net Direct Debt	$1,896,561,371
Ratio of Net Direct Debt to Assessed Value	1.17%

Budgets

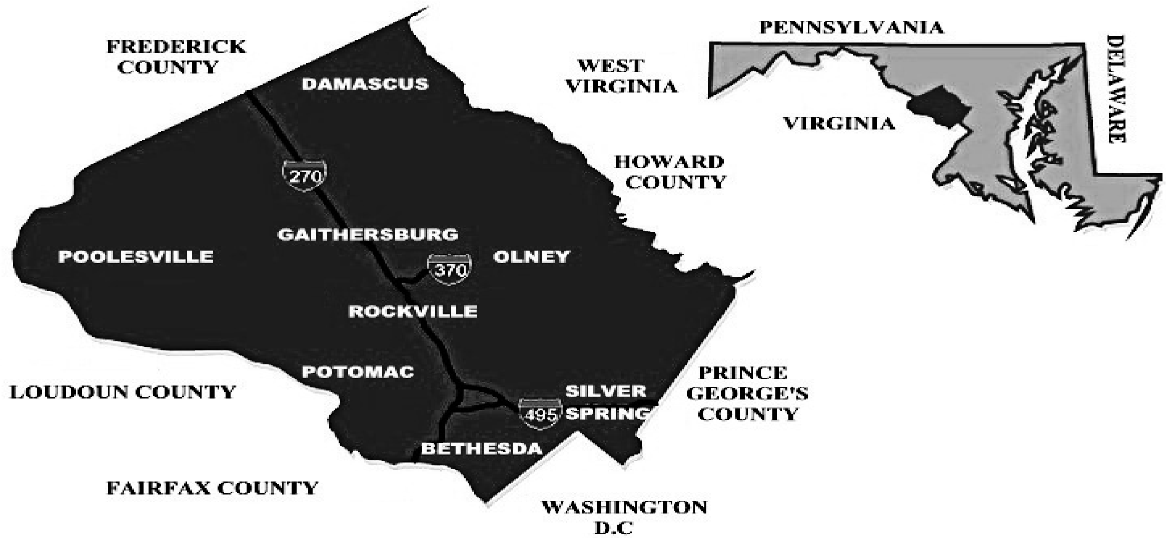
Approved FY10 Operating Budget	$4.474 billion
Approved FY10 General Fund Undesignated Surplus	$64.2 million
FY09 General Fund Unreserved Undesignated Balance	$28.9 million
FY09 Revenue Stabilization Fund Balance	$119.6 million
FY09-14 Capital Budget and Amendments	$3.740 billion

FY09 Major Revenues

Income Tax	$1.292 billion
Property Tax (General Fund)	$962.3 million
Transfer and Recordation Tax	$107.2 million
Other Taxes	$179.2 million

Demographics

Population 2008	949,951
Households 2008	356,400
Median Age 2000	36.8 years
Employment	
Private Sector 2008	377,035
Public Sector 2008	80,483
Unemployment Rate (Jan – Sept. 2009)	5.3%
Personal Income 2009 (est.)	$67.1 billion
Per Capita Income 2009 (est.)	$69,300
Average Household Income 2009 (est.)	$184,900
MCPS K-12 Projected FY10 Enrollment	140,500
MCPS Per Pupil Operating Expenditures (FY10)	$14,294
Montgomery College Enrollment (Fall 2008)	24,452



MONTGOMERY COUNTY – HISTORY AND GOVERNMENT

Location

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 496 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

History

Montgomery County was established by the State Convention in 1776, and from its establishment until 1948, the Montgomery County Government functioned under the County Commission system. In 1948, the voters adopted a charter giving the County home rule and a council-manager form of government. In 1968, the voters approved a new charter providing for separate legislative and executive branches of government, with the legislative power vested in an elected County Council and executive power in an elected County Executive. The new charter became fully implemented with the election of the County Executive and the County Council in November 1970.

Government

The County Council is comprised of nine members, four of whom are elected by the qualified voters of the entire County. Each of the five other members of the Council must, at the time of their election, reside in a different one of five Councilmanic districts of the County and each of these five members shall be nominated and elected by the qualified voters in their respective districts. Populations of the Councilmanic districts are substantially equal.

The County Executive, who must be a qualified voter of the County for the five years preceding his or her election and who may not be less than thirty years of age, is elected by the qualified voters of the entire County at the same time as the Council. Both the County Executive and the County Council members serve a four-year term.

County Officials

County Executive – Isiah Leggett

Isiah Leggett was elected Montgomery County's sixth County Executive on November 7, 2006, and sworn in on December 4, 2006. Mr. Leggett served as an infantry captain in the United States Army in Vietnam, earning the Bronze Star, Vietnam Service, and Vietnam Campaign medals. He worked as a legislative assistant on small business issues for Congressman Parren Mitchell of Baltimore and as a staff attorney for the Department of the Navy. In 1977, Mr. Leggett was selected as a White House Fellow in the Carter Administration. He worked as a member of the Montgomery County Human Rights Commission from 1979 to 1986 and was its chair from 1983 to 1986.

Mr. Leggett served as an at-large member of the Montgomery County Council for 16 years beginning in 1986. He won four terms and was elected Council President three times by his colleagues. He chaired the Council's Transportation and Environment Committee and served on the Education Committee. After leaving the Council in 2002, Mr. Leggett chaired the Maryland State Democratic Party for two years and continued his work as a Professor of Law at Howard University, where he taught since 1975. He served as the law school's assistant dean from 1979 to 1986.

A native of Alexandria, Louisiana, Mr. Leggett earned a Bachelor of Arts degree from Southern University in Baton Rouge, Louisiana, a Master of Arts degree and a law degree from Howard University, and a Master of Laws degree from George Washington University.

President, County Council – Nancy Floreen

Nancy Floreen was elected to her second term on the County Council on November 7, 2006, and was recently elected Council President by her colleagues. She chairs the Council's Transportation, Infrastructure, Energy and Environment Committee and is also a member of the Planning, Housing and Economic Development Committee.

Ms. Floreen is vice chair for Transit of the National Association of Counties Transportation Steering Committee, and previously chaired the Metropolitan Washington Council of Governments' Climate Change Steering Committee and its Air Quality Committee. She also serves on the Maryland Department of Environment's Air Quality Control Advisory Council. Ms. Floreen is on the boards of directors of the Jewish Council on Aging, Habitat for Humanity and the Strathmore Hall Foundation.

Chief Administrative Officer – Timothy L. Firestine

Timothy L. Firestine was appointed Chief Administrative Officer on November 30, 2006 and confirmed on December 12, 2006. Prior to his appointment as CAO, Mr. Firestine was the County's Director of Finance for 15 years. He previously served in various management positions in the County's Office of Management and Budget. Before coming to the County, Mr. Firestine was the Budget Officer for the Allegheny County, Pennsylvania, Controller's Office.

Mr. Firestine received his Bachelor of Arts in Political Science from Albright College in Reading, Pennsylvania and his Master of Public Administration from the University of Pittsburgh. He is currently a member of the Executive Board of the National Government Finance Officers Association and, in the past, served as vice chair of its Committee on Debt Management. He is also a member of the District of Columbia Water and Sewer Authority, where he currently serves as Vice Chair. In the past, Mr. Firestine also served as President of the Maryland Government Finance Officers Association, President of the Board of Trustees for Suburban Hospital Health Care System, Inc., in Bethesda, Maryland, and President of the Board of Investment Trustees for the Employee Retirement System for Montgomery County. Mr. Firestine was an adjunct professor at the University of Maryland, Graduate School of Public Policy, where he taught Public Finance.

Director of Finance – Jennifer E. Barrett

Jennifer E. Barrett was appointed Director, Department of Finance on January 8, 2007 and confirmed on January 30, 2007. Prior to her appointment, Ms. Barrett served as the Finance Department's Chief Operating Officer for four years.

From 1982 to 2002, she served in various management positions in the County's Department of Finance and Office of Management and Budget.

Ms. Barrett received her Bachelor of Science Degree from the University of Maryland, and her Master of Business Administration from Hood College. She is a member of the Board of Investment Trustees for the Employees' Retirement System of Montgomery County, and Chairperson of the Montgomery County Conference Center Management Committee. Ms. Barrett is also a member of the Government Finance Officers Association and serves on GFOA's Committee on Governmental Debt Management, and is President of the Maryland Government Finance Officers Association.

Director, Office of Management and Budget – Joseph F. Beach

Joseph F. Beach was appointed Director of the Office of Management and Budget on April 24, 2007 and confirmed on May 8, 2007. Prior to his appointment, he served in a variety of senior level positions with Montgomery County Government including as Assistant Chief Administrative Officer, Operating Budget Coordinator, and Senior Budget Analyst. Mr. Beach's service for the County included extensive work in the areas of collective bargaining, criminal justice, multi-year budgeting, and contract review.

Mr. Beach holds a Bachelor of Arts from the University of Michigan, a Master of Arts Degree from the George Washington University in Public Affairs, and a Juris Doctorate degree from the University of Baltimore. Mr. Beach was admitted to the State Bar of Maryland in December 1995. He serves on the Board of Investment Trustees for the Employees' Retirement System of Montgomery County and the Board of Directors for the Strathmore Hall Arts Foundation.

County Attorney – Leon Rodriguez

Leon Rodriguez was appointed County Attorney in April 2007 and confirmed on May 1, 2007. From May 2001 until his appointment, he was a shareholder in the Washington, D.C., office of Ober, Kaler, Grimes & Shriver, where he was a litigator specializing in white collar criminal defense and health care law. For 13 years prior to entering private practice, Mr. Rodriguez was a federal and state prosecutor in various jurisdictions. From 1997 to 2001, he was an Assistant U.S. Attorney in Pittsburgh, Pennsylvania, serving as the First Assistant U.S. Attorney from 1999-2001, and as the Chief of the White Collar Crimes Section from 1998-1999.

From 1994 to 1997, Mr. Rodriguez served as a trial attorney in the Criminal Section of the U.S. Department of Justice, Civil Rights Division, where he handled a variety of civil rights criminal matters involving involuntary servitude, hate violence and law enforcement misconduct. Prior to joining the Justice Department, Mr. Rodriguez was an Assistant District Attorney in Brooklyn, New York. Mr. Rodriguez received a Bachelor of Arts degree in History from Brown University in 1984 and his law degree from Boston College Law School in 1988.

DEBT SUMMARY

Overview

The County Government, four of its agencies, and municipalities are authorized by State law and/or County Charter to issue debt to finance capital projects. Consistent with County fiscal policy, the County issues debt to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP). Bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as debt service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to current and future citizens benefiting from the facilities. Due to various Federal, State, and local tax policies, interest rates are lower than in the private sector.

In addition to the issuance of general obligation or revenue bonds, the County initially finances the cost of long-term capital assets with short-term paper known as Bond Anticipation Notes (BANs)/Commercial Paper, which the County intends to retire with the proceeds of long-term bonds. Additionally, the County from time to time enters into other long-term obligations, such as long-term loans, which are classified as long-term notes payable.

The various components of the County's debt described above are categorized as either direct or overlapping. Direct debt is the total bonded debt of the County, and constitutes the direct obligations of the County that impact its taxpayers. Components of Montgomery County direct debt are its general obligation bonds, BANs/commercial paper, long-term notes payable, and revenue bonds issued by the County.

Overlapping debt includes all borrowings of other County agencies, incorporated municipalities, and special taxing or development districts, which may impact those County tax- or rate-payers who are residents of those municipalities or special districts. More broadly, overlapping debt can help reveal the degree to which the total economy is being asked to support long-term fixed commitments for governmental facilities.

Certain direct and overlapping debt is additionally classified as Self-Supporting Debt. Such obligations are issued for projects that produce sufficient revenues to retire the debt. The bonds are not supported by the taxing power of the governmental entity issuing them.

The County's Net Direct and Overlapping Debt is derived by subtracting Direct Self-Supporting Debt from the Total Direct and Overlapping Debt.

A summary statement of direct and overlapping debt for Montgomery County is provided in Table 1 on the following page. For additional discussion of particular elements of the County's debt, see the sections that follow.

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Table 1
Statement of Direct and Overlapping Debt
As of June 30, 2009

Direct Debt:		
General Obligation Bonds Outstanding	$1,496,561,371	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding	300,000,000	
Revenue Bonds Outstanding	94,030,000	
Total Direct Debt		$1,990,591,371
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission Applicable to Montgomery County	885,925,181	
Housing Opportunities Commission	720,703,667	
Montgomery County Revenue Authority	99,517,578	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	42,153,188	
Kingsview Village Center Development District	2,075,000	
West Germantown Development District	15,060,000	
Towns, Cities and Villages within Montgomery County	47,851,848	
Total Overlapping Debt		1,813,286,462
Total Direct and Overlapping Debt		3,803,877,833
Less Self-Supporting Debt:		
County Government Revenue Bonds	94,030,000	
Washington Suburban Sanitary Commission Applicable to Montgomery County	885,925,181	
Housing Opportunities Commission	720,703,667	
Montgomery County Revenue Authority	99,517,578	
Maryland-National Capital Park and Planning Commission Applicable to Montgomery County	4,522,821	
Total Self-Supporting Debt		(1,804,699,247)
Net Direct and Overlapping Debt		$1,999,178,586
Ratio of Debt to June 30, 2009 Assessed Valuation of (100% Assessment):		$162,053,662,492
Direct Debt		1.23%
Net Direct Debt *		1.17%
Direct and Overlapping Debt		2.35%
Net Direct and Overlapping Debt		1.23%
Ratio of Debt to June 30, 2009 Market Value of:		$167,959,062,589
Direct Debt		1.19%
Net Direct Debt *		1.13%
Direct and Overlapping Debt		2.26%
Net Direct and Overlapping Debt		1.19%

*Net Direct Debt of $1,896,561,371 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Debt Affordability

Once committed, debt service represents a major continuing claim on County resources that must be kept to affordable levels within the annual operating requirements of the County in order to avoid excessive pressures on operating budgets. To assure such affordable levels, the County's general obligation debt is subject to the following tests: 1) the self-imposed, but Charter-required, spending affordability guidelines and 2) the State Law-mandated Legal Debt Limit.

The County Council annually adopts spending affordability guidelines for the capital budget. The guidelines provide for the total amount of general obligation debt issued by the County and by the Maryland-National Capital Park and Planning Commission that may be planned for expenditure in the subsequent two fiscal years and for the six-year Capital Improvements Program. Consideration of the guidelines is based on a number of economic and financial factors or criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing of funds and issuance of bonds up to a maximum of the sum of six percent of the assessed valuation of all real property and 15 percent of the assessed valuation of all personal property within the County. Article 25A, Section 5(P) provides that obligations having a maturity not in excess of 12 months shall not be subject to, or be included in, computing the County's legal debt limitation. However, the County includes its BANs/commercial paper in such calculation because it intends to repay such notes with the proceeds of long-term debt to be issued in the near future. The results of the County's legal debt limit computation are displayed in Table 2 below.

Table 2
Statement of Legal Debt Margin
As of June 30, 2009

June 30, 2009 Assessed Valuation – Real Property		$158,133,491,472
Debt Limit (% of Assessed Valuation)		6%
Subtotal Limitation – Real Property		$ 9,488,009,484
June 30, 2009 Assessed Valuation – Personal Property		$3,920,171,020
Debt Limit (% of Assessed Valuation)		15%
Subtotal Limitation – Personal Property		$ 588,025,653
Total Assessed Valuation – Real and Personal Property		$162,053,662,492
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		$10,076,035,137
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	$1,496,561,371	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper	300,000,000	
Net Direct Debt		1,896,561,371
Legal Debt Margin		$8,179,473,766
Net Direct Debt as a Percentage of Assessed Valuation		1.17%

Direct Debt

General Obligation Bonds

County general obligation bonds are secured by the full faith, credit and taxing powers of the County. Bonds are normally issued in serial maturities from one to 20 years, with five percent of the principal retired each year. This practice produces equal annual payments of principal over the life of the bond issue and declining annual payments of interest on the outstanding bonds. The Charter limits the term of any bond to 30 years.

Over the past three decades the composition of County general obligation debt has changed. As more general County bonding was shifted towards schools and roads, a related shift occurred away from general County facilities, parks, and mass transit. In addition, in recent years general obligation debt has not been issued to finance parking lot district or solid waste projects. Such projects are financed with revenue bonds or current revenues.

The General Obligation Bonded Debt Ratios displayed below measure the burden of the County's net direct debt, which consists primarily of general obligation bonds and outstanding BANs/commercial paper, and debt service payments on such. As with the calculation of the Legal Debt Limit, the County includes its BANs/commercial paper in these ratio calculations because it intends to repay such notes with the proceeds of general obligation debt to be issued in the near future. The ratios are as follows: 1) net direct debt as a percentage of full (market) value of taxable property; 2) debt service on outstanding general obligation bonds as a percentage of General Fund expenditures and transfers out; 3) net direct debt per capita; 4) net direct debt per capita as a percentage of per capita income; and 5) rate of replacement of general obligation bond principal (payout ratio) in ten years. The results of these indicators are displayed in Table 3 below.

Table 3
General Obligation Bonded Debt Ratios
2000 – 2009

Fiscal Year	Net Direct Debt to Market Value	GO Bond Debt Service to General Fund Expenditures	Net Direct Debt Per Capita*	Net Direct Debt Per Capita to Per Capita Income**	GO Bond Payout Ratio
2000	1.64%	9.17%	$ 1,472	3.11%	72.06%
2001	1.57	8.72	1,459	2.97	71.83
2002	1.55	8.32	1,508	3.03	71.32
2003	1.45	8.47	1,543	2.90	71.10
2004	1.45	7.98	1,608	2.88	70.94
2005	1.30	7.74	1,527	2.61	70.20
2006	1.30	7.77	1,701	2.71	69.75
2007	1.30	7.83	1,861	2.81	68.92
2008	1.18	7.95	1,848	2.70	71.39
2009	1.13	7.31	1,997	2.83	70.63

- Amounts restated due to restatement of population data.

** Figures restated due to restatement of actual income in May 2001.

The County's general obligation indebtedness by issue is presented in Table 4. Annual debt service payments for the County's debt is displayed in Table 5. Table 6 sets forth the amount of general obligation bonds authorized to be issued by the County as of June 30, 2009.

Table 4
General Obligation Debt of the County
As of June 30, 2009

Issue	Dated Date	Original Issue Size	Original Coupon Rates	TIC*	Maturity	Principal Outstanding June 30, 2009
GO Refunding Bonds	07/01/92	$273,038,054	2.75-5.80%	5.7431%	1993-10	$ 5,541,371
GO Bonds	04/01/99	120,000,000	4.00-5.00	4.4764	2000-19	6,000,000
GO Bonds	01/01/00	130,000,000	5.00-6.00	5.4853	2001-13	13,000,000
GO Bonds	02/01/01	140,000,000	4.00-5.00	4.5447	2002-21	28,000,000
GO Refunding Bonds	11/15/01	146,375,000	3.60-5.25	4.5107	2003-19	120,470,000
GO Bonds	02/01/02	160,000,000	3.50-5.00	4.4619	2003-22	48,000,000
GO Refunding Bonds	11/15/02	93,595,000	2.75-5.25	3.2799	2005-13	55,145,000
GO Bonds	05/01/03	155,000,000	1.50-4.00	3.6304	2004-23	108,500,000
GO Refunding Bonds	05/01/03	49,505,000	2.00-5.00	2.2900	2004-11	16,955,000
GO Bonds	03/15/04	154,600,000	3.00-5.00	3.8290	2005-24	115,950,000
GO Refunding Bonds	08/15/04	97,690,000	3.00-5.25	3.7208	2008-17	93,285,000
GO Bonds	05/15/05	200,000,000	4.00-5.00	3.8806	2006-25	160,000,000
GO Refunding Bonds	06/01/05	120,355,000	5.00	3.7817	2011-21	120,355,000
GO Bonds	05/01/06	100,000,000	4.25-5.00	3.8711	2007-16	70,000,000
GO VRDO**	06/07/06	100,000,000	variable	variable	2017-26	100,000,000
GO Bonds	05/01/07	250,000,000	5.00	4.0821	2008-27	225,000,000
GO Refunding Bonds	03/12/08	70,295,000	2.75-5.00	2.8965	2009-15	60,360,000
GO Bonds	07/15/08	250,000,000	3.00-5.00	4.1809	2009-28	250,000,000
Total						$1,596,561,371

- True Interest Cost

** Variable Rate Demand Obligations

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Table 5
Summary of General Obligation
Debt Service Requirements by Fiscal Year
As of June 30, 2009

Fiscal	General Obligation Bonds and Notes		
Year	Principal	Interest*	Total
2010	$ 133,287,086	$ 77,536,602	$ 210,823,688
2011	130,139,285	66,241,352	196,380,637
2012	125,430,000	57,408,906	182,838,906
2013	122,330,000	51,576,425	173,906,425
2014	116,215,000	45,463,256	161,678,256
2015	111,220,000	39,841,263	151,061,263
2016	106,425,000	34,136,419	140,561,419
2017	100,220,000	29,190,988	129,410,988
2018	94,205,000	25,112,760	119,317,760
2019	88,255,000	21,323,850	109,578,850
2020	82,080,000	17,865,975	99,945,975
2021	75,365,000	14,662,613	90,027,613
2022	68,180,000	11,815,138	79,995,138
2023	60,480,000	9,320,463	69,800,463
2024	52,730,000	7,041,313	59,771,313
2025	45,000,000	5,025,000	50,025,000
2026	35,000,000	3,318,750	38,318,750
2027	25,000,000	2,106,250	27,106,250
2028	12,500,000	890,625	13,390,625
2029	12,500,000	296,875	12,796,875
Total	$1,596,561,371	$520,174,823	$2,116,736,194

- Excludes monthly variable interest for general obligation notes issued on June 7, 2006.

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Table 6
General Obligation Bonds Authorized – Unissued
As of June 30, 2009

Purpose	Chapter	Act	Amount	Amount Unissued
General County, Parks, and Consolidated Fire Tax District	17	2003	$ 63,600,000	$ 3,090,000
	18	2004	31,200,000	31,200,000
	19	2005	44,100,000	44,100,000
	43	2006	92,000,000	92,000,000
	12	2007	51,300,000	51,300,000
	36	2008	68,200,000	68,200,000
			350,400,000	289,890,000
Road & Storm Drainage	19	2005	53,500,000	19,940,000
	43	2006	66,700,000	66,700,000
	12	2007	45,800,000	45,800,000
	36	2008	36,000,000	36,000,000
			202,000,000	168,440,000
Public Schools and Community College	43	2006	157,100,000	83,368,000
	12	2007	118,900,000	118,900,000
	36	2008	222,500,000	222,500,000
			498,500,000	424,768,000
Mass Transit	17	2001	6,700,000	2,705,000
	21	2002	1,600,000	1,600,000
	17	2003	900,000	900,000
	12	2007	2,400,000	2,400,000
	36	2008	800,000	800,000
			12,400,000	8,405,000
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
			5,630,000	5,570,000
Parking Districts:				
Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
			4,165,000	3,265,000
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			9,150,000	4,865,000
Total Parking Districts			13,315,000	8,130,000
Total General Obligation Bonds			$1,082,245,000	$905,203,000

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1994, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Current Revenue Substitution for General Obligation Bonds (PAYGO)

The County follows a practice of budgeting significant current revenue substitution for general obligation bonds over the six-year Capital Improvements Program. This "pay-as-you-go" approach to funding debt-eligible capital improvement projects, known as PAYGO, helps manage the County's debt burden and retain funding flexibility. The significant amounts of PAYGO substitutions over the past 13 years, and planned for substitution over the five years beginning FY10, are displayed below.

Table 7
PAYGO Substitutions
(Actual FY97-09, Budgeted FY10-14)

Fiscal Year	PAYGO Amount	Fiscal Year	PAYGO Amount
1997	$ 3,925,000	2006	$ 11,737,000
1998	13,000,000	2007	27,500,000
1999	13,400,000	2008	27,500,000
2000	24,600,000	2009	5,406,000
2001	40,705,000	2010	1,316,000
2002	40,155,000	2011	32,500,000
2003	17,374,000	2012	32,500,000
2004	6,240,000	2013	32,500,000
2005	7,275,000	2014	32,500,000

Short-Term Bond Anticipation Notes/Commercial Paper

The County utilizes Bond Anticipation Notes (BANs)/commercial paper for short-term capital financing of capital expenditures with the expectation that the principal amount will be refinanced with the proceeds of long-term general obligation bonds. Interest costs incurred are usually at lower rates than with long-term financing. The County has BANs/commercial paper authorized, issued, and outstanding as financing sources for capital construction and improvements. BANs/commercial paper are issued at varying maturities to a maximum of 270 days, under a note program that matures on June 30, 2022. The County reissues the notes upon maturity until they are refinanced with long-term bonds. Changes in BANs/commercial paper during the period July 1, 2008 through June 30, 2009 are presented in Table 8 below.

Table 8
Bond Anticipation Notes Outstanding
As of June 30, 2009

Issue	Balance July 1, 2008	BANs Issued	BANs Retired	Balance June 30, 2009
BAN Series 2002-K	$150,000,000	$ --	$150,000,000	$ --
BAN Series 2002-L	150,000,000	--	100,000,000	50,000,000
BAN Series 2002-M	--	150,000,000	--	150,000,000
BAN Series 2002-N	--	100,000,000	--	100,000,000
Total	$300,000,000	$250,000,000	$250,000,000	$300,000,000

Revenue Bonds

County revenue bonds are authorized by the County to finance specific projects such as parking garages and solid waste facilities, with debt service to be paid from pledged revenues received in connection with the projects. Proceeds from revenue bonds may be applied only to the costs of projects for which they are authorized. They are considered separate from general obligation debt and do not constitute a pledge of the full faith and credit or unlimited taxing power of the County.

County revenue bonds are used in the Bethesda Parking District, supported by parking fees and fines, together with parking district property taxes. County revenue bonds were also issued for County Solid Waste Management facilities, supported with the revenues of the Solid Waste Disposal System. During FY09, revenue bonds were issued for liquor control facilities and transportation projects, supported by revenues generated by the Department of Liquor Control. County revenue bond indebtedness by issue is presented in Table 9. Annual debt service payments for the County's revenue bond debt are displayed in Table 10. Table 11 sets forth the amount of revenue bonds authorized to be issued by the County as of June 30, 2009.

Table 9
Revenue Bond Debt of the County
As of June 30, 2009

Issue	Dated Date	Original Issue Size	Original Coupon Rates	TIC*	Maturity	Principal Outstanding June 30, 2009
Parking Revenue Bonds (Bethesda PLD)	06/01/02	$ 26,000,000	3.00%-4.75%	4.4231%	2003-21	$ 18,615,000
Solid Waste Refunding Revenue Bonds	04/03/03	31,075,000	3.00%-5.00%	3.5982%	2004-13	13,345,000
Parking Revenue Bonds (Bethesda PLD)	08/01/05	16,495,000	3.625%-5.00%	4.0471%	2007-25	15,305,000
Liquor Control Revenue Bonds	05/12/09	46,765,000	3.00%-5.00%	4.1196%	2010-29	46,765,000
Total						$ 94,030,000

- True Interest Cost.

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Table 10
Summary of Revenue Bond Debt Service Requirements by Fiscal Year
As of June 30, 2009

	Revenue Bonds		
Fiscal Year	Principal	Interest	Total
2010	$ 7,005,000	$ 3,932,867	$ 10,937,867
2011	7,015,000	3,924,235	10,939,235
2012	7,290,000	3,648,635	10,938,635
2013	6,440,000	3,315,810	9,755,810
2014	3,915,000	3,025,775	6,940,775
2015	4,095,000	2,849,663	6,944,663
2016	4,290,000	2,663,003	6,953,003
2017	4,495,000	2,467,904	6,962,904
2018	4,705,000	2,260,891	6,965,891
2019	4,925,000	2,051,601	6,976,601
2020	5,135,000	1,841,301	6,976,301
2021	5,365,000	1,620,926	6,985,926
2022	3,535,000	1,366,789	4,901,789
2023	3,705,000	1,198,949	4,903,949
2024	3,885,000	1,022,356	4,907,356
2025	4,040,000	864,621	4,904,621
2026	4,230,000	671,370	4,901,370
2027	3,160,000	495,250	3,655,250
2028	3,315,000	340,000	3,655,000
2029	3,485,000	174,250	3,659,250
Total	$ 94,030,000	$ 39,736,196	$133,766,196

Table 11
Revenue Bonds Authorized – Unissued
As of June 30, 2009

Purpose	Resolution No.	Year	Amount	Amount Unissued
Parking Lot Districts	11-1383	1989	$ 51,163,000	$ 42,088,000
	14-921	2001	35,000,000	9,000,000
	15-931	2005	18,000,000	1,505,000
			104,163,000	52,593,000
Solid Waste Disposal	12-1010	1993	56,935,000	6,255,000
Liquor Control	16-676	2009*	138,000,000	91,235,000
Total Revenue Bonds			$299,098,000	$150,083,000

- Resolution was originally passed in July 2008 and amended in February 2009.

Overlapping Debt

In addition to the direct debt described above, certain portions of the debt of other governmental entities in the County are payable in whole or in part by the taxpayers of the County. The debt includes general obligation bonds, revenue bonds, mortgages payable, notes payable, BANs/commercial paper, certificates of participation, and bank loans.

Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC) issues general construction bonds to finance construction of small diameter water distribution and sewage collection lines, and required support facilities in Montgomery and Prince George's Counties. Generally, these are considered general obligation bonds because they are payable from unlimited ad valorem taxes upon all the assessable property in the WSSC district. They are actually paid through assessments on properties being provided service and are considered to be overlapping debt rather than direct debt of the County. WSSC Water Supply and Sewage Disposal Bonds, which finance major system improvements, including large diameter water distribution and sewage collection lines, are paid from non-tax sources including user charges collected through water and sewer rates, which also cover all system operating costs. They are backed by unlimited ad valorem taxes upon all the assessable property within the WSSC district in addition to mandated rates, fees, and charges sufficient to cover debt service. Pursuant to Section 4-101 of Article 29 of the Annotated Code of Maryland (2003 Replacement Volume and 2006 Cumulative Supplement), the County must guarantee payment of principal and interest on WSSC bonds, unless the WSSC waives such guarantee requirement in accordance with Section 4-103 of Article 29. WSSC has waived such guarantee requirement with respect to each outstanding bond issue.

Housing Opportunities Commission

The Montgomery County Housing Opportunities Commission (HOC) issues revenue bonds for its Multi-Family Mortgage Purchase Program and its Single-Family Mortgage Purchase Program which are paid through mortgages and rents. A portion of this revenue bond debt is guaranteed by Montgomery County pursuant to Section 2-103 of Article 44A of the Annotated Code of Maryland. The County may by local law provide its full faith and credit as guarantee of bonds issued by HOC in principal amount not exceeding $50,000,000. Section 20-32 of the Montgomery County Code provides the method by which the County implemented the guarantee.

Montgomery County Revenue Authority

The Montgomery County Revenue Authority (MCRA) has authority to issue revenue bonds and to otherwise finance projects through notes and mortgages with land and improvements serving as collateral. These are paid through revenues of MCRA's several enterprises, which include golf courses and the Montgomery County Airpark. The County also uses MCRA as a conduit for alternative capital project funding arrangements. These include financing for several County aquatic facilities and the Montgomery County Conference Center. For these projects, the MCRA issues the bonds and the debt service is paid through revenues from long-term lease agreements with the County. See "County Facility Lease Obligations" below.

MCRA is one of several conduit issuers for the County. These conduit issuers issue bonds on the County's behalf and loan the proceeds to the County. Table 12 below displays the principal amounts owed to these conduit issuers as of June 30, 2009.

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Table 12
Principal Amounts Due to Conduit Issuers
As of June 30, 2009

Issuer	Purpose	Amount Due
Maryland Economic Development Corp.	Parking Garages	$ 36,890,000
Montgomery County Revenue Authority	Conference Center	11,770,000
	Human Services Headquarters	4,115,000
	Swim Centers	19,145,000
Northeast Maryland Waste Disposal Authority	Solid Waste Disposal System	171,080,000
TOTAL		$ 243,000,000

Maryland-National Capital Park and Planning Commission

The Maryland-National Capital Park and Planning Commission (M-NCPPC) issues general obligation debt for the acquisition and development of local parks and certain special parks and advance land acquisition, with debt limited to that supportable within mandatory tax rates. The Commission also issues revenue bonds funded by its enterprise operations. Pursuant to Section 6-101 of Article 28 of the Annotated Code of Maryland (1997 Replacement Volume and 2000 Supplement), the County must guarantee payment of principal and interest on the debt of M-NCPPC that is not self-supporting.

Towns and Cities

The towns of Brookeville, Poolesville, and Garrett Park, and the cities of Rockville and Takoma Park are located wholly within Montgomery County and issued long-term obligations to fund various public amenities such as road and sewer improvements.

Special Taxing Districts

The County created three development districts: Kingsview Village Center, West Germantown, and Clarksburg Town Center. These development districts were created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The creation of these districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County with high priority for new development or redevelopment.

Pursuant to Chapter 14, special taxes and/or special assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective district. Any bond issued under Chapter 14 is not an indebtedness of the County within the meaning of Section 312 of the Charter. Additionally, any bond issued must not pledge the full faith and credit of the County, and must state that the full faith and credit is not pledged to pay its principal, interest, or premium, if any. Any bonds issued are not considered liabilities of the County and are not reported in the County's financial statements.

In December 1999, the County issued $2.4 million in special obligation bonds for the Kingsview Village Center Development District. Special taxes and assessments were levied beginning in FY01 to repay this debt. In April 2002, the County issued two series of special obligation bonds for the West Germantown Development District. The County issued $11.6 million of Senior Series 2002A bonds and $4.3 million of Junior Series 2002B bonds to finance the construction of infrastructure in the development district. Special taxes and assessments were levied beginning in FY03 to repay this debt. Bonds have not yet been issued for the Clarksburg Town Center development district.

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County Facility Lease Obligations

The County leases building and office facilities and other equipment under non-cancelable operating leases. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated. Total costs for operating leases were approximately $16,004,000 for FY09. Long-term leases with the Maryland Economic Development Corporation (MEDCO) and the Montgomery County Revenue Authority are subject to annual appropriations, but are related to the debt service on bonds that MEDCO and the Revenue Authority issued on the County's behalf.

Following is a listing of significant lease agreements for FY10:

Payee	Location	Use	Total Rent For FY10
Eldridge, Inc.	255 Rockville Pike, Rockville	Various Agencies	$4,666,787
Maryland Economic Development Corp.	921 Wayne Avenue, Silver Spring	Parking Garage	3,136,688
Montgomery County Revenue Authority	Indoor Swim Centers	Recreation	2,664,820
Maryland Economic Development Corp.	801 Ellsworth Drive, Silver Spring	Parking Garage	2,495,233
F.S. Peoples Realty Co.	14935 Southlawn Lane, Rockville	Fire & Rescue/Liquor Control	2,180,791
Montgomery County Revenue Authority	5701 Marinelli Drive, Rockville	Conference Center	1,903,290
FP Gude LLC	7300 Calhoun Drive, Derwood	Juvenile Assessment Center	1,414,457
Washington Real Estate Investment Trust	51 Monroe Street, Rockville	Various Agencies	1,100,749
Alexandria Real Estate	1300 Quince Orchard Blvd., Gaithersburg	Emergency Communications Center	1,072,875
Washington Real Estate Investment Trust	600 East Jefferson St., Rockville	Community Use of Public Facilities/Family Justice Center	1,015,000
Seneca Center II, LLC	18753 N. Frederick Ave.	Board of Elections	975,420
Felland Limited Partnership	4901-43 Nicholson Ct., Kensington	DOT/Transit Services	849,807
Investment Properties, Inc.	701-C Dover Road, Rockville	Fire & Rescue Warehouse	715,149
1335 Piccard LLC, c/o Wellstone Corp.	1335 Piccard Drive, Rockville	Health Center	666,503
Montgomery County Revenue Authority	1301 Piccard Drive, Rockville	Health & Human Services	635,700
The Gudelsky Comp.	8630 Fenton Street, Silver Spring	Health Center	558,618
Williamson, Harry E. and Helga R.	12500 Ardennes Avenue, Rockville	Corrections	497,965
Rockville Metro Plaza I, LLP	111 Rockville Pike, Rockville	Economic Development	483,875
401 North Washington, LLC	401 N. Washington Street, Rockville	Commission for Women	479,794
McShea Gaither Road Ltd. Partnership	9121-25 Gaither Road, Rockville	Police/S.O.D.	444,586
IGPF Shady Grove LLC	9210 Corporate Boulevard, Rockville	Police/S.I.D.	332,543
Halcyon Associates	8300-8434 Helgerman Court, Gaithersburg	Police	323,589
Betty B. Casey Trust	8516-40 Anniversary Circle, Rockville	Records Center/Warehouse	319,013
Halcyon Associates	8641-63 Grovemont Circle, Gaithersburg	Police/Fire & Rescue	297,354

Other Operating Payment Agreements

Lease Revenue Bonds – Metrorail Garage Projects

The County entered into a Trust Agreement dated June 1, 2002 with Wachovia Bank, N.A. related to the issuance of $37,880,000 in Lease Revenue Bonds to finance the costs of parking structures and related facilities at the Shady Grove Metrorail Station and the Grosvenor Metrorail Station in Montgomery County. The County leased the garages to the Washington Metropolitan Area Transit Authority ("WMATA"), an interstate compact agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia.

Pursuant to the Trust Agreement, and a First Supplemental Trust Agreement dated September 1, 2004, additional bonds in the amount of $4,745,000 were issued by the County on September 28, 2004 to complete construction of the Shady Grove and Grosvenor parking structures and related facilities. The final maturity of the Series 2002 and Series 2004 bonds is in 2024.

The Bonds are limited obligations of the County payable solely from and secured by a pledge of (1) the revenues and receipts to be derived from the lease of the garages to WMATA and (2) certain funds and accounts established pursuant to the Trust Agreement, including a debt service reserve. The County covenanted to budget, appropriate and pay to the Trustee for deposit in the debt service reserve, at any time in any fiscal year when the amount to the credit thereof is less than required by the Trust Agreement, an amount equal to the deficiency; however, the obligation of the County to make any such payment in any fiscal year is contingent upon the appropriation for such fiscal year by the Montgomery County Council of funds from which such payment can be made. The obligation of the County under the agreement does not constitute a pledge of the full faith and credit or of the taxing powers of the County.

Certificates of Participation – Equipment Acquisition Program

The County entered into a conditional purchase agreement dated October 1, 2007 with U.S. Bank National Association for the purpose of borrowing $33,580,000 to acquire equipment for use in the County's fire and rescue program. The County's obligation to make purchase installments under the agreement in any fiscal year is contingent upon the County Council making an appropriation for such purpose in such year. In the event that the Council does not appropriate moneys to make such purchase installments, the County is required to return the equipment to the seller without any additional financial liability. The obligation of the County under the agreement does not constitute a pledge of the full faith and credit or of the taxing powers of the County. The certificates of participation mature on October 1, 2017.

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GENERAL FINANCIAL POLICIES

Reporting Entity

The County reporting entity is determined by criteria set forth in promulgations of the Governmental Accounting Standards Board. The reporting entity includes the fiscal activities of Montgomery County Government, as the primary government, and Montgomery County Public Schools (MCPS), Montgomery Community College ("the College"), Montgomery County Revenue Authority, the Housing Opportunities Commission of Montgomery County, and the Bethesda Urban Partnership, Inc., as component units. Not included within the reporting entity are the Montgomery County portion of Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, Metropolitan Washington Council of Governments, and the Northeast Maryland Waste Disposal Authority. These entities are considered joint ventures and disclosure of the County's participation in these joint ventures is presented as a footnote to the County's financial statements included in its Basic Financial Statements (refer to Appendix A for statements as of June 30, 2009).

Basis of Accounting

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Montgomery County received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR) more times than any other county in the nation. Since 1951, the County received the award 39 times and in 37 consecutive years since 1972. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The 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. The County believes the FY09 CAFR continues to meet the Certificate of Achievement Programs requirements and submitted it to the GFOA to determine its eligibility for another certificate.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and certain fiduciary fund (pension and other employee benefit trusts, investment trust, and private-purpose trusts) financial statements. The agency funds also use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets and related depreciation are also recorded in these statements.

Governmental fund (i.e., General, Debt Service, Capital Projects, Special Revenue, and Permanent) financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment has matured and is due. Similarly, expenditures related to claims and judgments, and compensated absences, are recorded only to the extent that they are expected to be liquidated with expendable available financial resources. Also, capital assets and related depreciation and long-term liabilities are not recorded in these statements.

Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long-term and short-term financial information. The fund financial statements provide more detail and additional information, such as cash flows, for the County's enterprise funds. The County has three major enterprise funds – liquor control, solid waste activities, and parking lot districts – and two nonmajor funds. The internal service funds, which are presented in a single, aggregated column in the proprietary fund financial statements, are used to account for the provision of liability and property insurance coverage, employee health benefits, motor pool services, and central duplicating services, to County departments on a cost reimbursement basis. Although both the fund and government-wide financial statements provide a long-term and short-term focus, reconciliations between these two sets of statements are still required. This is due to the fact that the excess income/loss for the internal service funds has been redistributed to the customers, including business-type activities; such reconciliations are reflected on the bottom of the proprietary fund financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County's fiduciary funds consist of pension and other employee benefit trusts, an investment trust, private purpose trusts, and agency funds.

Basis of Budgeting

At the direction of the County Executive, the Office of Management and Budget has begun, and over the course of the next year will complete, the implementation of Results-Based Budgeting. Results-Based Budgeting ensures that resource allocation is based on County priority objectives to make government more responsive, that programs and initiatives are operating effectively and efficiently, and that tax dollars are spent wisely through the use of performance data as a primary basis for review and analysis of budgetary requests.

When fully implemented, Results-Based Budgeting will (1) rely on historical and projected performance data and other reliable and relevant evidentiary data to justify budget allocations through the demonstration of performance results; (2) document the "return on investment" expected from budget expenditures by assessing the impact of those expenditures on the customers of County services ("customer results"), the quality of life in Montgomery County, and the Montgomery County Results; (3) enhance opportunities for cross departmental/agency coordination and resource allocation decisions, since the corresponding impact of resource changes on performance can be evaluated in a timely and objective manner; (4) use data systematically and transparently to drive the decision-making processes by which finite resources are allocated to achieve both customer results and the Montgomery County Results; (5) provide a better basis for decision making and administration of annual budgets, including additional investments or budgetary reductions, since these decisions would be based on alignment with priority objectives and performance data. This includes changes of the use of base funding if such changes will improve results, as opposed to limiting such decisions to only new or incremental funding; (6) routinely seek improvements to productivity and no-cost or low-cost solutions to problems; and (7) be used for the annual budget development and review process, as well as any mid-year decisions.

Legal Framework for Budgeting

As required by the County Charter, the County Executive submits to the County Council, not later than January 15, a comprehensive six-year Capital Improvements Program (CIP) in each even numbered year, and a Capital Budget each year. In addition, the County Executive, not later than March 15 of each year, submits an annual Operating Budget, a six-year Public Services Program (PSP), and Fiscal Policy.

The Capital Improvements Program includes a statement of the objectives of capital programs and the relationships of capital programs to the County's long-range development plans; recommends capital projects and a construction schedule; and provides an estimate of costs, a statement of anticipated revenue sources, and an estimate of the impact of the program on County revenues and the operating budget. The Capital Improvements Program, to the extent authorized by law, includes all capital projects and programs of all agencies for which the County sets tax rates or approves budgets or programs.

The fiscal program shows projections of revenues and expenditures for all functions, recommends revenue and expenditure policies for the program, and analyzes the impact of tax and expenditure patterns on public programs and the economy of the County.

As part of the six-year CIP and PSP programs, the County Executive includes the proposed capital and operating budgets containing recommended levels of expenditures and sources of revenue for the ensuing fiscal year. In addition, a summary is submitted containing an analysis of the fiscal implications for the County of all available budgets of all agencies for which the County Council sets tax rates, makes levies, and approves programs or budgets. These other agencies include the Montgomery County Public Schools, Montgomery College, the Maryland-National Capital Park and Planning Commission, the Housing Opportunities Commission of Montgomery County, the Montgomery County Revenue Authority, the Washington Suburban Sanitary Commission (a bi-county agency), the Washington Suburban Transit Commission (a bi-county agency), and the 19 independent Fire and Rescue Corporations.

The County Council must hold public hearings on the proposed budgets and six-year programs commencing not earlier than 21 days following their receipt. The County Council may add to, delete from, increase or decrease any appropriation item in the operating or capital budget. The Council also approves the budget, as amended, and appropriates the funds not later than June 1 of the year in which it is submitted. By June 30th of each year the County Council makes the tax levies deemed necessary to finance the budgets for the ensuing fiscal year beginning July 1. Pursuant to a Charter amendment adopted in the November 2008 general election, the County Council may not levy an ad valorem tax on real property to finance the budgets that will produce total revenue that exceeds the total revenue produced by the tax on real property in the preceding fiscal year plus a percentage of the previous year's real property tax revenues that equals any increase in the Consumer Price Index unless approved by the affirmative vote of all nine Council members. This limit does not apply to revenue from 1) newly constructed property, 2) newly rezoned property, 3) property that, because of a change in State law, is assessed differently than it was assessed in the previous tax year, 4) property that has undergone a change in use, and 5) any development district tax used to fund capital improvement projects.

The Charter requires that County capital improvement projects which are estimated to cost in excess of an amount established by law, or which the County Council determines to possess unusual characteristics or to be of sufficient public importance, must be individually authorized by local law, which would be subject to referendum upon timely petition of five percent of the County's registered voters. The cost criterion for projects in the FY10 Capital Budget and the Amended FY09-14 CIP is $13.6 million. The Charter also requires approval of the aggregate operating budget by the affirmative vote of six Council members, as opposed to a simple majority, when it exceeds the budget for the preceding year by a percentage which is greater than the percentage increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore combined metropolitan statistical area (CMSA) for the 12 months preceding December 1 of each year, as published by the U.S. Department of Labor. In addition, a Charter amendment adopted at the November 1990 general election requires the County Council to annually adopt spending affordability guidelines for the capital and operating budgets, including guidelines for the aggregate capital and operating budgets. Any aggregate capital budget or aggregate operating budget that exceeds the guidelines then in effect requires the affirmative vote of seven of the nine council members for approval.

ANNUAL BUDGETS

Operating Budget and Tax Rates

On May 21, 2009 the County Council approved the FY10 operating budget comprising the County Government, MCPS, the College, and M-NCPPC aggregating $4.474 billion. This budgetary level represents an increase of 3 percent over the adopted budget for FY09.

The FY10 operating budget provides the greatest share (52.5 percent) of total tax supported resources to Montgomery County Public Schools, including funding to preserve key academic initiatives and maintain class sizes. Funds for Montgomery College include funding to complete the expansion of the Takoma Park/Silver Spring campus with the opening of the Performing Arts Center and a new parking garage while maintaining support for students at all campuses of the College. In addition, affordable housing, public safety and criminal justice, health and human services, and public works are funded for important improvements in FY10.

The approved FY10 budget provided for an undesignated surplus of $64.2 million in the General Fund and $76.2 million across all tax supported funds. For FY10, the estimated effective real property tax rate for the County increases to $0.904 per $100 of assessed valuation compared to the actual effective real property tax rate of $0.903 per $100 of assessed valuation in FY09.

Capital Budget/Capital Improvements Program

The County Council approved the FY10 Capital Budget and FY09-14 Amended Capital Improvements Program (CIP) for the County government and the required agencies, except for WSSC, aggregating $3.740 billion for FY09-14. This amended program provided for County bond funding aggregating $1.840 billion over the FY09-14 amended six-year period. The Council approved a Capital Improvements Program for WSSC totaling $980.9 million for FY10-15. (WSSC is governed by State Law and is the only agency for which the County Council adopts an annual CIP).

SELECTED FINANCIAL INFORMATION

General Fund

Summary Financial Results

Montgomery County concluded the fiscal year ending June 30, 2009, with an unreserved undesignated balance for the General Fund of $28.9 million. The County's governmental funds reported combined ending fund balances of $423.7 million, a decrease of $158.9 million over the prior year's ending fund balances. The Revenue Stabilization Fund (RSF), including related investment income, was $119.6 million at the close of FY08. Following the mandatory contribution requirement, half of actual General Fund receipts from the (i) income tax, (ii) transfer tax, (iii) recordation tax, and (iv) investment income above the budget estimate must be transferred to the RSF. Since actual revenues fell below estimated revenues in FY09, there was no mandatory contribution made to the RSF. Therefore, the amount in the fund remained $119.6 million at the end of FY09.

General Fund Revenues

Actual revenues for the General Fund totaled $2,700.9 million and were 3.2 percent below the budget estimate for the fiscal year but 4.5 percent above actual revenues for FY08. The three largest contributors to the variance in dollars between the budget estimate and actual revenues were the income tax ($33.7 million below the budget estimate), followed by the recordation tax ($25.6 million below the budget), and finally, the real property transfer tax ($16.1 million below the estimate). Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and admissions taxes, were $179.2 million in FY09. That amount was $6.5 million or 3.5 percent below the budget estimate. Investment income was approximately $3.9 million below the budget estimate. Licenses and permits (2.2%) and charges for services (3.4%) came in above budget estimates. Intergovernmental revenues were 10.4 percent below the budget estimate. Such a decrease was attributed to State reimbursements which came in 13.6 percent below the budget estimate, and other intergovernmental revenue which were 8.8 percent below the budget estimate. Federal reimbursements, which represent only 20.4 percent of total intergovernmental revenues, came in 4.0 percent above the budget estimate.

Major Sources of General Fund Revenue

Income Tax

The largest revenue source for the General Fund is the County income tax. Revenues from the income tax were $1,291.7 million and represented 50.8 percent of actual tax revenues and 47.8 percent of total actual revenues in FY09. Income tax receipts became the majority source of tax revenues in the General Fund when it surpassed the property tax in size in FY99. The dramatic shift in the reliance on the income tax as a major source of revenue can be attributed to two factors: the expansion of the employment base in the County and growth in capital gains. With a Standard & Poor's 500 index decreasing 38.5 percent in calendar year (CY) 2008 after increasing 3.5 percent in CY2007, 13.6 percent in CY2006, 3 percent in CY2005, and 9 percent in CY2004 and an average annual growth rate of 1.4 percent in the County's resident employment during the CY2003-CY2006 period, income tax revenues increased 10.4 percent in FY04, 8.2 percent in FY05, 11 percent in FY06, 21.1 percent in FY07, and 2.1 percent in FY08. However, with a decline in the growth in resident employment in CY2007 (0.1%) and in CY2008 (0.4%) coupled with the dramatic decline in the S&P 500 index in CY2008, there was no increase in FY09.

Property Tax

Property tax collections in the General Fund amounted to $962.3 million in FY09, which were $2.8 million (0.3%) below the budget estimate, but 20.8 percent above actual revenues in FY08. Actual property taxes, excluding penalties and interest and other items, were $960.9 million in FY09, an increase of 20.9 percent over last year**.** Collections from penalties and interest were $1.4 million, a 25.6 percent decrease compared to FY08. The reason for the modest decrease in property tax revenues compared to the budget estimate is attributed to the decline in personal property taxable assessments. The dramatic increase in property tax collections for the General Fund was also attributed to actions by the County to limit the amount of increase in real property taxes to the rate of inflation as required by the Charter Limit. Such actions by the County included an income tax offset of $579 per owner-occupied residence, compared to the $613 for the prior fiscal year, and an increase in the General Fund tax rate from $0.627 to $0.661 per $100 of assessed value.

The taxable assessments for real property increased 11.1 percent from FY08 to FY09. This was the fourth largest increase in over 18 years. New construction, which added $1.4 billion to the base in FY09, was 4.6 percent lower than in FY08. The real estate market, particularly the annual double-digit price increases during fiscal years (FY02-FY06), fueled the dramatic increase in the reassessment rate from 21.8 percent to 65 percent for Cycle Two reassessments of the County's real property with the three-year phase in starting in Levy Year (LY) 2005, that preceded an increase in the rate from 36.3 percent to 63.3 percent for Cycle Three reassessments in LY06, but declined from 51.8 percent to 43.4 percent for Cycle One in LY07 indicating a significant deceleration in the growth of average sales prices during FY07 and FY08. With the average sales price for an existing home declining 15.8 percent in FY09, the reassessment rate for Group Two declined from 65 percent for LY05 to 16.2 percent for LY08. The homestead tax credit limits annual increases in homeowners' taxable assessments to 10 percent per year although other taxable assessments such as commercial and investment residential properties are not limited by this credit. While there were dramatic increases in the reassessment rates, which added over $16.7 billion to the assessable base in FY09, such increases were potentially offset by the homestead tax credit, which excluded an additional $2.3 billion from the real property taxable base in FY09.

Assessments of personal property increased 2.8 percent in FY99, 3.2 percent in FY00, 5.1 percent in FY01, 3 percent in FY02, 0.6 percent in FY03, but declined 6.2 percent in FY04 primarily due to weaknesses in all three categories: individual, public utility, and corporate. There was no rebound in the subsequent years as illustrated by a 1.5 percent decline in FY05, and another 1.8 percent decline in FY06. The declines in FY05 and FY06 were attributed to adjustments to individual personal property undertaken by the Maryland Department of Assessments and Taxation. Due to a rebound in personal property for public utilities, assessments increased 3.1 percent in FY07 and 0.5 percent in FY08. However, because of declines in individual and corporate personal property and public utility tax assessments, total personal property assessments declined 1.3 percent in FY09. For the past four fiscal years (FY06-FY09), taxable assessments for personal property averaged $3.918 billion ranging from a low of $3.832 billion in FY06 to a high of $3.971 billion in FY08. Despite the weaker trend in personal property since FY04, the total taxable assessment grew 9.6 percent in FY05, 11.9 percent in FY06, 13.4 percent in FY07, 12.8 percent in FY08, and 10.8 percent in FY09.

Transfer and Recordation Taxes

The third major category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY09 were $107.2 million (excluding recordation tax revenues earmarked for CIP funding of school construction and transfer tax revenues from condominium conversions). That amount was 28 percent below the budget estimate and 20.6 percent below actual revenues in FY08. The FY09 decline in collections from transfer and recordation taxes was the third consecutive decrease, which represented a decline of $134.5 million over the three-year period. The drop in average sales price for existing homes (15.8%) during F09 was the major factor in the decline. The total amount collected from these taxes increased from $93 million in FY99 to a peak of $241.7 million in FY06, before declining to $107.2 million in FY09, the lowest amount since the increase in the recordation tax rate beginning in FY03 (from $4.40 to $6.90 per $1,000 of the value of the contract excluding the first $50,000 exempted from taxation for residential properties).

General Fund revenues from the transfer tax experienced a decline of 19.4 percent in FY09 compared to a 22.4 percent decline in the recordation tax collection. The cause of the decrease was attributable to a dramatic reduction in averages sales prices in FY09 (15.8%), revenues from the residential sector were $56.1 million, a decrease of 18.6 percent over FY08, the third consecutive decrease since FY06. The number of residential transfers declined 3.8% to approximately 12,600, the lowest level in over 19 years and reflecting the drop in housing sales during the first eight months of FY09.

The commercial market was weaker in FY09 compared to the residential sector, with revenues decreasing 24.1 percent from $10.1 million to $7.5 million. The number of transfers (112) in FY09 was 53.5 percent below the number in FY08, the lowest number in over 19 years.

Other Taxes

The remaining tax sources, consisting of fuel/energy, telephone, hotel/motel, and admissions and amusement taxes, totaled $179.2 million and were approximately $6.5 million, or 3.5 percent, below the budget estimate. Revenues from the telephone tax were 0.2 percent above the budget estimate. That modest increase was attributed to increases in the use of cellular telephones, which represented 66.1 percent of total revenues, and offset the decline in landlines. The remaining consumption/excise taxes were below budget estimates. Revenues from the hotel/motel industry of $16.8 million in FY09 were 15.3 percent below the budget estimate. The fuel/energy tax was up 9.3 percent compared to FY08 reflecting the higher tax rates on fuel oil, electricity, and natural gas, but 2.5 percent below the budget estimate, which was attributed to a mild winter and therefore a decline in revenues from fuel oil (10.5%). The decrease in the admissions tax (8.1%) from the budget estimate was attributed to the decline in tax receipts from two of the largest sources of revenues which represent nearly 50 percent of total revenues, arcades (0.9%), and golf activities (20.4%).

Investment Income

In the General Fund, investment income decreased from $8.9 million in FY08 to $0.6 million and was 87.1 percent below the budget estimate. The dramatic decrease in FY09 was the result of a significant accommodative policy of the Federal Open Market Committee (FOMC) of the Federal Reserve that reduced interest rates beginning in September 2007. From that time to December 2008, the FOMC decreased the target interest rate for federal funds from 5.25 percent to a range of between 0.00 and 0.25 percent, a decline of 500-525 basis points. The justification for such a decrease was the significant global credit crisis that began in August 2007. Because of this 500+-basis-point decrease over the fifteen-month period, short-term or money market rates decreased as well, hence the average yield on cash equity for the County decreased from 5.21 percent in FY07 to 1.71 percent in FY09. Total pooled investment income on a budgetary basis, which includes all funds and outside participants excluding unrealized gains or losses, was $11.9 million or 72.5 percent below FY08. With the decrease in investment income coupled with a lesser rate of increase in spending, the average daily portfolio balance decreased from $971.4 million in FY08 to $695.7 million in FY09.

General Fund Expenditures and Transfers

Expenditure savings in FY09 amounted to $26.9 million. Savings occurred predominantly in departmental expenditures ($22.5 million) compared to non-departmental expenditures ($4.4 million). Even though all departmental and most non-departmental units recognized some savings this year, the majority of the savings occurred in lower than projected operating costs for Health and Human Services ($8.2 million), and Police ($5.6 million).

County law requires that half of General Fund receipts from the income tax, transfer and recordation taxes, and investment income above the budget estimate must be transferred to the Revenue Stabilization Fund. Because of lower than expected receipts, there were no mandatory contributions to the Revenue Stabilization Fund in FY09.

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Table 13
Montgomery County, Maryland
Schedule of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual(1)				Fiscal Year Budget
	2006	2007	2008	2009	2010
Revenues:					
Taxes:					
Property, including interest & penalty	$ 782,131,830	$ 791,299,455	$ 796,770,740	$ 962,319,307	$1,050,802,421
Transfer tax and recordation tax	241,718,411	179,575,410	135,038,965	107,208,955	123,359,000
County income tax	1,044,561,989	1,265,377,139	1,291,339,613	1,291,716,935	1,214,770,000
Other taxes	164,792,549	168,113,476	168,735,248	179,232,787	185,344,000
Total Taxes	2,233,204,779	2,404,365,480	2,391,884,566	2,540,477,984	2,574,275,421
Licenses and permits	10,335,016	10,496,148	9,279,207	9,319,612	9,117,380
Intergovernmental revenue	137,164,714	138,069,464	132,669,827	90,521,958	71,320,675
Charges for services	12,814,029	11,979,461	12,220,040	14,631,624	10,273,470
Fines and forfeitures	9,381,741	10,216,457	20,335,482	27,604,483	37,523,790
Investment income	8,675,618	13,236,271	8,880,917	568,785	600,160
Miscellaneous	11,024,284	10,125,190	10,418,813	17,801,203	14,454,353
Total Revenues	2,422,600,181	2,598,488,471	2,585,688,852	2,700,925,649	2,717,565,249
Expenditures (including encumbrances):					
General County:					
General government	196,495,344	223,391,051	241,768,119	257,466,968	240,346,462
Public safety	281,263,093	313,532,989	343,516,856	355,854,194	370,136,106
Transportation and public works	47,335,525	58,265,269	56,432,172	56,329,154	51,373,332
Health and human services	197,337,883	208,632,008	232,979,224	201,771,333	210,953,233
Culture and recreation	46,412,919	53,032,039	55,872,703	51,710,097	49,535,146
Housing and community development	7,343,508	5,284,806	5,606,887	5,473,883	5,078,080
Environment	3,574,260	3,795,318	4,473,884	5,224,553	4,716,391
Total Expenditures	779,762,532	865,933,480	940,649,845	933,830,182	932,138,750
Transfers In (Out):					
Transfers In:					
Special Revenue Funds	12,448,820	13,915,724	15,470,240	17,699,145	21,177,875
Enterprise Funds	25,534,770	27,585,780	27,734,670	38,601,750	33,604,990
Internal Service Funds	--	--	--	--	12,500,000
Component Units	601,158	606,183	598,645	591,084	328,420
Total Transfers In	38,584,748	42,107,687	43,803,555	56,891,979	67,611,285
Transfers Out:					
Special Revenue Funds	(18,657,868)	(27,614,179)	(26,366,223)	(13,437,311)	(23,714,720)
Debt Service Fund	(195,435,109)	(203,384,307)	(215,900,200)	(204,596,878)	(143,070,868)
Capital Projects Fund	(49,879,689)	(36,435,691)	(43,259,243)	(28,736,385)	(46,374,808)
Enterprise Funds	(2,702,365)	(4,270,955)	(3,121,110)	(2,988,617)	(3,120,280)
Internal Service Funds	(1,053,172)	(1,171,249)	(1,551,516)	(1,214,928)	(30,000)
Component Units	(1,387,791,173)	(1,497,615,804)	(1,570,726,627)	(1,650,994,360)	(1,679,335,552)
Total Transfers Out	(1,655,519,376)	(1,770,492,185)	(1,860,924,919)	(1,901,968,479)	(1,895,646,228)
Net Transfers In (Out)	(1,616,934,628)	(1,728,384,498)	(1,817,121,364)	(1,845,076,500)	(1,828,034,943)
Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out	25,903,021	4,170,493	(172,082,357)	(77,981,033)	(42,608,444)
Fund Balances, July 1 as previously stated	234,440,615	273,333,694	295,785,593	146,932,820	86,905,675
Adjustment for previous year encumbrances(2)	12,990,058	18,281,406	23,229,584	17,953,888	--
Fund Balances, July 1 restated	247,430,673	291,615,100	319,015,177	164,886,708	86,905,675
Equity transfers in (out)	--	--	--	--	--
Budgetary Fund Balance, June 30	$ 273,333,694	$ 295,785,593	$ 146,932,820	$ 86,905,675	$ 44,297,231

(1) Audited amounts.

(2) Prior year encumbrances are net of write-offs.

Note: Actual and budget amounts are for fiscal years ended June 30.

Table 14
General Fund
Schedule of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above	$273,333,694	$295,785,593	$146,932,820	$ 86,905,675
Plus encumbrances outstanding	19,184,118	24,603,431	24,158,117	18,630,308
Adjustment for prior year encumbrances	(909,010)	(902,723)	(1,373,849)	(6,204,232)
Unrealized investment gain (loss)	(4,788,474)	(5,473,442)	(641,355)	(338,014)
Net differences between beginning fund balances	1,966,087	2,738,749	3,737,073	9,112,325
GAAP Fund Balance as Reported	$288,786,415	$316,751,608	$172,812,806	$108,106,062
Elements of GAAP Fund Balance:				
Reservations	$ 7,016,227	$ 7,774,404	$ 8,465,100	$ 8,621,928
Designated for CIP Transfers	--	--	--	--
Designated for General Fund	155,304,163	143,723,513	56,609,030	51,999,830
Unreserved – Designated for Encumbrances	19,184,118	24,603,431	24,158,117	18,630,308
Designated for subsequent years expenditures	--	--	--	--
Unreserved / Undesignated	107,281,907	140,650,260	83,580,559	28,853,996
	$288,786,415	$316,751,608	$172,812,806	$108,106,062

Note: All amounts are audited, and are for fiscal years ended June 30.

Revenue Stabilization Fund

The State of Maryland enacted legislation in 1992 authorizing political subdivisions in Maryland to establish “rainy day” or reserve funds to accommodate future funding shortfalls. Pursuant to this State law, the County established a Revenue Stabilization Fund effective July 1, 1994.

The Revenue Stabilization Fund (the “Fund”) supplements the reserve or operating margin the County annually sets aside. The County’s Charter, Section 310, sets a five percent annual limit on General Fund surplus. The State law authorizing counties to set up rainy day funds expressly prevails over any contrary County charter provision. Revenues in the Fund are allowed to go as high as 10 percent of the aggregate revenue from certain sources in the preceding three fiscal years. The Revenue Stabilization Fund provides a mechanism to level out the revenue stream and adjusts for year-to-year fluctuations beyond a certain baseline level. County law requires that 50 percent of the growth above the average of the six preceding fiscal years in certain taxes (income, property transfer, recordation, but not the property tax) and General Fund investment income be set aside in a restricted fund. Also, 50 percent of the annual revenue from these sources in excess of the Council’s original projection in the budget resolution goes to the Fund.

The Council, acting on the Executive’s recommendation, may release up to half the balance in the Fund only if certain recessionary economic conditions occur. Two of the following three conditions must be met: l) the Director of Finance estimates that total General Fund revenues will fall more than 2 percent below the original projected revenues; 2) resident employment in the County has declined for six consecutive months compared to the same period in the previous year; and 3) a local index of leading economic indicators has declined for three consecutive months. Amounts released from the Fund can only be used for appropriations that have become unfunded.

As the result of lower than estimated income tax revenues, transfer and recordation tax revenues and investment income, there were no mandatory contributions to the Revenue Stabilization Fund at the end of FY09. There was no mandatory transfer in FY08, but a mandatory transfer of $11.9 million made to the Fund at the end of FY07. With earned interest, the Revenue Stabilization Fund reached its maximum allowable size of $119.6 million at the close of

FY07 and has remained at that level through FY09. Since the Fund reached more than half of its maximum size, according to the County law that established the Fund, interest earned from the fund must be transferred to PAYGO. The interest transfer in FY09 was $2.0 million. The table below indicates mandatory and discretionary transfers made to the fund since its inception in 1997.

Table 15
Revenue Stabilization Fund
Transfers In and Fund Balance

Fiscal Year	Transfers (millions)	Fund Balance (millions)
2009	$ --	$ 119.6
2008	--	119.6
2007	11.9	119.6
2006	6.6	107.8
2005	5.2	101.2
2004	8.8	95.9
2003	--	87.2
2002	7.7	87.2
2001	8.9	79.5
2000	8.4	70.6
1999	5.5	62.2
1998	21.4	56.8
1997	18.7	29.4

Note: Fund Balances include transfers in and investment income.

Enterprise Funds

The county has three major enterprise funds – liquor control, solid waste activities, and parking lot districts – which are accounted for and operated in a manner similar to private business enterprises. The results of operations for Fiscal Years 2005 – 2009 are shown in the table below.

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Table 16
Major Enterprise Funds
Results of Operations

Funds	Fiscal Year 2005	2006	2007	2008	2009
Liquor Control					
Operating Revenues	$ 177,926,415	$ 191,349,465	$ 201,736,589	$ 213,669,534	$ 220,736,650
Operating Expenses	152,270,262	168,661,329	180,189,462	189,496,069	194,787,124
Operating Income (Loss)	$ 25,656,153	$ 22,688,136	$ 21,547,127	$ 24,173,465	$ 25,949,526
Solid Waste Activities					
Operating Revenues	$ 96,092,924	$ 102,156,917	$ 99,939,115	$ 101,920,730	$ 100,040,196
Operating Expenses	102,888,133	98,870,671	102,475,929	97,268,843	96,140,996
Operating Income (Loss)	$ (6,795,209)	$ 3,286,246	$ (2,536,814)	$ 4,651,887	$ 3,899,200
Parking Lot Districts					
Operating Revenues	$ 22,082,037	$ 22,337,498	$ 24,341,416	$ 25,823,253	$ 26,698,451
Operating Expenses	20,646,177	22,541,248	24,514,145	25,962,611	27,297,448
Operating Income (Loss)	$ 1,435,860	$ (203,750)	$ (172,729)	$ (139,358)	$ (598,997)

Self-Insurance Funds

On July 1, 1978, County Code Section 20-37 was enacted to establish the Montgomery County Self-Insurance Program. The County self-insures such exposures as workers' compensation, commercial general liability, automobile liability, professional/public official liability, certain property, and other selected risks which require mitigation.

An Inter-Agency Insurance Panel comprised of the County and member agencies, and chaired by the County's Finance Director, provides overall direction, formulates insurance policy, reviews claims, and evaluates the effectiveness of the loss control program. Claims against the agencies are handled under a contract with a third party claims administrator. Legal services are provided by the Office of the County Attorney.

The County Finance Department, Division of Risk Management operates the Self-Insurance Program for the County and other participating agencies: MCPS, Montgomery College, M-NCPPC, various independent fire Corporations, City of Rockville, Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County, Rockville Housing Enterprises, Town of Somerset, Villages of Martin's Additions, Drummond, and Friendship Heights, and the Bethesda Urban Partnership. The City of Takoma Park and the City of Gaithersburg also participate for workers' compensation coverage only.

In addition to the self-insured coverage, Risk Management coordinates the purchase of commercial insurance for such coverage as All Risk Property Insurance, Boiler and Machinery, Public Official and Employee Bonds, Electronic Data Processing, Fiduciary Liability, and others. Beginning March 15, 2007, Commercial Excess Liability insurance was purchased, and is effective through June 30, 2010. It is expected this coverage will be maintained, but is dependent on market conditions and price at the time of the policy renewal.

A summary of FY09 operations of the program is outlined below:

	($000's)
Revenues:	
Contributions from participating agencies	$32,062
Interest on investments	1,737
Recovered losses	514
Other income	251
Total Revenues	34,564
Expenses:	
Claims expense	36,548
Claims administration, loss control, external insurance, and other administrative expenses	11,567
Total Expenses	48,115
Net loss	(13,551)
Retained earnings, July 1, 2008	14,322
Equity balance, June 30, 2009	$771

By State law effective July 1, 1987, local government employees are protected by the Local Government Tort Claims Act. Under this legislation, the liability of the employees of local governments for common law torts, such as negligence, is limited to $200,000 for an individual claim, and $500,000 for all claims arising from one occurrence. This act, combined with the law limiting the public school system's liability to $100,000, significantly decreases the exposure of the program to large losses.

The County is also self-insured for unemployment benefits and maintains a minimum premium funding arrangement for employee health insurance. The FY09 operations for these two elements of the insurance program are not reflected above.

County Employee Retirement Plans

Employees' Retirement System

The Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit pension plan established in 1965. Nine other agencies and political subdivisions elected to participate, including the: Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County, independent fire/rescue corporations, Town of Chevy Chase, Strathmore Hall Foundation, Inc., Washington Suburban Transit Commission, Montgomery County Employees Federal Credit Union, and certain employees of the State Department of Assessments and Taxation and the District Court of Maryland. The System is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. All covered full-time employees of the County and participating agencies must become members of the System as a condition of employment. The System is a contributory plan with employees contributing a percentage of their base annual salary depending on their group classification which also determines retirement eligibility. The payroll for employees covered by the System for the years ended June 30, 2009 and 2008 was approximately $376.9 million and $372.2 million, respectively. The total payroll for Montgomery County Government in FY09 and FY08 was $706.5 million and $669.4 million, respectively.

Deferred Retirement Option Plans (DROP), established in FY00, allow any employee who is a member of a specified membership group or bargaining unit, and who meets certain eligibility requirements, to elect to "retire" but continue to work for a specified time period, during which pension payments are deferred. When the member's participation in the DROP ends, the member must stop working for the County, draw a pension benefit based on the member's credited service and earnings as of the date that the member began to participate in the DROP, and receive the value of the DROP payoff. At June 30, 2009 there were 68 participants in the DROP.

The Board of Investment Trustees is responsible for managing the investment programs of the Montgomery County Employee Retirement Plans. The System's assets are invested in a diversified portfolio of equities, bonds, real estate and other investment vehicles to control the extent of downside risk to which the System is exposed while maximizing the potential for long term increases in the value of assets.

Table 17
Employees' Retirement System

	Fiscal Year End		
	2007	2008	2009
Net Assets (billions)	$2.714	$2.619	$2.146
Actuarial Value (billions)	$2.470	$2.701	$2.736
Actuarial Liabilities (billions)	$3.101	$3.342	$3.489
Funded Ratio	79.7%	80.8%	78.4%
Participants:			
Active	5,294	5,060	5,012
Retired	5,495	5,811	5,831

Retirement Savings Plan

The Retirement Savings Plan (RSP) is a cost-sharing multiple-employer defined contribution plan established in 1994. All non-public safety and certain public safety employees not represented by a collective bargaining agreement and hired on or after October 1, 1994 are covered by the Plan. All covered full-time employees of the County and participating agencies must become members of the RSP as a condition of employment. All covered career part-time employees of the County and participating agencies may become members on an individual basis.

The County Code authorizes the Board to establish a diversified slate of mutual and commingled investment funds from which participants may select. As of June 30, 2009, the defined contribution plan had 5,829 participants with net assets totaling $129.7 million. As of June 30, 2008, the plan had 5,536 participants and assets of $128.5 million.

Deferred Compensation Plan

Employees of the County may participate in the Montgomery County Deferred Compensation Plan (DCP), which was established pursuant to Section 457 of the Internal Revenue Code of 1986, as amended. The County Code authorizes the Board to establish a diversified slate of mutual and commingled investment funds from which participants may select. Under the DCP, contributions are sent to the provider for the different types of investments as selected by participants. Legislation enacted in December 2004 allows the County to sponsor one or more additional deferred compensation plans for employees covered by a collective bargaining agreement. At June 30, 2009 there were 3,894 participants in the County's DCP with $202.3 million in net assets.

Additional information on the County's retirement plans is available in Appendix A, "Notes to Financial Statements" Note IV-F, Pension Plan Obligations; or the Comprehensive Annual Financial Report prepared by the Board of Investment Trustees for the Montgomery County Employee Retirement Plans.

Other Post Employment Benefits

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions* (GASB 45), which addresses how state and local governments should account for and report their costs and obligations related to other post employment benefits (OPEB). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The County implemented GASB 45 as required in FY08.

In January 2009, the County obtained actuarial valuation information addressing the extent of the County's liability to its retirees for OPEB as of July 1, 2008. The OPEB report is subject to a number of actuarial and economic assumptions; these assumptions were generally similar to the assumptions used in evaluating the County's pension fund liabilities.

Based on the assumptions and qualifications stated therein, the OPEB report concluded that, assuming full prefunding, the FY10 annual required contribution (ARC) for the County and its tax supported agencies is $255 million, and the related actuarial accrued liability (AAL) is $2.7 billion. In May 2008, the County Council passed resolution number 16-555, calling for an eight-year phase-in to the ARC. Consistent with this approach and based on the current economic situation, the County appropriated $15.3 million in its FY10 operating budget for the tax-supported agencies. This is in addition to the $40.6 million and $38.6 million appropriated and funded in FY09 and FY08, respectively.

Property Tax Information

The County levies real and personal property taxes on all taxable property within its boundaries. Annual payments of taxes are due in full on July 1 and become delinquent on the following October 1. Semi-annual payments are the standard in Maryland for residential property owners only, with the semi-annual payments becoming delinquent after September 30 and December 31. Tax sales to recover delinquent real property taxes are held on the second Monday in June in the fiscal year that taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation (SDAT). Assessment rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value (full cash value) and assessed in each year at a percentage of market value. One-third of the real property base is reassessed every three years. An increase in full cash value arising from such reassessment is phased in over the ensuing three tax years in equal annual amounts. A decline in assessed valuation becomes fully effective in the first year.

Because of growth in new construction of over $1.5 billion per year between FY04-FY09, and improved valuation of properties, the total property taxable base increased at an average annual rate of 11.7 percent over the last six years, measured through FY09. Due to a slight decline in business investment in personal property from FY04 to FY06 attributed to an adjustment by the SDAT to assessments of individual personal property, the personal property base decreased at an average annual rate of only 0.2 percent during six fiscal years (FY04-FY09). Therefore, personal property remained essentially constant through the FY04-FY09 period. Because of the dramatic growth in the real property assessable base attributed to real estate price appreciation from the exceptionally strong housing market, the real property assessed values increased at an average annual rate of 12.1 percent during the six-year period.

Table 18
Assessed Value of All Taxable Property
by Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Percent Change From Prior Year	Ratio of Assessment to Full Market Value
2009	$158,133,491,472	$3,920,171,020	$162,053,662,492	10.79%	96.48%
2008	142,306,435,593	3,970,547,370	146,276,982,963	12.82	98.05
2007	125,710,776,118	3,948,949,550	129,659,725,668	13.38	95.63
2006	110,529,249,116	3,831,629,230	114,360,878,346	11.92	93.41
2005	98,281,724,723	3,902,612,110	102,184,336,833	9.61	93.54
2004	89,263,005,267	3,963,801,610	93,226,806,877	7.61	91.35

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports.

Tax-exempt properties are excluded from the above figures. In FY09, such exemptions for real property owned by Federal, State, County, and other governmental units, and certain non-profit organizations totaled $16.8 billion on June 8, 2008, based on data from the State Department of Assessments and Taxation. Tax-exempt real property constitutes 8.5 percent of the total assessable base. The SDAT grants exemptions from property taxes, pursuant to State law. The ratio of total assessed value to total full market value is based on studies conducted by the SDAT.

Table 19
Tax Levies and Revenue

Fiscal Year	General County Tax Levy (including Education)	Revenue From Current Year Assessment	Ratio of Current Yr. Revenue to Tax Levy	Revenue From Prior Year Assessment	Total Revenue	Ratio of Total Revenue to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy
2009	$1,003,679,078	$984,378,292	98.08%	$(20,121,191)	$964,257,101	96.07%	$20,570,727	2.05%
2008	848,638,685	822,982,107	96.98	(22,930,874)	800,051,233	94.27	12,156,570	1.43
2007	808,175,965	801,178,612	99.13	(8,146,428)	793,032,184	98.13	14,118,766	1.75
2006	784,435,018	788,440,342	100.51	1,053,372	789,493,714	100.64	16,757,606	2.14
2005	793,578,688	797,622,605	100.51	(2,576,941)	795,045,664	100.18	31,022,367	3.91

Table 20
Tax Rates and Tax Levies, by Purpose

Fiscal	General County (including Education)		Transit		State		Total	
Year	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2009	$0.661	$1,003,679,078	$.040	$60,562,706	$.112	$177,929,853	$0.813	$1,242,171,637
2008	0.627	848,638,685	.058	78,263,664	.112	160,027,167	0.797	1,086,929,516
2007	0.624	808,175,965	.053	68,439,347	.112	141,503,123	0.789	1,018,118,435
2006	0.679	784,435,018	.042	50,359,821	.132	146,071,317	0.853	980,866,156
2005	0.734	793,578,688	.044	47,407,995	.132	130,281,662	0.910	971,268,345

Note: Rates are per $100 of assessed value. Tax rates shown are for real property only, and tax levies are based upon a 100% of full cash value assessment. The personal property rate for General County was $1.652 in FY09, $1.567 in FY08, $1.560 in FY07, $1.698 in FY06, and $1.835 in FY05; the personal property rate for Transit was $.100 in FY09, $.145 in FY08, $.133 in FY07, $.105 in FY06, and $.110 in FY05 (the State does not tax personal property).

Table 21
Ten Highest Commercial Property Taxpayers' Assessable Base
As of June 30, 2009

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	$ 690,226,160	$ 7,717,700	$ 682,508,460	0.43%
Verizon – Maryland	680,681,930	33,066,700	647,615,230	0.42
Westfield Shoppingtown Montgomery	396,142,869	395,637,599	505,270	0.24
Washington Gas Light Co.	230,268,250	--	230,268,250	0.14
7501 Wisconsin Ave. LLC	226,841,666	226,841,666	--	0.14
Camalier, Anne D et al, Trustee	220,531,312	220,531,312	--	0.14
Federal Realty Investment Trust	213,390,806	211,854,546	1,536,260	0.13
Democracy Associates	207,114,900	207,114,900	--	0.13
Chevy Chase Land Co.	201,846,132	201,846,132	--	0.12
Westfield Shoppingtown Wheaton	188,065,412	187,096,732	968,680	0.12
Total	$ 3,255,109,437	$1,691,707,287	$1,563,402,150	2.01%
Assessable Base (June 30, 2009)	$162,053,662,492			

Sources: State of Maryland, Department of Assessments and Taxation, and Montgomery County Department of Finance, Division of Treasury.

Impact Tax

Significant development is occurring throughout Montgomery County, placing great demands on the County to provide for transportation improvements, public schools and other public facilities. Effective March 1, 2004, and pursuant to Articles VII and XII of Chapter 52 of the Montgomery County Code ("Development Impact Tax for Transportation Improvements," and "Development Impact Tax for Public School Improvements," respectively), nearly all new residential development within Montgomery County is required to pay impact taxes. These impact taxes are a means of transferring a share of the costs of additional transportation improvements and additional classrooms in public schools to the new development that is primarily responsible for creating these needs. The tax is imposed prior to the issuance of a building permit.

The original impact tax law was enacted in 1990, was applied for transportation improvements only, and affected two outlying geographic areas of the County: Germantown, in the northern section of the County, and an eastern section of the County. The law was amended in 2001 to add another northern section of the County (Clarksburg), and again in 2002 to extend the impact tax for transportation improvements to the remainder of the County. Amendments in 2004 added the schools impact tax, and 2007 amendments (effective during FY08) substantially increased tax rates.

The following table illustrates impact tax collections over the last 13 years.

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Table 22
Impact Tax Collections

Fiscal Year	Transportation Impact Tax	Schools Impact Tax
2009	$ 2,398,310	$7,925,495
2008	9,743,841	6,766,534
2007	11,501,000	9,563,000
2006	6,252,000	6,960,000
2005	8,471,000	7,695,000
2004 (1)	5,245,000	435,000
2003 (2)	1,790,000	--
2002 (3)	1,990,000	--
2001	3,100,000	--
2000	990,000	--
1999	1,400,000	--
1998	1,020,000	--
1997	1,280,000	--

(1) added Schools Impact tax
(2) added County area
(3) added Clarksburg area

DEMOGRAPHICS

Population

The population of the County, according to the 2000 Census, was 878,683, an increase of 15.7 percent since the 1990 Census. The Maryland-National Capital Park and Planning Commission (M-NCPPC) population estimate shows 966,000 for the County by July 1, 2010.

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Table 23
Households and Population

	Households	Population	Population Percent Change from Prior Census
2010	362,000	966,000	9.9%
2008	356,400	949,591	8.1
2007	355,425	941,491	7.1
2006	352,200	936,070	6.5
2005	347,000	930,286	5.9
2004	337,838	923,094	5.1
2003	336,613	917,160	4.4
2002	334,500	908,233	3.4
2001	329,000	894,878	1.8
2000 (U.S. Census)	324,565	878,683	15.7
1990 (U.S. Census)	283,400	759,600	31.2
1980 (U.S. Census)	207,195	579,053	10.8
1970 (U.S. Census)	156,674	522,809	53.3
1960 (U.S. Census)	92,433	340,928	107.4
1950 (U.S. Census)	45,264	164,401	--

Note: Data for total population for 2001 to 2007 from the Bureau of Economic Analysis, U.S. Department of Commerce. Data for 2008 and 2010 from the Maryland-National Capital Park and Planning Commission, Research and Technology Center, Round 7.2A Cooperative Estimates (July 2009). Data for households for 2001 and 2002 from *Sales and Marketing Management* issues of "Survey of Buying Power." Data for households in 2003 to 2004 from the American Community Survey, Bureau of the Census, U.S. Department of Commerce, and household data for 2005 through 2010 derived from the Demographic Forecast Model from M-NCPPC (Round 7.2A).

Table 24
Median Age

	1950	1960	1970	1980	1990	2000
Median Age	29.5	28.1	27.9	32.1	33.9	36.8

Sources: U.S. Bureau of the Census and M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center, revised May 2001.

Employment

The County's economic structure reveals a diversified economy with a strong service sector. The total private sector (trade, information services, financial activities, professional services, education and health, and hospitality) employed 82.4 percent of the total workforce in 2008, the latest available annual data. The following tables present the County's employment by industrial sector.

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Table 25
Payroll Employment

	1990	2000	2008
TOTAL PRIVATE SECTOR	307,490	365,022	377,035
PUBLIC SECTOR EMPLOYMENT:			
Federal	42,713	39,615	41,543
State	1,634	1,100	1,080
Local	27,011	33,084	37,860
TOTAL PUBLIC SECTOR	71,358	73,799	80,483
GRAND TOTAL	378,848	438,821	457,518

Notes: The following groups are excluded from the payroll count: federal military, self-employed, railroad workers, and domestic employees.

Payroll employment represents the total number of jobs covered by the Maryland unemployment insurance program.

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Table 26
Payroll Employment Shares by Industry

.	1990	2000	2008
TOTAL PRIVATE SECTOR	81.2%	83.2%	82.4%
PUBLIC SECTOR EMPLOYMENT:			
Federal	11.3	9.0	9.1
State	0.4	0.3	0.2
Local	7.1	7.5	8.3
TOTAL PUBLIC SECTOR	18.8	16.8	17.6
GRAND TOTAL	100.0%	100.0%	100.0%

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Due to reclassification by the Bureau of Labor Statistics, U.S. Department of Commerce, of private-sector industrial categories from the U.S. Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) beginning with the 2001 employment statistics, there is no longer a historical comparison available within the private sector employment categories for years prior to 2001. The table below provides a comparison of the payroll employment data for 2007 and 2008 based on the new classification system.

Table 27
Payroll Employment
(NAICS Series)*

	2007	2008	Difference	Percent Change
TOTAL PRIVATE SECTOR	380,492	377,035	(3,457)	-0.9%
GOODS-PRODUCING	45,818	43,835	(1,983)	-4.3
Natural Resources and Mining	806	873	67	8.3
Construction	30,449	28,503	(1,946)	-6.4
Manufacturing	14,563	14,459	(104)	-0.7
SERVICE PROVIDING	334,002	332,608	(1,394)	-0.4
Trade, Transportation, and Utilities	62,631	61,075	(1,556)	-2.5
Information	14,089	14,335	246	1.7
Financial Activities	35,371	34,312	(1,059)	-3.0
Professional and Business Services	103,189	102,413	(776)	-0.8
Education and Health Services	58,983	60,422	1,439	2.4
Leisure and Hospitality	37,614	38,133	519	1.4
Other Services	22,125	21,918	(207)	-0.9
UNCLASSIFIED	672	592	(80)	-11.9
PUBLIC SECTOR EMPLOYMENT	78,854	80,483	1,629	2.1
Federal Government	40,319	41,543	1,224	3.0
State Government	1,066	1,080	14	1.3
Local Government	37,469	37,860	391	1.0
GRAND TOTAL	459,346	457,518	(1,828)	-0.4

- North American Industrial Classification System.

During first nine months of 2009, the County's unemployment rate averaged 5.3 percent. The following table presents the County's labor force, employment and unemployment for the calendar years 1998 through 2008, and annualized data based on the first nine months of 2009.

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Table 28
Montgomery County's Resident Labor Force
Employment & Unemployment*

	Labor Force	Employment	Unemployment	Unemployment Rate
2009**	510,506	483,358	27,148	5.3%
2008	513,649	497,249	16,400	3.2
2007	512,709	499,017	13,692	2.7
2006	514,163	499,724	14,439	2.8
2005	505,692	489,940	15,752	3.1
2004	497,204	481,248	15,956	3.2
2003	496,223	479,675	16,548	3.3
2002	496,101	478,782	17,319	3.5
2001	490,213	475,049	15,164	3.1
2000	489,050	476,197	12,853	2.6
1999	478,946	470,018	8,928	1.9
1998	472,944	462,620	10,324	2.2

Source: State of Maryland, Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics (BLS).

- Data for 2003 through 2007 were revised by DLLR and BLS to incorporate intercensal population controls for 2000.

** Based on the rate of change in the averages of the first nine months of 2008 and 2009.

Federal Government Employment

The County is home to 23 Federal agencies in which nearly 69,000 civilians are employed, including a significant number of non-Federal employees working as consultants or researchers. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment in 2008.

Department of Health and Human Services	39,979
National Institutes of Health	
Food and Drug Administration	
Other	
Department of Defense	14,709
Naval Medical Command	
National Geospatial Intelligence Agency	
Walter Reed Army Medical Center/Institute of Research	
Naval Surface Warfare Center	
Army Laboratory Center	
Other	
Department of Commerce	8,749
National Oceanic & Atmospheric Administration	
National Institute of Standards & Technology	
Nuclear Regulatory Commission	2,972
Department of Energy	2,070
Consumer Product Safety Commission	338

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center (2008 data).

Private Sector Employment

There are several thousand private sector employers in Montgomery County. Below is a listing of some of the County's largest employers.

Name of Firm	Est. No. of Employees
Lockheed Martin	7,000
Adventist Healthcare*	6,911
Marriott International, Inc. (Headquarters)	3,957
Giant Food Corporation	3,816
Holy Cross Hospital	3,200
International Business Machines (IBM)	2,750
Clark Enterprises	2,450
Government Employees Insurance Company (GEICO)	2,243
Westat, Inc.	2,000
Discovery Communications, Inc.	1,669
Chevy Chase Bank (Headquarters)	1,600
MedImmune/Astra Zeneca	1,500
Suburban Hospital	1,400
Hughes Communications, Inc.	1,310
B.F. Saul Co.	1,301
Montgomery General Hospital	1,273
GXS, Inc.	1,100

*Includes Shady Grove and Washington Adventist Hospitals

Note: The employee numbers listed are best estimates taken during the Spring of 2009 from various sources, including first-hand research by the County's Department of Economic Development, and Dun & Bradstreet's online database.

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Personal Income

Actual personal income of County residents reached $63.6 billion in calendar year 2007 and is estimated to total approximately $65.3 billion in 2008 and $67.1 billion in 2009. Income in 2007 experienced a growth rate of 6.9 percent, greater than the nation's growth rate of 5.6 percent, and higher than the State's rate at 6.2 percent. By contrast, growth in 2008 is estimated to increase 2.7 percent then accelerate to 2.8 percent in 2009, which is well below the eight-year (2000-2007) annual average growth rate of 5.5 percent. The decline in resident employment (2.8%) for the first nine months of 2009, the latest date for which data are available, compared to the same period in 2008 is the primary reason for the estimated deceleration in personal income growth.

The County, which accounts for just over 16.5 percent of the State's population, is expected to account for 24.9 percent of the State's total personal income in 2009, which is one percentage point above the previous nine year average of 23.9 percent.

Table 29
Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2009 (est.)	$67,100	$269,067	$12,028,400	24.9%
2008 (est.)	65,300	270,924	12,238,800	24.1
2007	63,574	261,115	11,894,100	24.3
2006	59,458	245,879	11,268,100	24.2
2005	55,807	232,950	10,485,900	24.0
2004	51,907	220,127	9,937,200	23.6
2003	48,534	205,737	9,378,100	23.6
2002	47,042	198,823	9,060,100	23.7
2001	45,538	191,657	8,883,300	23.8
2000	43,575	181,957	8,559,400	23.9

Notes: Actual data from U.S. Department of Commerce, Bureau of Economic Analysis, revised May 2009 (County, State, U.S.).
Estimates for Montgomery County (2008-2009) by Montgomery County Department of Finance.
Estimates for Maryland (2009) by State of Maryland, Bureau of Revenue Estimates, and the United States (2009) by the Montgomery Department of Finance based on 2008-2009 quarterly data through 2009.

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Average Household and Per Capita Personal Income

The County's total personal income reached $63.6 billion in calendar year 2007, up from a $59.5 billion in 2006, and per capita income is expected to reach $69,300 in 2009, up from $67,525 in 2007. Average household income is expected to increase from $178,867 in 2007 to approximately $184,900 in 2009.

Table 30
Per Capita and Average Household Income, 2007

County	Per Capita Income	County	Average Household Income
Marin, CA	$91,483	Marin, CA	$226,746
Fairfield, CT	81,576	Fairfield, CT	224,336
Westchester. NY	74,878	Westchester, NY	212,075
San Mateo, CA	71,753	Somerset, NJ	202,496
Morris, NJ	71,713	San Mateo, CA	200,302
Somerset, NJ	70,949	Morris, NJ	199,115
Arlington, VA	68,270	Nassau, NY	196,324
Fairfax, VA	67,909	Fairfax, VA	192,519
Montgomery, MD	**67,525**	Bergen, NJ	180,211
Bergen, NJ	67,125	**Montgomery, MD**	**178,867**
Collier, FL	63,276	Santa Clara, CA	178,817
Nassau, NY	62,981	Lake, IL	170,482
Norfolk, MA	62,129	Rockland, NY	168,630
Montgomery, PA	62,086	Collier, FL	164,965
Santa Clara, CA	60,107	Howard, MD	163,346
Howard, MD	59,240	Norfolk, MA	162,466
Palm Beach, FL	59,147	Montgomery, PA	161,085
Middlesex, MA	58,777	Chester, PA	160,963
Chester, PA	58,130	Loudoun, VA	156,241
Lake, IL	56,456	Douglas, CO	155,125

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 200,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business", May 2009, for total personal income and per capita data; the Department of Finance used data from the U.S. Department of Commerce, Bureau of the Census, *American Community Survey* for 2007, for the number of households in each county.

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ECONOMY

Agriculture

Agriculture in Montgomery County is a diverse industry that occupies about one-quarter of the County land area. The County's agriculture industry contributes over $243 million to the local economy. Over $84 million comes from the County's thriving equine industry, about $126 million from horticulture, and $33 million from traditional agriculture. There are more than 561 farms and 350 horticultural enterprises in the County. The majority of farms are family-run operations, most having been in the same family for several generations. The industry as a whole employs more than 10,000 residents.

Preservation of rural land for agricultural use is a high priority in the County. Farmland preservation efforts consist of a variety of strategic programs offered by the County and State. The County received a total of $19.3 million in Rural Legacy Program grant awards.

Since its creation in 1980, the 93,000 acre Agricultural Reserve controlled farmland development in the County. There are approximately 70,000 acres of farmland in the Reserve, and another 20,000 acres within the Reserve are publicly owned (parkland) or previously developed land (rural villages). Currently, Montgomery County is ranked second nationally in acres of farmland protected through easements (70,832 acres), and has the highest percentage of land in farms preserved in the nation (94 percent).

In 1980, 60 percent of the farmland in the Agricultural Reserve was owned by speculators. Through farmland preservation programs this trend was significantly reduced as more farms are now owned and operated by farmers.

Farmers and landowners can choose from seven separate agricultural land preservation programs. Each of these programs places an easement on the property that prevents future commercial, residential or industrial development of the land. These programs include:

Montgomery County Agricultural Easement Program (AEP)
Maryland Agricultural Land Preservation Foundation (MALPF)
Maryland Environmental Trust (MET), and other private trust organizations
Montgomery County Transferable Development Rights Program (TDR)
Montgomery County Rural Legacy Program (RLP)
Montgomery County Legacy Open Space (LOS)
Conservation Reserve Enhancement Program (CREP)

The Department of Economic Development-Agricultural Services Division supports retail and wholesale agricultural marketing programs, such as the County-sponsored farmer's markets and annual farm tour, and promotion of wholesale and cooperative marketing. The Division also provides programs and technical assistance for farmers; these initiatives include Fuel-Energy Tax Relief, Deer Donation Program, Weed Control Services, Agricultural Product and Farm Logo Program, and many more.

Federal Spending

Federal spending remains an important contributor to the Washington area's economy. According to a George Mason University study, total Federal spending accounts for nearly a third of the metropolitan Washington gross regional product. The success of the region's economy is closely linked to the Federal economy, and the Federal government remains, either directly as an employer or indirectly through Federal spending, the primary source of regional economic growth.

The importance of Federal spending in the Washington metropolitan region, and particularly in Montgomery County, is exhibited in the percent of total Federal spending targeted to the Washington MSA. While total Federal spending in Federal fiscal year (FFY) 2008 amounted to $2,793 billion nationwide, the Washington MSA received

$136.1 billion, a 4.9 percent share. Montgomery County received $17.1 billion, a 0.6 percent share of the total Federal spending and 12.5 percent of the region's share. While growth in total Federal spending is robust for all categories, by far the strongest growth is in procurement. As the table below shows, this category grew 10.6 percent annually nationwide since 1999, 11.4 percent for the Washington MSA and 10 percent for the County. These data also show that Federal procurement spending in Montgomery County achieved significant gains in that period, closely tracking growth in the region as a whole. Approximately $17.1 billion in total Federal spending in Montgomery County is estimated to represent approximately 26 percent of total personal income for the County as the Federal government boosts economic activity through salaries and wages, transfer payments, and purchases of goods and services with the County's private sector industries. Federal procurement for the County reached $8 billion in FFY08, an increase of 21.2 percent, which, based on available data, was the highest level for the County to date and considerably higher than the Washington region (16.5%) and national (16.8%) growth rates.

Table 31
Federal Procurement Trends
1997 – 2008*
($ billions)**

Federal Fiscal Year	Montgomery County	Washington MSA	U.S.
2008	$8.0	$69.3	$514.2
2007	6.6	59.5	440.4
2006	7.8	57.4	408.7
2005	7.7	54.6	381.0
2004	7.5	52.8	339.7
2003	5.7	44.2	327.4
2002	5.0	37.3	271.0
2001	3.9	32.3	246.2
2000	3.8	29.2	223.3
1999	3.4	26.2	208.1
Average Annual Percent Change 1999-2008	10.0%	11.4%	10.6%

• Federal fiscal year (October 1 through September 30).
** Amounts shown in current dollars (not adjusted for inflation).
Source: U.S. Bureau of the Census, Consolidated Federal Funds Report, FY 1999-2008.

New Construction

Between FY99 and FY02, the number of new construction projects increased each year at an average annual rate of 13 percent. At the same time, the value of new construction added to the real property tax base increased at an average rate of 9 percent per year. However, such increases in new construction were not sustained from FY02 to FY09. In fact, two entirely different patterns occurred. The total number of projects declined steadily at an annual average rate of 23.5 percent. Conversely, the value of new construction between FY02 and FY05 increased from $1.5 billion in FY02 to nearly $1.7 billion in FY05, an annual average increase of 3.4 percent. Since that time, the value of new construction declined from $1.7 billion in FY05 to slightly more than $1.4 billion in FY09, an average annual decrease of 4 percent. While each category within the tax base exhibited volatility from year to year, such volatility did not affect the growth in new construction between FY00-FY05. However, because of the decline in the construction of apartments and commercial/industrial properties beginning in FY06, the combined total non-inflation adjusted value of all new construction during those fiscal years were at their lowest levels since FY02.

Table 32
New Construction Added to Real Property Tax Base
Montgomery County
($ millions)

Fiscal Year	Construction Starts	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2009	738	$ 724.1	$ 5.8	$ 455.4	$ 229.5	$ 0.0	$ 1,414.8
2008	952	882.7	25.8	318.5	256.6	0.0	1,483.6
2007	985	1,040.1	22.9	211.4	312.6	19.5	1,606.5
2006	1,580	978.3	41.2	132.9	384.6	4.8	1,541.8
2005	2,077	874.2	82.5	121.2	588.4	1.7	1,668.0
2004	2,758	892.4	21.0	176.4	559.1	3.0	1,651.9
2003	4,062	1,023.5	49.9	133.2	426.9	1.2	1,634.7
2002	4,807	896.1	19.4	70.8	520.7	1.3	1,508.3
2001	4,555	878.5	53.7	88.2	276.0	4.4	1,300.8
2000	4,038	843.4	93.8	108.4	233.6	7.5	1,286.7
10-Year Summary		$9,033.3	$416.0	$1,816.4	$3,788.0	$43.4	$15,097.1
Categories as Percent of Total		59.8%	2.8%	12.0%	25.1%	0.3%	100.0%

Notes: Property assessed at full cash value effective in FY2002 with prior years adjusted to full cash value.
Construction starts for fiscal year 2006 are revised.

Source: Dodge Analytics, McGraw-Hill Construction, and Maryland State Department of Assessments and Taxation.

Development Districts

In 1994, the County Council enacted the Development District Act, which allows the County to create development districts and to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or acquisition of infrastructure improvements. The proceeds of development district bonds are used to fund certain road, park, and sewer infrastructure improvements supporting development within the districts.

As a result of a petition by property owners and the subsequent review and analysis of the feasibility of the proposed development district, the County Council, in January 1998, created the County's first development district, West Germantown. A second district, Kingsview Village Center, was created on July 28, 1998.

In separate actions in September 2000 and October 2001, the County Council approved resolutions initiating evaluation of three proposed new development districts located in Clarksburg: Clarksburg Town Center, Clarksburg Village and Clarksburg Skylark (currently marketed as Arora Hills). The Clarksburg Town Center development district was created on March 4, 2003. Bonds have not yet been issued for Town Center.

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Economic Development Initiatives

In an effort to stimulate employment growth and new investment, the County initiates programs and promotes the strengths of each of its local employment centers.

Technology Corridors

The I-270 Technology Corridor is an internationally recognized life sciences and advanced technology center. It is home to over 1,000 biotechnology and advanced technology companies, including Human Genome Sciences, Lockheed Martin, MedImmune/Astra-Zeneca, IBM and Hughes Network Systems. The corridor continues to grow with over 20 million square feet of additional commercial and industrial development in the pipeline.

In June 2009, the JBG Companies received approval from the Montgomery County Planning Board to pursue a second phase of development at Fishers Place at Twinbrook Metro. It is part of an office park that has already delivered four office buildings to the Twinbrook area in Rockville. The first approved addition for Fishers Place at 12709 Twinbrook Parkway will be a four-story, 72,330 square foot, Class A office building built in two phases. The second and final office addition, at 5615 Fishers Lane, will include 111,000 square feet of office and a micro-retail space. Fishers Place will be part of JBG Companies' development projects under way near Twinbrook Metro. The company partnered with the Washington Metropolitan Area Transit Authority to transform 26 acres of Twinbrook Metro parking lots into 325,000 square feet of office space, 220,000 square feet of retail, 1,595 apartments and condominiums, and 15 percent of which will be affordable housing.

The U.S. Route 29 Corridor in eastern Montgomery County continues its steady transformation into the County's other major technology and business center, with more than 100 major employers. The $900 million FDA Headquarters Consolidation project is underway, occupying 130 acres of the 660-acre Federal Research Center in White Oak. The new FDA campus will include over 2.1 million square feet of office, lab and support facilities. There are already over 4,500 FDA employees located on the campus, which will house up to 9,000 total employees by project completion in 2010.

Recognizing the economic importance of such a large Federal user like the FDA, the County is planning a new Science and Technology Center on a 115-acre site just northeast of the FDA campus. The East County Center for Science and Technology will feature 800,000 square feet of development, including laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter facility, and several build-to-suit sites.

Adventist Healthcare is planning to build a 803,570 square foot hospital complex on a vacant 50-acre parcel in the White Oak/Calverton area. The new hospital facility will be built in two phases with four overlapping sub-phases. The first phase will involve construction of the even-story, 500,083 square foot main hospital building and an emergency room. A two-story, 60,888 square foot ambulatory care building will be connected with the main facility via an enclosed pedestrian bridge. With these primary facilities completed, Adventist Hospital will construct a ground-level helipad, two 100,000 square foot medical office buildings, a 9,264 square foot multi-denominational "Faith Center," and a lakefront "Healing Garden." A grand opening for the new facility is scheduled for 2013.

Central Business Districts

The County is committed to promoting new investment in its Central Business Districts (CBD). The County's four CBDs are Silver Spring, Wheaton, Bethesda, and Friendship Heights, and are served by the region's longest extensions of the Metrorail system. The CBDs are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations.

Downtown Silver Spring

Since 1998, the State and Montgomery County invested a total of over $186 million in the redevelopment of downtown Silver Spring. Downtown Silver Spring transformed into a vibrant business, retail and entertainment hub with the American Film Institute (AFI) and Discovery Communications leading the way.

Through a public-private partnership with developer Foulger Pratt, the downtown Silver Spring project has over 500,000 square feet of retail, restaurant, and entertainment space, 228,931 square feet of office space, a hotel, a community facility, and two new parking garages. The first phase was completed in 2000, and features 100,000 square feet of retail space, including Whole Foods Market and Strosniders Hardware. In 2001, the project was expanded to include additional neighborhood serving retail and services.

Since 2004, an array of new restaurants and shops were added as new sections were completed, including Borders Books and Music, Red Lobster, Panera Bread, Austin Grill, Pier 1, Men's Wearhouse, Ann Taylor Loft, Starbucks, Washington Sports Club, and the Maryland Youth Ballet. The Majestic 20 movie theater with its 20 screens and 4,500 seats has, along with AFI, made downtown Silver Spring a significant entertainment destination. Each year the AFI Silver Theatre and Discovery Communications co-sponsor the Silverdocs international documentary film festival which attracts an estimated 20,000 people.

United Therapeutics, an innovative locally grown biotech company, completed construction on the second phase of its headquarters/research/laboratory campus in downtown Silver Spring. Construction is under way for a new Civic Building and Veterans Plaza, which will include an ice skating rink. The County's Silver Spring Regional Center will be based in this 42,000 square foot civic building. Round House Theater School will occupy the lower level. Through an innovative public-private partnership, a Fillmore concert hall operated by Live Nation, the largest producer of live concerts in the world, is slated to open in 2011, in the former JC Penney's building. Willco Companies is developing a 13-story, 190,000 square foot, Class A office building at the corner of Georgia Avenue and Colesville Road.

Elsewhere in the Silver Spring CBD, the Takoma Park/Silver Spring campus of Montgomery College is in the final stages of a $96 million expansion that extended the campus into the heart of south Silver Spring. New buildings include the 98,000 square foot Health Sciences Center, a Student Life Center, and a Cultural Arts Center. In addition, the College renovated a 180,000 square foot former Giant bakery to house an expanded art department and art studies. The first three phases of the Montgomery College expansion (the new Health Sciences Center, the new Student Activity Center, and the Cafritz Art Center) are complete. Phase 4 involves the Cultural Arts Center, which is under construction at the southeast corner of Georgia Avenue and Burlington Avenue. It will include a 509-seat, two-level theater, a 125-seat studio theater, classrooms, meeting rooms, and faculty and staff offices, and various support facilities.

A new $193.6 million Transit Center mixed-use development project, including retail, residential, hotel, and restaurants alongside an inter-modal transportation hub linking bus, rail, and other transportation services, is currently under construction. This expanded gateway to downtown Silver Spring is scheduled to be completed in 2011.

The 20,000 square foot Silver Spring Innovation Center, the second of five business incubators in the County's Innovation Network, opened in 2004, along with the State's new $18.4 million District Courthouse. A new $13.3 million fire station, which includes a satellite police station and the Silver Spring Urban District office, opened in 2006. Groundbreaking for the new 63,000 square foot Silver Spring Library is scheduled for the summer of 2010. The first phase of the work will relocate existing utilities that currently cross the site. The foundations and the building itself will start in the spring of 2011 and will complete in early 2013. The seven-story building will be multi-purpose, with the first two floors designed as an art center with a combination of functions such as classes, offices, and an art gallery. Floors 3, 4, and 5 will hold the library, and the 6^{th} floor is set aside for County offices. The top floor will hold meeting rooms for the library.

In addition to being a destination for work, entertainment, and shopping, downtown Silver Spring is established as a place where people are attracted to live. More than 5,000 units of rental housing provide a solid residential base for downtown Silver Spring. Since its grand opening in November 2008, the Portico at Silver Spring Metro leased more than 82 percent of the building's 151 units. Currently, 2,990 residential units are in various stages of planning. Specifically, the Silver Spring Gateway (by JBG Group) will have 468 condominium units in two towers, plus 55,000 square feet of retail space. On 13th Street and King Street, RST Development will build 241 residential units at the Galaxy. Phase 1 of this project will include a five-story building, but also recreation and public use space which adds up to 25,816 square feet of space for the public. Phase 2 of this project involves building 46 residential units; 101 residential units or 42 percent of the Galaxy's total residential units will be available as moderately priced dwelling units. Bonifant Plaza is a nine-story building with 72 new rental apartments, of which 12.5 percent of the units will be devoted to affordable housing.

Wheaton

The Wheaton Central Business District (CBD) Sector Plan is currently being updated and is expected to be presented to the County Council for adoption by mid 2010. Wheaton is both an Enterprise Zone and an Arts & Entertainment District. The sector plan will promote new transit-oriented "smart growth" development in downtown Wheaton. Such development will enhance Wheaton's strong retail base, which includes a newly renovated regional shopping mall (Westfield Wheaton), and over 300 locally owned and operated small businesses, including more than 80 restaurants. By capitalizing on the "Wheaton Marketplace", improving it further by attracting more arts-related entities, and encouraging more mixed-use development, the County seeks to enhance the urban character of the area.

Bozzuto Development Corp. and the Housing Opportunities Commission completed Metro-Pointe, a mixed-use residential/retail project situated near the existing Wheaton Transit Station Kiss-and-Ride lot. The 173 residential units (30 percent affordable housing) are 90 percent leased. Also included in this project are two retail spaces, totaling 3,500 square feet. Centex Homes partnered with John Laing Homes to build 190 units at "Leesborough" on Georgia Avenue. Centex has 54 townhouses, 45 condominiums, and 6 single family homes. Despite the economic downturn, 40 townhouses and 43 condominiums including 15 moderately-priced dwelling units were sold. John Laing Homes has not begun construction of their 85 units.

Georgia Crossing is a 32,000 square foot multi-use project with street-level retail and mezzanine-level office space. The second phase of Georgia Crossing was completed in early 2009. In early 2010, the County and the Washington Metropolitan Area Transit Authority will issue a joint request for qualifications from private developers for a public-private partnership for the transit-oriented development of 10 publicly owned sites (a total of about 11.7 acres) in the Wheaton CBD. The County-owned, triangular site (bounded by Georgia Avenue, Viers Mill Road, and Reedie Drive) will be redeveloped via a public and private partnership to create Wheaton Town Square, which is being envisioned as a new arts and retail destination. Safeway will double its 23,000 square foot store while remaining at 11201 Georgia Avenue. The newly developed Safeway will be LEED-certified, and will include 57,500 square feet of retail, 140 underground parking spaces, 500 apartment units on top of the store, and additional 411 residential parking spaces.

Bethesda

Downtown Bethesda is one of the County's major urban business and entertainment centers, with nearly 200 restaurants along with the density of both high-rise office and residential buildings. Downtown Bethesda is a thriving, 24/7 destination offering residents, visitors and its workforce multi-cultural dining, live theater, cinema, unique shops and numerous special events and festivals. Bethesda has a workforce of over 42,000 and includes employees who work for some of the region's largest and most notable employers, including Chevy Chase Bank, Clark Construction Group, CoStar Group, and American Capital Strategies.

In the past several years, Bethesda opened Round House Theatre, Imagination Stage, and Bethesda Row Landmark Theatre as marquee entertainment organizations that highlight classical plays, children's theatre, and independent and foreign films. The County also partnered with Nederlander World Wide to renovate the landmark Art Deco Bethesda Theater as a showcase venue for Broadway-caliber productions.

The Clarett Group is pursuing a 223,300 square foot new office and retail development at 4500 East West Highway. The nine-story Class A office building will feature 13,300 square feet of ground level retail, achieve a LEED silver certification, and dedicate 20 percent of the total space for public use. Safeway obtained approval from the Montgomery County Planning Board to demolish and rebuilding its store located at the corner of Bradley Boulevard and Arlington Road. The planned structure would replace the 1950's era, single-story, 25,568 square foot building with a modern, 43,097 square foot two-story building with elevated sales floor located above structured parking at and below the ground level. The store front will feature a revolving public art exhibit, orchestrated by the Bethesda Arts and Entertainment District.

Several new apartment buildings being planned are expected to add 1,497 new housing units in downtown Bethesda. Woodmont East is a large-scale, mixed use project that will feature one tower of office space and a second with 250 residential units and 9,000 square feet of retail. The JBG Companies received preliminary approvals from the Montgomery County Planning Board in May 2009 for this project. The United States Postal Service site at 7001 Arlington Road will be transformed into a four-story residential building with 105 residential units (14 affordable housing), approximately 7,000 square feet for a new USPS retail store, and 23,000 square feet of newly improved Bethesda Post Office. The Monty is a mixed-used project with 210 dwelling units (including 30 moderately priced dwelling units), and 7,700 square feet of retail space, 211 underground parking spaces, and public use space. Construction is expected to begin in early 2010 for the Edgemoor's 12 units of affordable housing on Hampden Lane near Arlington Road. The units will consist of an even split between one-bedroom rental apartments and studios. The site plan for Woodmont View was approved by the Montgomery County Planning Board in July 2009. The project calls for 46 two-bedroom condominium units, replacing the small office building on the corner of Battery Lane and Woodmont Avenue.

Friendship Heights

The Friendship Heights CBD is located at the Montgomery County-Washington, D.C. border with the Metrorail station at Wisconsin and Western Avenues at its center. Adjacent to the Friendship Heights CBD are multiple smaller jurisdictions and developments, including the Village of Friendship Heights special taxing district, the Town of Somerset, the Brookdale neighborhood, and the Somerset House complex.

The Friendship Heights area has the first top-tier luxury shopping center on the east coast outside of New York City. The Collection at Chevy Chase, part of the Chevy Chase Center mixed-used development, is a 112,000 square foot project facing Wisconsin Avenue developed and managed by The Chevy Chase Land Company of Montgomery County, Maryland. The Collection brought retailers such as Christian Dior, Jimmy Choo and Barney's New York Co-op to this area for the first time. Tiffany & Company, Georgette Klinger, and Cartier have been in Chevy Chase for many years and moved down the street to join Collection tenants such as Bulgari, Ralph Lauren, Gucci, Max Mara, and Louis Vuitton.

The second component of Chevy Chase Center is 100,000 square feet of neighborhood-oriented retail, anchored by Giant Food and Pharmacy, which was an original tenant of the Center when it was first developed in the 1950s. Other tenants include Clyde's Restaurant, Sushi Ko Restaurant, Lacoste, Potomac Pizza, Giffords Ice Cream, and many other familiar area and national retailers.

The third component of the project is the 200,000 square foot office tower, which was originally leased in its entirety by The Mills Corporation in 2006. Mills subsequently filed for bankruptcy and put the entire building on the market for sublease, and the space was immediately backfilled by such tenants as New Enterprise Associates, American Capital Strategies, Choice Hotels, Columbia Partners and The Travel Channel. Additional tenants moved into this building in 2009, including Arlington Capital Partners and Blackstreet Capital. DHR International is scheduled to move into the building in 2010.

The latest project in Friendship Heights is Wisconsin Place, a one million square foot mixed-used development on Wisconsin Avenue. Wisconsin Place consists of 305,000 square feet of retail (Bloomingdale's and Whole Foods are the anchor tenants), 432 luxury apartments, 295,000 square feet of office space, a 20,500 square foot community center and a 1,765 space underground parking garage. Capital Source occupies 161,000 square feet in the office component of Wisconsin Place. Wisconsin Place accounts for a significant portion of the development allowed in Friendship Heights under the Friendship Heights Sector Plan. The Plan originally allowed for a total of over 1.4 million additional square feet of office and retail space, and an estimated 635 dwelling units on the former Hecht's and adjacent Geico properties. One of the first major projects constructed in this Plan was the Chase Tower, a 240,000 square foot retail and office building delivered in November 2001. This luxury Class A tower is now home to the corporate headquarters for Ritz Carlton. Other tenants include Capital Trust and the JBG Companies.

Marriott opened, in July 2009, a new Courtyard hotel in Chevy Chase. The 226 room hotel located at 5520 Wisconsin Avenue is two blocks north of the Friendship Heights Metro near the DC border. The building is designed to meet the Gold LEED standard set by the U.S. Green Building Council, using low-VOC materials, solar-powered trash compactor, a reflective roof, and HVAC systems that do not use ozone-depleting refrigerants. Moreover, 100 percent of its energy will be provided from wind power through the use of renewable energy credits by purchasing energy through an alternative provider.

In June 2009, Microsoft's new 134,000 square foot office opened in Friendship Heights. The Chevy Chase location houses a portion of Microsoft's U.S. Public Sector division, educational division and Health Solutions Group, which is focused on health IT products and services. The new facility will ultimately house some 500 new and relocated employees

Existing Office/R&D/Commercial Space

As of November 2009, Montgomery County has over 137 million square feet of commercial real estate space (office, flex, R&D, industrial, retail). The weighted direct vacancy rate for the County rose since November 2008 from 7.03 percent to 8.8 percent.

Most of Montgomery County's office space is located along two "Technology Corridors", the I-270 corridor and the Route 29 corridor. The I-270 corridor includes the Bethesda, Rockville, Gaithersburg, and Germantown markets and features over 77 million square feet of commercial space. Notable buildings along the I-270 corridor include the 700,000 square foot Chevy Chase Bank headquarters in Bethesda, and the 260,000 square foot Tower Building in Rockville. The Route 29 corridor connects Silver Spring to Burtonsville and includes over 14 million square feet of commercial space. Discovery Communications' 550,000 square foot corporate headquarters in downtown Silver Spring is the signature building in the corridor. Also featured along Route 29 is the Westech Business Park, which includes over three million square feet of office, R&D, light industrial, and retail development.

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Table 33
Office/Flex/Industrial/Retail Space Availability by Major Submarkets
As of December 2009

Montgomery County Office Market	Total Inventory (Square Feet)	Direct Vacant (Square Feet)	Direct Vacancy Rate	Vacancy Rate w/ Sublet
Bethesda/Chevy Chase	16,697,301	811,898	4.86%	7.14%
Gaithersburg	20,794,255	2,032,939	9.78%	10.53%
Germantown	7,486,077	749,926	10.02%	11.03%
Kensington/Wheaton	7,722,863	324,226	4.20%	4.48%
North Bethesda/Potomac	17,023,969	2,020,061	11.87%	12.84%
North Rockville	22,585,376	2,519,247	11.15%	13.70%
North Silver Spring/Rt 29	8,437,916	535,698	6.35%	6.77%
Rockville	18,512,072	2,023,082	10.93%	11.84%
Silver Spring	14,019,549	889,642	6.35%	6.97%
Others*	4,608,364	223,241	4.84%	8.80%
Total County	137,887,742	12,129,960	8.80%	10.14%

Note: These figures are provided by CoStar Property, the County's source for commercial real estate information.
*Others include I-270 North, Outlying Montgomery County East, and Outlying Montgomery County West submarkets.

Office/Industrial Projects

Summary

Throughout 2009, Montgomery County continued to make significant progress developing two strategic Science and Technology Centers. Additionally, several private new office buildings and development projects were completed or started in 2009. Details on many of these projects appear below.

Public/Private Projects

East County Center for Science and Technology (ECCST)

The proposed 115-acre Site II development, also known as the East County Center for Science and Technology, is envisioned as a public-private partnership between the County and a yet-to-be selected private developer. The goal is to create a world-class life sciences, education and research campus that will be an economic engine in the eastern portion of the County, and complement nearby Federal agencies, including the consolidated FDA headquarters. Currently, the County is taking the property through the State's Voluntary Clean-Up Program, which will determine the type of environmental remediation that will need to occur prior to developing the site.

Montgomery College-Germantown Science and Technology Park

In early 2003, Montgomery College settled on the purchase of a 20-acre site adjacent to the College's Germantown campus. This property will be combined with 20 acres of existing undeveloped land on the campus to form a 40-acre site on which a one million square foot science and technology center will be constructed. The purchase of the 20-acre site was made possible by a total of $6.1 million in funding appropriations to the College from the State and County. The preliminary plan for the science and technology center calls for primarily high technology research and development space, with a focus on the life sciences, which will complement the biotechnology programs and curriculum already offered at the Germantown campus. The plan also calls for facilities for incubator "graduates" as well as space for mature biotech and high technology companies. Once built out, the center could be home to nearly 4,000 employees.

Montgomery County Business Innovation Network

The Montgomery County Business Innovation Network is a program of business incubator facilities that has successfully assisted start-up technology and professional services companies to grow and expand in the County since the first facility, The Maryland Technology Development Center (MTDC), opened its doors in 1998. To date, nearly 115 companies graduated from the County's incubators. The County opened a second incubator in 2004, called the Silver Spring Innovation Center (SSIC). The SSIC is nearly fully leased to start-up information technology facilities. The success and demand for the incubator program spurred the County to develop three additional incubators since the opening of the SSIC. The Wheaton Business Innovation Center (WBIC) opened in 2006, and the Rockville Innovation Center (RIC) opened in 2007. The latest addition to the incubator program is the Germantown Innovation Center (GIC), which opened in October 2008 adjacent to the campus of Montgomery College – Germantown. In addition, the County's sixth business incubator will be incorporated into the East County Center for Science and Technology project described above.

Private Real Estate Projects Delivered in 2009

The Summit at Washingtonian I, 9711 Washingtonian Boulevard, Gaithersburg

This eight-story structure delivered in September 2009 features a sleek, modern design and includes a two-story, wood-paneled atrium lobby, nine-foot ceiling heights and a fitness facility. The building was awarded pre-certification under the LEED for Core & Shell rating system by the U.S. Green Building Council.

The Summit at Washingtonian I includes 193,199 square feet of Class A office space. The building is within walking distance of The Washingtonian Center, which includes a significant retail base of shops, restaurants, hotels and theaters. GXS has signed a lease for 83,737 square feet and will occupy parts of the fifth floor and all of floors six through eight.

Twinbrook Place, 12501 Ardennes Avenue, Rockville

Twinbrook Place was delivered in October 2009, and contains 140,562 square feet of Class A office space. This 7-story building is located immediately across the street from Twinbrook Metro Station and in close proximity to the U.S. Department of Health & Human Services, U.S. Pharmacopoeia, FDA, and NIH. The building is registered for LEED certification with the U.S. Green Building Council

Phase III, 520 Gaither Road, Gaithersburg

This 139,120 square foot Class A office building was delivered in June 2009. The building is registered with the U.S. Green Building Council and is seeking LEED certification. Phase III is close to I-270 and the Shady Grove Metro Station. A mix of office, residential and retail development is slated for the campus, which will also feature dining options and a fitness center, as well as 13 acres of dedicated forest land. The entire space is leased to BAE Systems.

Building E, 12505 Park Potomac Avenue, Potomac

This building is part of 50-acre mixed-use development located at the intersection of I-270 and Montrose Road in Potomac. Delivered in June 2009, Building E has 174,000 square feet of Class A office space. Its first tenants include Shulman, Rogers, Gandal, Pordy, and Ecker, P.A., Willis of Maryland, Inc., and Smislova, Kehnemui & Associates.

Wisconsin Place (Office), 5404 Wisconsin Avenue, Bethesda

Delivered in June 2009, Wisconsin Place consists of 295,000 square feet of Class A office space. This is part of a planned mixed-use development with over 1 million square feet of space. The mix is estimated at approximately 305,000 square feet of retail and approximately 285,000 square feet of office space, and 400,000 square feet of residential space. The first tenants at Wisconsin Place (Office) are Microsoft Corporation and Capital Source.

Commercial Project Started in 2009

Seventh-day Adventist World Headquarters, 12501 Old Columbia Pike, Silver Spring

The Seventh-day Adventist Church is expanding its world headquarters in Silver Spring. This 24,000 square foot Class B office building is scheduled to be delivered early 2010. This building is fully leased and Hope Channel is scheduled to occupy 3,000 square feet.

New Business Additions and Expansions

Montgomery County's Department of Economic Development worked with over 550 companies in 2009 that were interested in expanding in or relocating to the County. The companies that signed commitments to locate or expand in Montgomery County in 2009 are projected to retain and create over 8,900 jobs, lease or construct over 1.8 million square feet of office space, and generate over $215 million in capital investment over the next three to five years. Some highlights of the Department's efforts in 2009 include:

International Baccalaureate Organization

Montgomery County attracted the Global Center for the Americas of the International Baccalaureate Organization (IBO). IBO is a non-profit education foundation based in Geneva, Switzerland and offers three programs of international education to students aged 3 to 19. IBO's programs are available through 2,511 IBO World Schools in 132 countries. IBO's Global Center for the Americas will assume the critical functions of IBO's offices in Canada and Argentina, consolidating IBO's entire operations in North and South America. IBO will place approximately 150 employees in full-time positions in the County within the next few years. IBO's Global Center for the Americas will occupy 40,000 square feet of space and the total number of its employees will grow to 300 by the end of 2020.

Microsoft Corporation

Microsoft Corporation opened its first location in Montgomery County at a new 134,000 square foot office in the heart of Chevy Chase in November 2009. The company's new Chevy Chase office houses a portion of its U.S. Public Sector and Health Solutions Group. The new facility will ultimately house some 500 new and relocated employees over the next few years.

Intrexon Corporation

Intrexon Corporation, a biotechnology company based in Blacksburg, Virgina, established an R&D facility in Montgomery County in September 2009. Its 18,000 square foot facility in Germantown employs 35 people. This facility will become the headquarters for Intrexon's Human Therapeutics Division.

RNL Biostar

RNL Biostar opened its new stem cell R&D and manufacturing facility in nearly 4,000 square feet at the Germantown Innovation Center in August 2009. The company plans to grow from six current employees to over 50 and occupy 20,000 square feet of commercial space within the next three years.

Aeras Global TB Vaccine Foundation

The Aeras Global TB Vaccine Foundation opened a state-of-the-art tuberculosis (TB) vaccine manufacturing facility in Rockville in May 2009. This facility is a BioSafety Level-2 facility, built to handle infectious agents. It has the capacity to fill 5,000 vials of vaccine per run and produce up to 200 million bulk doses on a new TB vaccine. This expansion project provided employment to over 130 people involved in the design and construction of the new manufacturing facility in a time of economic challenges.

Booz Allen Hamilton

Booz Allen Hamilton, a global strategy and technology consulting firm, announced that it will move into an additional 81,048 square feet of space at the Preserve at Tower Oaks in 2010. The company is already occupying 30,000 square feet of space at this location. This expanded facility will house 200 employees.

BAE Systems

BAE Systems announced that it will relocate its Silver Spring office to 140,000 square feet of space at King Farm in Rockville. This facility is part of the BAE Systems Support Solutions line of business. The 400 employees from this office provide engineering and other services primarily to the U.S. Navy. Montgomery County also houses BAE Systems Inc.'s headquarters at Research Boulevard in Rockville.

Retail Sales

Retail sales measured by sales tax data collected for the first nine months of 2009, declined in Maryland and Montgomery County based on adjusted data for the rate increase. Compared to the prior year, when retail sales in the County declined 4.1 percent, sales declined 7.5 percent during the first nine months of 2009 compared to the same period in 2008, showing the effect of the slowdown in housing sales (purchases of furniture and appliances declined 23.4 percent and purchases of building and industrial supplies were down 17.9 percent). Purchases of nondurable goods decreased 3.8 percent during the first nine months of 2009 compared to the same period in 2008. With consumer confidence during this nine-month period down 33.8 percent for the region compared to the same nine-month period in 2008, retail sales are traditionally one of the first indicators to reflect changes in consumer behavior.

Retail sales in Montgomery County reflect a slightly different spending pattern compared to the State. After retail sales in the County improved in the past few years, growing 6 percent (1999) and 7 percent (2000), with growth in 2000 reaching a six-year high, the growth rate declined to 3.8 percent in 2001, increased a modest 0.9 percent in 2002, grew 4 percent in 2003, and a robust 6.7 percent in 2004, then moderated to 5 percent in 2005 and moderated further to 3.5 percent in 2006, and a mere 0.1 percent in 2007. The slowdown in 2008 was attributed to decreases in furniture and appliances (18.5%) and building and industrial supplies (11.4%). Purchases of nondurable goods increased 0.7 percent and were attributed mainly to sales of food and beverage products and utilities and transportation.

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Table 34
Sales & Use Tax Receipts
by Principal Business Activity

	Montgomery County						Maryland	
	2007		2008		Jan.-Sept. 2009		Jan.-Sept. 2009	
	Pct. Chg.(1)	Share of Total	Pct. Chg.(2)	Share of Total	Pct. Chg.(3)	Share of Total	Pct. Chg.(3)	Share of Total
Food and Beverages	4.1%	24.9%	0.3%	26.3%	0.6%	28.7%	1.6%	23.3%
Apparel	3.9	6.4	-3.0	6.3	-7.2	6.3	-4.5	4.8
General Merchandise	1.1	17.7	-0.6	17.2	-8.7	17.0	-3.7	17.5
Automotive	-0.7	7.5	-7.1	7.6	-2.3	8.0	-6.4	6.7
Furniture & Appliances	-8.8	8.1	-18.5	7.0	-23.4	5.8	-14.2	9.1
Building & Industrial Supplies	-15.2	9.8	-11.4	9.6	-17.9	8.5	-18.1	12.2
Utilities & Transportation	7.6	8.5	7.3	9.7	-4.8	9.9	-6.4	10.4
Hardware, Machinery & Equipment	3.5	1.4	-8.1	1.4	-9.6	1.3	-12.3	2.5
Miscellaneous	1.3	14.7	-6.2	14.3	-9.0	14.1	-10.0	13.1
Other	73.1	1.0	-35.6	0.6	-46.2	0.4	-1.9	0.4
Total Retail Sales Tax	0.1%	100.0%	-4.1%	100.0%	-7.5%	100.0%	-7.2	100.0%

(1) Percent change between 2006 and 2007.
(2) Percent change between 2007 and 2008 adjusted for rate change.
(3) Percent change between the period January through September 2008, and the same period in 2009.

Source: Maryland Comptroller of the Treasury, Revenue Administration Division.

Major Retail Centers

Montgomery County is served by four regional shopping malls. They are Lakeforest Mall in Gaithersburg, Westfield Shoppingtown Montgomery in Bethesda, Westfield Shoppingtown Wheaton in Silver Spring, and White Flint Mall in North Bethesda.

Lakeforest Mall, located along Maryland Route 355 and Montgomery Village Avenue near I-270, opened in 1978. This 1.1 million square foot mall features over 160 stores, including four major department stores: Macy's, JC Penney, Lord & Taylor, and Sears Roebuck & Co.

Westfield Shoppingtown Montgomery, formerly known as Montgomery Mall, opened in 1968, and covers 1.6 million square feet of space. It features Nordstrom, Macy's, Macy's Home Store, Sears Roebuck & Co., 190 other stores, three parking garages, and is served by a Montgomery County Transit Center.

Westfield Shoppingtown Wheaton, formerly known as Wheaton Plaza, is located adjacent to the Wheaton Metro Center at the intersection of Georgia Avenue and Veirs Mill Road in the Wheaton CBD. This was the County's first shopping mall (opened in 1960) and was enclosed and remodeled in 1987. JC Penney, Macy's, and Target anchor the mall, which includes 206 other stores.

White Flint Mall, which is located east of Rockville Pike in North Bethesda close to the White Flint Metro Station, opened in 1977 and features three enclosed levels, luxury department stores such as Lord & Taylor and Bloomingdale's, plus 94 other stores. The 900,672 square foot mall also features a five-auditorium cinema, an office center with professional space, numerous kiosks and specialty pushcarts and a Border's Bookstore.

COUNTY GOVERNMENT SERVICES

Human Resources

The County government employs approximately 8,525 full- and part-time employees. Approximately 6,560 employees are in bargaining unit positions and are represented by one of the three labor organizations that are certified under County law to bargain over the wages, fringe benefits, and working conditions of bargaining unit employees. The table below summarizes the current status of County labor agreements.

Table 35
County Bargaining Units

Bargaining Unit	Number of Employees	Contract Expiration Date
Service, Labor & Trades (MCGEO)	1,363	June 30, 2010
Office, Professional & Technical (MCGEO)	2,944	June 30, 2010
Police officers (FOP)	1,133	June 30, 2010
Firefighters/Rescuers (IAFF)	1,120	June 30, 2011

Public school teachers in the County are not County government employees, but are employed by the Montgomery County Board of Education (the "Board"). The Board employs approximately 20,953 full-time equivalent (FTE) employees. This number includes 81 non-represented employees and 20,872 employees in bargaining units. The Board bargains collectively with employees on matters concerning wages, hours and other conditions of employment. There are four bargaining units, which are comprised of teachers, professional/administrative, noncertified supervisors, and support/maintenance employees, as presented in the table below.

Table 36
Board of Education Bargaining Units

Bargaining Unit	Number of FTE Employees	Contract Expiration Date
Teachers (MCEA)	11,925	June 30, 2010
Professional/Administrative (MCAASP)	685	June 30, 2010
Noncertified Supervisors (MCBOA)	93	June 30, 2010
Support Services (SEIU Local 500)	8,169	June 30, 2010

Arts and Leisure

The County Department of Recreation provides a wide range of programs including: aquatics, camps, classes, youth and adult sports, summer fun centers, special events, teen, senior citizen and therapeutic programs. The Department operates 19 community centers that facilitate leisure activity, social interaction, family participation, and neighborhood civic involvement. Four regional centers ensure that a full range of administrative operations are available and convenient to the public. An additional 11 program sites serve select senior populations, offering adults aged 55 and above classes, sports and fitness, trips, neighborhood programs, and special programs for frail and isolated seniors. The Department of Recreation operates the Charles W. Gilchrist Center for Cultural Diversity, a unique facility that serves as a cultural and community focal point. The Department funds the Gaithersburg Senior Center and the Takoma Park Community Center through significant grants. It also provides specialized recreational programming for at-risk teens, and works cooperatively with the Montgomery County Public Schools to provide a wide range of recreation and leisure opportunities for middle school and high school students throughout the County.

There are seven large public outdoor swimming pools and four indoor aquatic complexes that provide for a variety of instructional, recreational, and competitive aquatic programs. The Germantown Indoor Aquatic Center, the newest of the four indoor aquatic complexes, opened in January 2006.

The Music Center at Strathmore was originally located in the historic Corby Mansion, which also housed the Strathmore Hall Foundation. The Center's original structure underwent a $3 million addition and renovation, and is used for art shows and dramatic readings. Significant improvements were made at the Center with the construction of a multi-disciplinary education and performance center on a five-acre site adjacent to the Center. The new Music Center at Strathmore facility houses a full range of complementary arts education classes for children and adults. It combines studio, classroom, rehearsal, and performance space for students. The performance hall is capable of supporting large-scale (2,000-seat) musical presentations including major choral, orchestral, and popular entertainments.

As part of the Silver Spring Redevelopment project, the historic Silver Theatre, operated by the American Film Institute, was restored. Two additional theatres were constructed on the same site. Located on an adjacent site is the Round House Theatre School, which provides both theatrical and educational programs. Round House also operates a 400-seat theatre in Bethesda. Additional cultural opportunities are available at Montgomery College. The College operates a Summer Dinner Theatre and its Performing Arts Series features theatre, dance, and music performances.

Economic Development

Department of Economic Development

The economic development vision for Montgomery County is a globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates job creation, and enhances entrepreneurial opportunities.

To realize this vision, the Department of Economic Development (DED) provides services to retain and grow existing businesses, strategically attract new businesses to the County, grow small and minority-owned businesses, promote high technology development, attract foreign investments, preserve farmland, and enhance the viability of the agricultural industry. DED's responsibilities also include initiatives to foster creative and strong partnerships with academia, the federal research community, and various levels of government, and to engage in public-private partnership projects to revitalize the County's town centers and provide for strategic redevelopment opportunities. Moreover, DED is responsible for operating and expanding the County's business incubator program. DED also oversees the County's training and employment programs through its Division of Workforce Services, and tourism promotion programs operated by the Montgomery County Conference and Visitor's Bureau.

Economic Development Services and Programs

Existing and prospective new businesses receive an array of professional assistance from DED. This assistance can take the form of site searches (DED maintains an inventory listing of available office, R&D and industrial space in the County), direct financial assistance, socioeconomic statistics, permit expediting, training and employment assistance, and targeted programs and services to meet the unique needs of small and minority-owned businesses.

Economic Development Fund and Other Financial Incentives

Businesses seeking to either establish a presence or expand facilities in the County may qualify for assistance through the County's Economic Development Fund. Established in 1995, the Economic Development Fund provides assistance to private employers who will either retain jobs in the County, or create new jobs through the expansion of current businesses or location of new businesses to the County. The Economic Development Fund is administered by the County's Department of Finance.

As of November 16, 2009, 149 offers for grants and loans totaling $23 million were accepted under the Economic Development Fund Grant and Loan Program. The economic impact of these transactions is estimated to include: over 28,000 jobs retained or gained, over $1.13 billion in private investment, and an annual net revenue return of over $34 million.

In addition to the original Economic Development Fund Grant and Loan Program, four other financial incentive programs were added. The Technology Growth Program (TGP) was developed to facilitate the growth of early-stage technology-based companies located or desiring to locate in the County. TGP is aimed at leveraging private sector financing and State Challenge and Enterprise Investment funds. Since the beginning of the TGP in 1999, 66 companies received funding for a total of $3.63 million.

The Small Business Revolving Loan Program was created to help small business concerns in the County and to finance economic development projects that cannot be financed through traditional private and public sources. Since the beginning of this Program, 30 small businesses received loans totaling $1.8 million. The Micro-enterprise Loan Program (MLP) was established in 2008 to provide access to capital to micro-enterprises which have encountered difficulty in obtaining financing from conventional sources. Through this program, four micro-enterprises received funding totaling $54,500.

In FY 05, the Impact Assistance Program was created to help mitigate any adverse impacts small businesses might experience due to County initiated and funded development, redevelopment, or renovation projects. 27 companies received funding totaling $477,521 from this program since its inception.

Economic Advisory Council (EAC)

This 29-member blue ribbon group advises the County government on important economic development policies, as well as on fiscal, budgetary, and management issues. Comprised of business and education representatives, the EAC helps filter the ideas or recommendations from various task forces and business groups to the County leadership. In addition to these duties, the EAC undertakes such assignments and programs as designated by the County Executive. This past year the EAC reviewed major County economic development initiatives such as the Smart Growth Initiatives and the Rapid Bus Transit and discussed the impediments to business growth.

Education

Montgomery County Public Schools (MCPS) is governed by an elected Board of Education comprised of eight members, including one student member. The Board, which was created by State law, appoints the Superintendent and all other employees. The system operates 200 elementary and secondary schools. The operating budget is $2.201 billion for FY10, a 6.5 percent increase over the prior year, and the FY09-14 capital improvements budget is $1.271 billion. The emphasis that County residents place on education is reflected in budgeted per pupil operating expenditures of $14,294 in FY10, and in the high percentage of high school graduates who continue formal education. In FY10, projected enrollment is 140,500 students.

Finance

The Department of Finance is responsible for the financial administration of the County government, including accounting, debt and cash management, revenue collection, and risk management. The Controller's Division is responsible for the analysis, interpretation, and presentation of the County's financial position and results of operations through timely, accurate, and professional financial reports, and for timely and accurate payments to vendors for goods and services provided to the County. The Treasury Division is responsible for the collection of property taxes and for the processing of transfer and recordation taxes.

The County maintains an active and sophisticated cash and investment management program. The primary objectives of the program are the preservation of capital, providing liquidity to meet County financial obligations, and maximization of the investment yield on the County's short-term working capital.

Working capital is managed pursuant to the Annotated Code of Maryland, the County Code, and the County's short-term investment policy, as approved by the County Council. The average maturity of the working capital portfolio is generally less than six months.

At June 30, 2009, the County managed $472.7 million in its pooled consolidated investment portfolio. During FY09 the County earned investment income of $11.9 million, with an average rate of return of 1.71%.

Libraries

County public libraries offer free and equal access to services and resources to assist residents in finding ideas and information to sustain and enrich their lives. During FY09 total circulation was 11.84 million. Per capita circulation of 12.5 books is among the highest in Maryland and nationally.

The County library system provides an array of services to the community, including computers with Internet access; books on tapes and CDs; numerous special collections such as business, children's, and disability resource centers; and quiet study rooms and public meeting rooms.

Liquor Control

State legislation established a Liquor Control Board in Montgomery County on December 5, 1933, shortly after the end of nationwide prohibition, giving the Board monopoly power for the issuance of liquor, wine, and beer licenses in the County; the distribution of beverage alcohol at the wholesale level to County licensees; and the retail sale of liquor package goods for off-premise consumption. The Department of Liquor Control was created by Article 2B of the Annotated Code of Maryland, effective July 1, 1951. This newly-created Department assumed wholesale and retail control powers, and the Montgomery County Board of License Commissioners retained the authority to issue licenses for the retail sale of liquor, wine, and beer within the County. In 1997, the unification of Takoma Park gained Montgomery County four additional establishments, with one that is allowed to sell liquor package goods for off-premise consumption. On August 8, 2006, the Office of the Board of License Commissioners was reorganized into a new division of the Department of Liquor Control entitled, "Licensure, Regulation and Education". The Board remains an independent body.

The Department of Liquor Control's responsibilities include the operation of 25 County retail stores (one in a shopping center currently under construction) and a warehouse that distributes beverage alcohol to the County stores and to approximately 940 licensed establishments (including beer and wine stores, restaurants, country clubs, etc.); inspections of licensed premises, training and education programs and community partnering. The Department is a self-supporting business enterprise with all operating requirements included in the Department's annual budget. Income in excess of departmental needs is transferred to the County's General Fund to pay for general governmental services. In the last five fiscal years (FY05 through FY09) the Department transferred over $115.9 million to the General Fund.

Parks

The Maryland-National Capital Park and Planning Commission administers 34,288 acres of parkland in the County. This includes 13 developed and three undeveloped regional and recreational parks, many consisting of over 200 acres, and featuring more than 640 acres of recreational lakes including Lake Frank, Lake Needwood, Little Seneca Lake and Pine Lake. Of the 409 parks in the Montgomery Parks system, 310 smaller park and open space areas serve as local and neighborhood parks. Additionally, Seneca Creek State Park is located in the heart of the County, and Patuxent River State Park is located along the County's northeastern border. The National Park Service provides additional park facilities including the C & O Canal National Historic Park, Great Falls National Park, and Glen Echo Park. Several municipalities within the County, including Rockville, Takoma Park, Kensington, Gaithersburg, Poolesville, and Washington Grove, among others, maintain local parks.

Public Safety

Fire and Rescue Service

The Montgomery County Fire and Rescue Service (MCFRS) is an all-hazard fire and rescue service. MCFRS is one of the largest combination career/volunteer fire and rescue departments in the nation. MCFRS manages all components of the County's fire suppression, Emergency Medical Services, Emergency Communications, apparatus management, Fire Code Enforcement, Fire/Explosive Investigations, Community Outreach, Wellness, Safety and Training, and administration. MCFRS is comprised of approximately 2,100 personnel, including 1,176 career uniformed employees, 129 civilian employees, over 800 call active volunteers and 19 Local Fire and Rescue Departments. MCFRS operates 35 fire and rescue stations and 13 satellite offices.

An extensive Capital Improvements Program (CIP) is in place to ensure that the MCFRS operates and maintains a sufficient complement of facilities to provide response capability and an appropriate level of readiness. In response to increasing calls for service and population growth, MCFRS is adding four additional stations to serve the Upcounty area: Germantown-Milestone, Germantown-Kingsview, Travilah, and Clarksburg. An interim fire station to serve the Clarksburg area was opened in November 2005. The Takoma Park Station will be rebuilt at its current location. Construction of the Germantown-Kingsview Station was completed in calendar year 2009. Construction of the Takoma Park and Germantown-Milestone stations will be complete in the spring of 2010. The existing station in Wheaton is scheduled to be replaced. Stations in Rockville, Cabin John, and Glen Echo are scheduled to be renovated; an addition to the Burtonsville Station is scheduled as well. The relocated Silver Spring Station was completed and became operational in early 2006. In addition, there are several on-going projects to replace and/or update major building systems (roof, HVAC, fire alarm, generators) at other fire/rescue facilities to ensure that these facilities are properly maintained and meet current standards.

Police Department

The Montgomery County Police Department (MCPD) is a highly-trained merit system force of 1,184 sworn officers and 650 civilian staff for a total complement of 1,834 personnel. MCPD operates over 34 facilities, including six district police stations, and is accredited by the Commission for the Accreditation of Law Enforcement Agencies (CALEA).

Renovations, replacements, and/or upgrades at several facilities are planned for the Department. There are approved projects for three of the six district stations, in the 1st, 3rd, and 6th police districts, to replace the existing stations. Other capital projects include a renovation and addition to the 5th District Police Station and the Outdoor Firearms Training Center. There is also an approved project to replace the current County Animal Shelter with a state-of-the-art facility to be located in Gaithersburg. In conjunction with the County Executive's Smart Growth Initiative, a new Public Safety Training Academy (PSTA) and a new Montgomery County Public Safety Headquarters, which incorporates a new 1st District Police Station within the Headquarters facility, are being planned to replace existing aging facilities. The Smart Growth Initiative is designed to achieve significant savings and cost avoidance in replacing the various aging facilities.

Correction and Rehabilitation

The Department of Correction and Rehabilitation (DOCR) personnel complement includes 552 approved positions in FY10 for Correctional Officers, program staff, and other professionals who provide progressive and comprehensive correctional services through a wide variety of detention and community supervision programs. The Department operates three facilities for incarceration and intensive community re-entry planning: the Montgomery County Detention Center (MCDC), the Montgomery County Correctional Facility (MCCF), and the Pre-Release Center (PRC). The Department also operates pretrial and diversion programs that supervise over 2,500 defendants in the community on a daily basis (as of early FY10). The Detention Center, located in Rockville, is a 200-bed, 72-hour holding facility for detainees who are subject to an initial court appearance, and handles all arrest booking, initial assessment of arrestees, maintenance of all inmate records, and release of all inmates. The District Court Commissioners who handle bail and bond hearings are also housed in this facility. The MCCF, a 1,029-bed facility located in Boyds (near

Clarksburg), houses and provides programs for adult men and women serving sentences up to 18 months or awaiting trial or sentencing. The PreRelease Center is run by the PreRelease and Reentry Services Division and focuses on work release for and re-entry for sentenced offenders in the latter segment of their sentence.

In FY09, the local inmate average daily population was approximately 164 at the Detention Center and 729 at the MCCF. A combined average population of approximately 19 Federal inmates was being held in these two facilities. The average total population at the Pre-Release Center was 129 residents with an additional 19 in the non-residential, prerelease home confinement program also managed by the PRC staff.

The County is currently engaged in the planning and design of a new Criminal Justice Complex (CJC) to replace the existing Detention Center, and to construct a dedicated DOCR training facility at the Montgomery County Correctional Facility in Clarksburg. A full array of programs will be located at the CJC relating to the central processing function, as well as serving as the site for the 24/7 District Court of Maryland, Health and Human Services Intake Screening, DOCR Pre-Trial Services, Assessment Section and next day court hearings, public defense operations, centralized property storage and prisoner release, and jail booking, screening and initial classification for those not released from the Central Processing Unit (CPU). The County is also engaged in planning and design for the renovation and addition of the kitchen and expansion of the dining area at the Pre-Release Center.

Solid Waste Management

The County maintains a comprehensive program to manage solid waste generated within the County. The elements of the program include an integrated system of methods and technologies, including source reduction, recycling, waste-to-energy, contractual out-of-County landfilling, maintenance of closed landfills, and a reserve permitted landfill within its borders.

The County continues to strive to meet its aggressive goal of achieving a source reduction and recycling rate of 50 percent. As of July 1, 2009, the program included County-provided separate curbside collection from 210,441 single-family households of yard trim, glass bottles and jars, metal and plastic containers, and all types of clean, unsoiled paper. Under a contract with the County, the Maryland Environmental Service (MES) constructed and operates two facilities for the processing and marketing of the materials. The first is a 42-acre composting facility located in the northwest part of the County which processes yard trimming materials collected in conjunction with a ban prohibiting disposal of yard waste. The second is a Materials Recovery Facility (MRF), located mid-County and capable of processing 100 tons of recyclable containers per eight-hour shift (current operations require only one shift). During FY09, the County collected $2.6 million in MRF material sales revenue, plus $1.1 million in other recycled metal sales revenue. To assure the processing and marketing of all County residential mixed paper collected, the County utilizes a long-term agreement with Office Paper Systems (OPS), which began in July 2002. The County also enacted mandatory multi-family and commercial recycling regulations, and conducts technical outreach and enforcement in this connection.

A large percentage of the County's non-recycled waste is accepted at the County's Shady Grove Transfer Station and transported by rail to the County's mass burn Resource Recovery Facility (RRF) adjacent to the Mirant Corporation power plant near Dickerson, Maryland. The RRF, with a permitted capacity of 657,000 tons per calendar year, is operated by Covanta Montgomery Inc., and began commercial operations in August 1995. The RRF generates electricity which is sold under a long term contract to Constellation Energy. In October 1997, the County began the export of RRF residue and non-processible waste under a long-term disposal contract utilizing committed capacity at a landfill outside the County. A new landfill, within the County (known as Site 2) and located approximately two miles from the RRF, was permitted (refuse disposal permit) with adequate capacity for the disposal of all ash, by-pass, and non-processible waste. Under a County Council resolution adopted in May 1996, the County will not develop the Site 2 landfill unless economic conditions or changes in law render out-of-County waste disposal infeasible. The Oaks Landfill discontinued accepting solid waste in October 1997, and all capping and closure activities are complete. The Solid Waste Enterprise Fund maintains restricted cash sufficient to complete 30-year post-closure requirements.

Transportation

The Department of Transportation ensures the safe and convenient movement of pedestrians and vehicles on County roads, operates the traffic system in a safe and efficient manner, and maintains the County's road system, bridges, storm drains, sidewalks, curbs, gutters, alleys, bikeways, streetlights, traffic signals, facilities and related equipment. The Department's services include bridge maintenance, road resurfacing, roadway and related maintenance, snow removal and storm services, trail maintenance, tree maintenance, urban streetscaping, facility engineering, facility maintenance and operations, parking, street lighting, traffic planning, traffic and pedestrian safety, traffic signs and marking, traffic signals and the Advanced Transportation Management System, and transportation management and operations.

Ride-On Bus System

The County Ride-On bus system operates on 76 routes and is designed to complement the service provided by other transit operators in the County. All but two of those routes serve one or more of the 12 Metrorail Red Line or MARC Rail Stations in the County. In FY09, approximately 29.6 million passenger trips took place on the County system. The entire fleet consists of 375 buses owned and operated by the County which travel approximately 14 million miles per year.

Parking Districts

There are four parking lot districts in the major urbanized areas of the County. Prior to 1987, general obligation bonds were issued by the County to finance the construction of parking facilities in these areas. In 1987, the County began using parking revenue bonds. A special ad valorem tax is levied on certain commercial and residential property located within each district to pay debt used to finance parking facilities within the district, the maintenance and operation of such facilities, and capital construction projects within each district. Other significant sources of revenue used to finance the parking program are meter collections, fees from off-street lots and parking garages, and parking fines. The County issued parking revenue bonds in the amount of $97.6 million for land acquisition, construction, repair and renovation of parking facilities. During FY09, the four districts collectively had in service 18 garages with approximately 17,026 parking spaces, 23 surface lots with 1,848 spaces, and 2,295 on-street metered spaces.

OTHER SERVICES

Transportation

Airports

The County is served by three major airports located within 35 miles of Rockville. These airports provide high levels of short, long, and international flight services.

Ronald Reagan Washington National Airport is located in Arlington County, Virginia, across the Potomac River from Washington, D.C. Reagan National is accessible to Montgomery County by Metrorail. In 2008, the airport served approximately 18 million passengers on commercial, general aviation and commuter flights, a 3.5 percent decrease from 2007.

Dulles International Airport is located in adjacent Fairfax/Loudoun counties in Virginia and offers commercial, general aviation and commuter service. Dulles served 23.9 million passengers in 2008, a 3.5 percent decrease from 2007. The 16-mile Dulles Access Highway provides two dedicated lanes in each direction and a direct connection to Interstate 66 and the Capital Beltway.

Baltimore-Washington International Thurgood Marshall Airport (BWI) is located in Anne Arundel County, Maryland. Approximately 20.5 million passengers used the airport in 2008, a decrease of 2.6 percent over 2007. As part of a recently completed five-year expansion program, BWI added a new terminal facility, parking garages, multiple skywalks, and a new rental car facility.

Metrorail Transit System

Services of the Washington Metropolitan Area Transit Authority (Metro) are the backbone of the County transit system. Providing service to the County are 12 rapid rail stations with 13,368 parking spaces and additional service by 150 Metrobuses. With the opening of the final Metrorail station in the County (Glenmont) in July 1998, the system includes 18.4 miles of rail service operating in the County. Each weekday approximately 160,000 trips are made on Metrorail in Montgomery County.

Metrorail is a 106-mile regional network connecting Washington, D.C. with the expanding Maryland and Virginia suburbs. It includes 38.3 miles of rapid transit services in the District of Columbia, 38.3 miles in Maryland and 29.4 miles in Virginia.

Metrobus

Another significant element in the mass transit system is Metrobus, which carries 15 million passengers annually on major trunk lines such as East-West Highway, Georgia Avenue, Viers Mill Road, and Colesville Road. Approximately 150 Metrobuses operate on 39 routes in the County.

MARC Rail

The Maryland Mass Transit Administration operates MARC commuter rail service with 10 stations in the County. County residents make approximately 2,500 trips on MARC each weekday. There are also privately operated commuter bus services into Montgomery County from Hagerstown, Frederick, and Columbia, Maryland, subsidized by the Maryland Department of Transportation, connecting to Metrorail stations in the County.

Water and Sewer Service

Operation and maintenance of the public water and sewer systems in the County (exclusive of those for the City of Rockville and for the Town of Poolesville) are the responsibilities of a State-chartered agency, the Washington Suburban Sanitary Commission (WSSC) that serves both Montgomery and Prince George's Counties. WSSC operates under State law and is governed by a six-member Commission. The county executives of Montgomery County and Prince George's County each appoint three members, subject to confirmation by the respective county councils. The FY10 approved operating budget for WSSC totals $590.5 million; the approved capital budget totals $371.2 million.

The Potomac and Patuxent Rivers are WSSC's two major sources of raw water supply, with filtration plants located in Potomac and Laurel, respectively. WSSC has 14 billion gallons of water supply storage and an effective filtration capacity of 320 million gallons per day (MGD). The Jennings Randolph Reservoir near Bloomington on the North Branch Potomac River and Little Seneca Lake near Boyds on Little Seneca Creek can supplement flows to Potomac River water users, including WSSC and Rockville. These reservoirs can provide approximately 17 billion gallons of raw water, if needed during low flow periods. An approved expansion of the Patuxent Filtration Plant will increase normal capacity there from 56 MGD to 72 MGD, and emergency capacity from 72 MGD to 110 MGD.

Most of the sewage collected by WSSC's systems is conveyed for treatment at the Blue Plains Wastewater Treatment Plant ("Blue Plains") in Washington, D.C. Blue Plains, owned and operated by the District of Columbia Water and Sewer Authority (DC WASA), has a treatment capacity of 370 MGD, of which WSSC's allocated capacity totals approximately 170 MGD. The County maintains membership on the DC WASA Board. WSSC's Seneca Creek Wastewater Treatment Plant provides 20 MGD of treatment capacity in the Seneca basin, serving the communities of Gaithersburg, Germantown, and Clarksburg. An approved expansion will increase treatment at the Seneca Plant to its planned capacity of 26 MGD, with completion expected in 2013. WSSC also operates two smaller treatment plants in the County which serve the communities of Damascus and Hyattstown.

The City of Rockville operates its own water and wastewater system, which serves approximately 75 percent of the City's residential population. Rockville's Water Treatment Plant, located on Sandy Landing Road in Potomac, draws raw water from the Potomac River. The plant is currently rated at 8.0 MGD. Rockville has 12 MG of water supply storage in the following tanks: Hunting Hill, Carr Avenue and Talbott Street. Wastewater treatment for Rockville's sewerage system is provided at Blue Plains via WSSC's and DC WASA's transmission facilities. Rockville is allocated 9.31 MGD of treatment capacity of WSSC's 170 MGD capacity at Blue Plains. The approved FY10 Operating Budget for Rockville totals $7.7 million for the water fund and $6.7 million for the sewer fund. The approved FY09 Capital Budget for Rockville totals $17.1 million for the water fund and $5.6 million for the sewer fund.

Rockville initiated water supply systems upgrade and rehabilitation projects in FY09 that will improve fire flows, water quality, and water production. The Mayor and Council approved a financing plan to fund these programs through user rates, starting with a 25 percent increase in the rate for FY09 and an additional 25 percent rate increase for FY10. The City is also undertaking an aggressive preventative maintenance and pipe-lining plan for the sewage collection system that will help prevent blockages and overflows, identify and prioritize capital improvements, and reduce opportunities for infiltration and inflow of rain and ground water into the system. Rockville plans to invest $7.9 million in capital projects for the wastewater collection system over the next five years.

The Town of Poolesville also operates its own water and wastewater systems, which serve the majority of the Town. Raw water for the Town's system is supplied by eleven groundwater wells, with an average daily demand of approximately 0.5 MGD. The Town has acquired withdrawal permits for up to 0.65 MGD on an annual daily average. An additional well, for redundancy, is slated to be constructed in 2010. A 500 thousand gallon elevated tank and a one million gallon standpipe serve as storage and fire protection. The Town expanded its wastewater treatment plant from 0.625 MGD to 0.75 MGD and also enhanced the level of treatment to meet the Biological Nutrient Removal limits of the State. A further upgrade to an Enhanced Nutrient Removal system is underway to satisfy new State standards. These upgrades are expected to be completed early in 2010. The Town's water and sewer operating budget in FY 2010 was just under $1 million, while the planned CIP budget was $315,000.

Utilities

Potomac Electric Power Company (PEPCO) serves the major portion of the County, with additional service from the Baltimore Gas and Electric Company (BGE), and Allegheny Power Company. Three natural gas transmission pipeline companies (Columbia Gas Transmission, Dominion Transmission, and Transcontinental Gas Pipeline Corporation) traverse the County, supplying it with Appalachian and Southwest natural gas. Washington Gas and Baltimore Gas and Electric distribute this natural gas. There are 35 companies that sell gas in the County, of which only eight serve residential customers, with only four seeking new customers as of November 2009.

In early 1999, the Maryland General Assembly enacted The Electric Customer Choice and Competition Act of 1999 that effectively deregulates the market for electric power generation. Under a companion act (Senate Bill 344 / House Bill 366), the General Assembly restructured the tax laws affecting the electric industry to ensure that Maryland companies are not put at a competitive disadvantage in relation to out-of-state electric generators. The tax law restructuring accounted for potential revenue losses at both the State and local level, and effectively mitigated any adverse tax impact to county and municipal governments.

PEPCO took advantage of the Customer Choice and Competition Act regarding the disposition of its generation assets by selling these assets in 2000 to the Mirant Corporation, which now runs the generating units in the Dickerson area of the County. PEPCO continues to own and operate its transmission and distribution system. Baltimore Gas and Electric restructured in 1996 under the name Constellation Energy Group (CEG), with BGE owning and operating the transmission and distribution system and various other CEG entities owning the generation assets. Potomac Edison, which does business as Allegheny Power, is the regulated transmission and distribution utility for Allegheny Energy Supply Company, LLC, which owns the company's generation assets. As of November 2009, there were 30 companies licensed as electricity suppliers to Montgomery County residents, but only three of them were actively seeking new customers.

Financial Institutions

The State of Maryland is home to 134 FDIC insured financial institutions, which in turn operate 1,842 branch banking locations with an estimated $108 billion in deposits. Montgomery County houses 38 of these institutions and dominates the majority market share of these deposits with an estimated $29 billion in deposits. The financial institutions in the County include 28 Federal and State chartered banks with 244 branch locations, and 10 Federal savings and loan banks with 84 branch locations; in total these offices represent 18 percent of the total branch locations within the State. In addition to these FDIC institutions, the County has 19 national credit unions with an estimated $1.94 billion in share deposits and a membership base of over 282,900.

Table 37
Summary of Market Share
by Location
As of June 30, 2009

City/County	Number of Branch Offices	Deposits (000)	Market Share
Montgomery	328	$28,922,348	27%
Baltimore City	123	18,175,983	17
Baltimore	303	16,089,266	15
Anne Arundel	184	8,815,307	8
Prince George's	174	7,657,778	7
Howard	89	4,443,895	4
Frederick	87	3,371,896	3
Carroll	61	3,065,780	3

Table 38
FDIC Institutions Market Share
As of June 30, 2009

Institution Name	Number of Branch Offices	Deposits (000)	Market Share
Chevy Chase FSB	65	$8,211,555	28%
Bank of America, NA	33	3,830,845	13
SunTrust Bank	37	3,489,854	12
Wachovia Bank, NA	14	3,043,406	10
Sandy Spring Bank	21	1,764,367	6
M & T Company	42	1,403,959	4
BB & T Company	18	924,986	3
PNC Bank, NA	17	885,064	3

Source: FDIC Summary of Deposit Market Share Report for the State of Maryland, NCUA Credit Union Data Report.

Healthcare

There are five accredited hospitals located within the County: Holy Cross Hospital in Silver Spring, Suburban Hospital in Bethesda, Washington Adventist Hospital in Takoma Park, Shady Grove Adventist Hospital, in Gaithersburg, and Montgomery General Hospital in Olney. A military hospital, Bethesda Naval Hospital, is located in the County and the National Institutes of Health in Bethesda operates one of the world's foremost centers of medical research. Accessible to the County are Frederick Memorial Hospital in Frederick County; Laurel Regional Hospital and Prince George's Hospital Center in Prince George's County; and various hospitals in the District of Columbia and Northern Virginia.

Higher Education

The 2005 Census Update Survey indicated that County residents, on average, are highly educated. The proportion of County residents 25 years old or over completing four or more years of college increased from 33.2 percent in 1970 to 63.6 percent in 2005. Advanced degrees are held by 35 percent of the adult population. High school graduates account for 92.2 percent of the County population aged 25 and over, above the 79.5 percent proportion in 1970, the 87.3 percent in 1980, and the 90.3 percent in 2000.

Within a 40-mile radius of Montgomery County, there are 32 colleges and universities offering degrees in various disciplines. Many of those institutions also offer advanced degree programs in engineering, medicine, business, and computer sciences. The following table lists selected schools within or near the County and shows the student enrollment.

Table 39
Secondary Education

School	Student Enrollment
American University, Washington, DC	11,204
Catholic University, Washington, DC	6,705
Hood College, Frederick, MD	2,533
Howard University, Washington, DC	10,728
Johns Hopkins University, Baltimore, MD	19,576
Montgomery College, Rockville, MD (2-year)*	24,452**
University of Maryland, College Park, MD	37,000

- Articulation agreements with 4-year institutions are available.

** Excludes enrollment in workforce development and continuing education classes.

Note: Most current data available for each institution.

Travel and Tourism

According to the most recent statistics available by Global Insight in partnership with D.K. Shifflet & Associates, Ltd., travel and tourism in Montgomery County in 2008 from the accommodations, entertainment, food, retail and transportation hospitality industry sectors generated $2.28 billion in expenditures. The transportation sector generated the highest increase of all industry sectors from 2007 to 2008 at 1.7% growth. During the same period, local entertainment expenditures grew by 0.8%, but the retail sector was down 1.1%.

Local room rental transient tax collections generated $17.3 million in Fiscal Year 2009, down from $17.7 million in Fiscal Year 2008.

The Conference and Visitors Bureau of Montgomery County, Maryland, Inc. (CVB) is a public-private non-profit membership organization dedicated to the promotion of travel and tourism to the County. The CVB serves as a subcontractor to the Montgomery County Department of Economic Development. On behalf of its membership, the Bureau participates in travel industry trade shows across the country, sponsors familiarization tours for tour operators, travel agents and travel writers, implements a $130,000 advertising campaign annually, manages a direct sales initiative for the meetings, group tour and sports markets, implements marketing programs specifically targeting large groups that could meet in the Montgomery County Conference Center, markets all of the County's assets, including the Music Center at Strathmore and the American Film Institute, and manages a Visitor Information Center in Germantown.

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BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

The Honorable County Council
of Montgomery County, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Maryland (the County) as of and for the year ended June 30, 2009, and the budgetary comparison for the general fund for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of Montgomery Community College, Montgomery County Revenue Authority and Bethesda Urban Partnership, Inc. which represent 100% of the assets, net assets and revenues of the non-major component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned component units, is based solely on the reports of the other auditors.

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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2009 on our consideration of the County's 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, the schedule of funding progress, and the budgetary comparison for the Housing Initiative and Revenue Stabilization funds as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Baltimore, Maryland
December 24, 2009

Management's Discussion and Analysis

INTRODUCTION

This discussion and analysis (MD&A) is designed to a) assist readers in understanding Montgomery County, Maryland's (the County's) basic financial statements, the relationship of different types of statements, and the significant differences in the information they provide; b) assist the reader in focusing on significant financial issues; c) provide an overview of the County's current financial activity; d) identify changes in the County's financial position, i.e., its ability to address the next and subsequent years' financial needs, based on currently known facts; e) identify any material deviations from the approved budget for the fiscal year, and f) identify individual fund issues or concerns. The MD&A is best understood if read in conjunction with the Transmittal Letter and the County's basic financial statements.

FINANCIAL HIGHLIGHTS

- The government-wide assets of the County exceeded its liabilities at the close of FY09 by $1,555.7 million. That amount is net of a $984.5 million unrestricted deficit. The deficit occurs because the County issues debt to fund construction costs for Montgomery County Public Schools (MCPS) and Montgomery College (MCC), two of its component units, and for Maryland-National Capital Park and Planning Commission (M-NCPPC), a joint venture. Debt outstanding for these entities amounted to $1,123 million at June 30, 2009. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted net assets of $138.5 million.

- The County's total government-wide net assets decreased by $356.5 million.

- As of the close of FY09, the County's governmental funds reported combined ending fund balances of $423.7 million, a decrease of $158.9 million over the prior year's ending fund balances. Of the total ending fund balances, $189.7 million is available for spending at the County's discretion.

- At the end of FY09, unreserved fund balance for the General Fund was $99.5 million, or 3.9 percent of total General Fund expenditures.

- The County's government-wide long-term debt increased by $227.6 million during FY09. The key factors in this increase are:
  - The issuance of $250 million in general obligation (GO) bonds, used to retire bond anticipation notes (BANS), and the issuance of an additional $250 million in BANS
  - Net increase in Other Postemployment Benefits obligation of $54.9 million; and
  - The retirement of $120.2 million in GO bonds.
  - Revenue bonds were issued in the amount of 14.6 million for CIP projects.
  - Note in the amount of $10 million was issued to the Washington Suburban Sanitary Commission.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's financial statements focus on both the County as a whole (government-wide), and on the major individual funds. "Funds" are resources segregated for the purposes of implementing specific activities or achieving certain objectives in accordance with special regulations, restrictions, or limitations. Both the government-wide and fund perspectives allow users to address relevant questions and understand changes in financial conditions. The structure of the financial statements is presented below. This MD&A is intended to be an introduction to Montgomery County's basic financial statements. Montgomery County's basic financial statements comprise three components, including government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Organization and Flow of Financial Section Information

Independent Auditors' Report
Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

Management's Discussion and Analysis
This supplementary information is required for state and local government financial statements, and is intended to provide a narrative introduction, overview, and analysis.
Pages 3 to 22.

Government-Wide Financial Statements
Provides information on governmental and business-type activities of the primary government.
Pages 23 to 27.

Fund Financial Statements
Provides information on the financial position of specific funds of the primary government.
Pages 28 to 40.

Component Units
Provides information on the County's component units.
Pages 41 to 42.

Notes to Financial Statements
Provides a summary of significant accounting policies and related disclosures.
Pages 43 to 115

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are reported in columns which add to a total for the primary government. The focus of the statement of net assets is designed to provide bottom line results for the County's governmental and business-type activities. This statement reports governmental funds' current financial resources (i.e., short-term spendable resources) with capital assets and long-term obligations. All infrastructure assets built or purchased by the County, and infrastructure dedicated by developers since 1970, are included in the accompanying government-wide financial statements. The difference between the County's assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. Additionally, nonfinancial factors, such as a change in the County's property tax base or the condition of County facilities and infrastructure, should be considered to assess the overall health of the County.

The statement of activities is focused on both the gross and net cost of various functions, including governmental and business-type activities. This is intended to summarize and simplify the users' analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities included reflect the County's basic services, including general government, public safety, public works and transportation, health and human services, and others. Taxes, including the property and income tax, license and permit fees, intergovernmental revenues, charges for services, fines and forfeitures, and investment income finance the majority of these services. The business-type activities reflect private sector-type operations, including: liquor control, solid waste activities, four parking lot districts, permitting services, and community use of public facilities, where fees for services or products are required or designed to recover the cost of operation, including depreciation.

The government-wide financial statements include not only the County itself (known as the Primary Government), but also legally separate entities known as Component Units. Component units, which are other governmental units over which the County Council can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column in the government-wide statements and as individual activities in the basic and fund financial statements. The County has five component units – Montgomery County Public Schools (MCPS), Housing Opportunities Commission (HOC), Montgomery College (MCC), Montgomery County Revenue Authority (MCRA), and Bethesda Urban Partnership, Inc. (BUPI).

Fund Financial Statements

Traditional users of governmental financial statements may find the fund financial statement presentation more familiar. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the fund financial statements, the focus is on major funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The County has the following three types of funds:

Governmental Funds – Most of the County's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and how they flow in and out, and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, a reconciliation of the fund financial statements to the government-wide financial statements is presented immediately after the fund financial statements. For example, the fund financial statements will reflect bond proceeds and interfund transfers as other financing sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation will reflect the elimination of these transactions and will incorporate the capital assets and long-term obligations (bonds and others) that are presented in the governmental activities column (in the government-wide statements). The County has five major governmental funds – General, Debt Service, Revenue Stabilization, Housing Initiative, and Capital Projects – and 15 nonmajor funds (15 special revenue funds).

Proprietary Funds – Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long-term and short-term financial information. The fund financial statements provide more detail and additional information, such as cash flows, for the County's enterprise funds. The County has three major enterprise funds – liquor control, solid waste activities, and parking lot districts – and two nonmajor funds. The internal service funds, which are presented in a single, aggregated column in the proprietary fund financial statements, are used to account for the provision of liability and property insurance coverage, employee health benefits, motor pool services, and central duplicating services, to County departments on a cost reimbursement basis. Although both the fund and government-wide financial statements provide a long-term and short-term focus, reconciliations between these two sets of statements are still required. This is due to the fact that the excess income/loss for the internal service funds has been redistributed to the customers, including business-type activities; such reconciliations are reflected on the bottom of the proprietary fund financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County's fiduciary funds consist of pension and other employee benefit trusts, an investment trust, private purpose trusts, and agency funds.

FINANCIAL ANALYSIS OF MONTGOMERY COUNTY, MARYLAND:
GOVERNMENT-WIDE FINANCIAL STATEMENTS

A comparative analysis of government-wide financial information is presented below.

Statement of Net Assets

The following presents a summary of the Statements of Net Assets for the County as of June 30, 2009 and 2008:

Summary of Net Assets *
June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	$ 1,146,293,058	$ 1,383,926,199	$ 154,304,120	$ 175,201,707	$ 1,300,597,178	$ 1,559,127,906
Capital assets, net	2,823,763,425	2,716,099,259	258,246,679	221,507,629	3,082,010,104	2,937,606,888
Total Assets	3,970,056,483	4,100,025,458	412,550,799	396,709,336	4,382,607,282	4,496,734,794
Liabilities:						
Long-term liabilities outstanding	2,290,268,265	2,087,553,294	108,023,280	83,092,973	$ 2,398,291,545	2,170,646,267
Other liabilities	392,859,692	379,263,571	$ 35,774,474	34,637,625	428,634,166	413,901,196
Total Liabilities	2,683,127,957	2,466,816,865	143,797,754	117,730,598	2,826,925,711	2,584,547,463
Net assets:						
Invested in capital assets, net of related debt	1,937,493,317	1,875,327,937	177,697,087	166,059,652	$ 2,080,125,833	2,003,119,670
Restricted	393,404,279	410,457,623	66,606,205	76,590,751	460,010,484	487,048,374
Unrestricted (deficit)	(1,043,969,070)	(652,576,967)	24,449,753	36,328,335	(984,454,746)	(577,980,713)
Total Net Assets	$ 1,286,928,526	$ 1,633,208,593	$ 268,753,045	$ 278,978,738	$ 1,555,681,571	$ 1,912,187,331

* Primary Government

The County's current and other assets decreased by $258.5 million or 16.6 percent from FY08. The County's assets exceeded its liabilities at the close of FY09 by $1,555.7 million. By far the largest portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, furniture and equipment, infrastructure), less any related outstanding debt used to construct or acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Governmental capital lease obligations of $35.1 million, related to business-type activity capital assets, are classified as a component of unrestricted net assets for governmental activities purposes, but reclassified to invested in capital, net of related debt, for total primary government purposes.

It is also important to note that although counties in the state of Maryland issue debt for the construction of schools, those school buildings are owned by each county's Board of Education. The County also funds projects for MCC and M-NCPPC. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. Debt outstanding for these entities amounted to $1,123 million at June 30, 2009. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted net assets of $138.5 million. An additional portion of the County's net assets ($460 million or 29.6

percent) represents resources that are subject to restrictions on how they may be used. This amount includes $119.6 million in net assets restricted for revenue stabilization for periods of economic downturn.

The County's total net assets decreased by $356.5 million for FY09 or 18.6 percent over FY08. This decline largely reflects flat total revenues and increased total expenses.

Statement of Activities

The following table summarizes the County's change in net assets for the years ended June 30, 2009 and 2008:

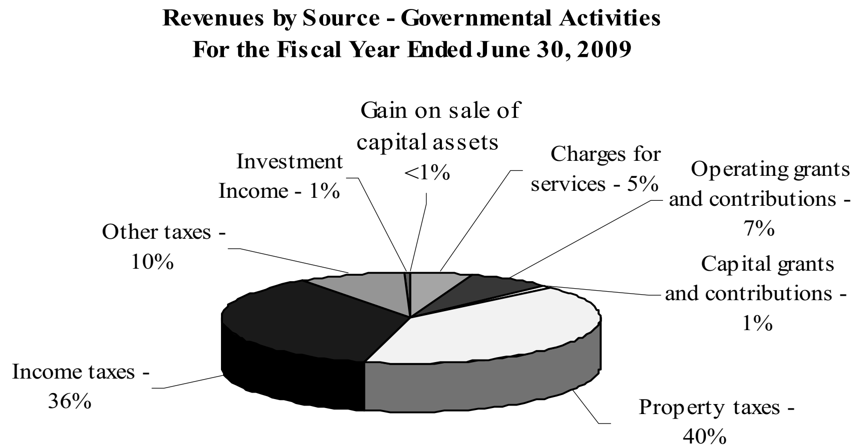
Summary of Changes in Net Assets *
For the Fiscal Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program Revenues:						
Charges for services**	$ 166,581,628	$ 147,895,246	$ 379,812,860	$ 378,413,979	$ 546,394,488	$ 526,309,225
Operating grants and contributions	228,958,679	216,393,101	8,700	10,000	228,967,379	216,403,101
Capital grants and contributions	34,528,889	33,306,804	-	-	34,528,889	33,306,804
General revenues:					-	
Property taxes	1,296,974,051	1,146,965,583	11,854,882	11,266,747	1,308,828,933	1,158,232,330
Income taxes	1,169,568,981	1,246,939,067	-	-	1,169,568,981	1,246,939,067
Other taxes	292,977,015	313,132,911	-	-	292,977,015	313,132,911
Investment income	14,173,076	42,586,707	2,599,459	7,330,179	16,772,535	49,916,886
Gain on sale of capital assets	1,604,285	13,309,573	-	-	1,604,285	13,309,573
Total Revenues	3,205,366,604	3,160,528,992	394,275,901	397,020,905	3,599,642,505	3,557,549,897
EXPENSES						
Governmental Activities:						
General government	337,557,085	304,526,806	-	-	337,557,085	304,526,806
Public safety	626,855,553	601,156,598	-	-	626,855,553	601,156,598
Public works and transportation	257,041,963	233,193,597	-	-	257,041,963	233,193,597
Health and human services	288,519,635	286,907,329	-	-	288,519,635	286,907,329
Culture and recreation	116,186,268	118,017,417	-	-	116,186,268	118,017,417
Community development and housing	21,365,597	19,134,520	-	-	21,365,597	19,134,520
Environment	13,618,312	14,967,339	-	-	13,618,312	14,967,339
Education	1,842,962,933	1,783,953,133	-	-	1,842,962,933	1,783,953,133
Interest on long-term debt	92,511,000	95,931,334	-	-	92,511,000	95,931,334
Business-type Activities:					-	
Liquor control	-	-	197,044,956	190,742,139	197,044,956	190,742,139
Solid waste activities	-	-	96,857,869	98,166,937	96,857,869	98,166,937
Parking lot districts	-	-	29,003,485	27,854,499	29,003,485	27,854,499
Permitting services	-	-	27,878,868	26,977,767	27,878,868	26,977,767
Community use of public facilities	-	-	8,744,741	8,456,433	8,744,741	8,456,433
Total Expenses	3,596,618,346	3,457,788,073	359,529,919	352,197,775	3,956,148,265	3,809,985,848
Increase in Net Assets Before Transfers	(391,251,742)	(297,259,081)	34,745,982	44,823,130	(356,505,760)	(252,435,951)
Transfers	44,971,675	32,444,171	(44,971,675)	(32,444,171)	-	-
Increase in Net Assets	(346,280,067)	(264,814,910)	(10,225,693)	12,378,959	(356,505,760)	(252,435,951)
Net Assets, beginning of year	1,633,208,593	1,898,023,503	278,978,738	266,599,779	1,912,187,331	2,164,623,282
Net Assets, end of year	$ 1,286,928,526	$ 1,633,208,593	$ 268,753,045	$ 278,978,738	$ 1,555,681,571	$ 1,912,187,331

* Primary Government

Governmental Activities

Revenues for the County's governmental activities were $3,205.4 million for FY09. Sources of revenue are comprised of the following items:



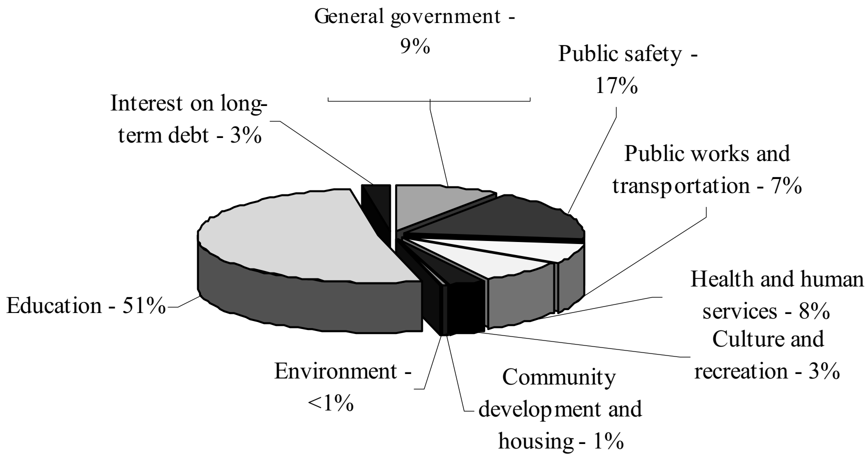
- Taxes constitute the largest source of County revenues, amounting to $2,759.5 million for FY09. Property and local income tax combined comprise 77 percent of all County revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 3.2 percent of the State taxable income for calendar years 2009 and 2008. There is no local sales tax in the State of Maryland.

- Operating grants and contributions represent primarily grants from the Federal and State governments and State aid programs. The majority of such revenues are received to fund the following County programs: health and human services ($109.6 million or 47.9 percent), public works and transportation ($71.5 million or 31.2 percent) and public safety ($30.1 million or 13.2 percent).

A more detailed discussion of the County's revenue results for FY09 as compared to what was budgeted can be found in the General Fund Budgetary Highlights section of this MD&A.

The cost of all governmental activities for FY09 was $3.597 million. As the chart below indicates, education constitutes the County's largest program and highest priority; education expenses totaled $1.8 billion. Public safety expenses totaled $626.9 million, general government services totaled $337.6 million, and health and human services, the fourth largest expense for the County, totaled $288.5 million.

Expenses by Function - Governmental Activities
For the Fiscal Year Ended June 30, 2009



The following table presents the cost and program revenues of the County as a whole and each of the County's six largest programs – education, public safety, general government, health and human services, public works and transportation, and culture and recreation – as well as each program's net cost (total cost less fees generated by the activities and program-specific intergovernmental aid).

Net Cost of County's Governmental Activities
For the Fiscal Years Ended June 30, 2009 and 2008

	Expenses		Revenues		Net Cost of Services	
	2009	2008	2009	2008	2009	2008
Education	$ 1,842,962,933	$ 1,783,953,133	$ -	$ -	$ 1,842,962,933	$ 1,783,953,133
Public safety	626,855,553	601,156,598	79,610,411	64,907,226	547,245,142	536,249,372
General government	337,557,085	304,526,806	63,864,253	62,807,609	273,692,832	241,719,197
Health and human services	288,519,635	286,907,329	115,177,823	109,198,818	173,341,812	177,708,511
Public works and transportation	257,041,963	233,193,597	107,411,399	105,746,506	149,630,564	127,447,091
Culture and recreation	116,186,268	118,017,417	42,604,734	36,008,463	73,581,534	82,008,954
Other	127,494,909	130,033,193	21,400,576	18,926,529	106,094,333	111,106,664
Total	$ 3,596,618,346	$ 3,457,788,073	$ 430,069,196	$ 397,595,151	$ 3,166,549,150	$ 3,060,192,922

Of the total cost of governmental activities of $3,597 million, $430.1 million was paid by those who directly benefited from the programs ($166.6 million) and other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($263.5 million). Of the $3,166.5 million net cost of services, our taxpayers paid for these activities through County taxes which totaled $2,759.5 million; also available to contribute towards such net costs were investment income and gain on sale of capital assets.

Highlights of significant changes in governmental activities revenue and expenses compared to last year are:

- General Government includes:
  - $2 million increase in expenses for the Presidential General Election and two unplanned special County Council elections;
  - $9.2 million increase in expenses for snow removal operations and wind and rain storm clean-up; and

- Decrease in revenue for permitting services of 20% or about $5.4 million primarily due to the downturn in the construction industry.

- Public Safety includes:
  - $3 million increase in grants from the U.S. Department of Homeland Security to buy equipment to better evaluate criminal histories of suspects;
  - $1.4 million increase in interest expense for the Consolidated Fire District due to the financing of over $30 million in new fire trucks and other emergency equipment ; and
  - $3.8 million decrease in expenses for Police supplies and uniforms as part of an overall savings plan for the department
- Public Works and Transportation includes:
  - Additional $3 million in federal grants for transit buses; and
  - Mass Transit revenues decreased by $22 million due to the delay in the receipt of an annual State of Maryland payment for special bus services while expenses decreased by $6.3 million from FY 08 as FY08 had several large one-time expense items
- Culture and Recreation includes:
  - $1.1 million increase in revenues received by the Department of Recreation due to the addition of two new fun centers and the expansion of certain programs for school age children while the Department's expenses decreased by 4% compared to FY08

Business-type Activities

Highlights of the County's business-type activities for FY09 are as follows:

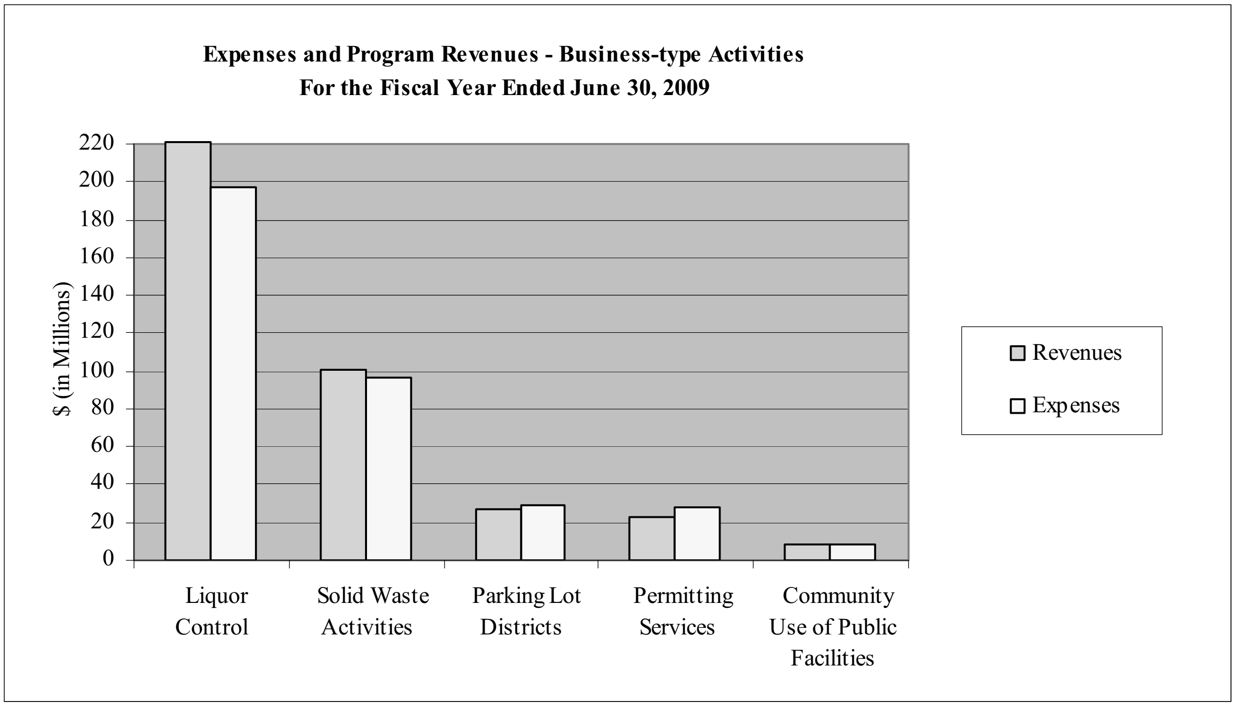
- Business-type activities experienced a decrease in net assets of $10.2 million for FY09. However, this amount is reported after total net transfers out of $45 million. The most significant components of this amount include:
  - $9.8 million in transfers of parking fees from the Parking Lot Districts to the Mass Transit Fund and Urban Districts; and
  - $30.4 million in FY09 Liquor Enterprise Fund profits transferred to the General Fund. Under State law, the Montgomery County Department of Liquor Control has a monopoly on the distribution of alcoholic beverages, and the sale of spirits, within the County.

- Charges for services to users comprise 96.3 percent of revenues, with $220.8 million (58.1 percent of charges for services revenue) attributable to liquor control operations and $100.1 million (26.4 percent) attributable to solid waste activities. The remaining charges for services are generated from operations relating to parking lot districts, permitting services, and community use of public facilities.

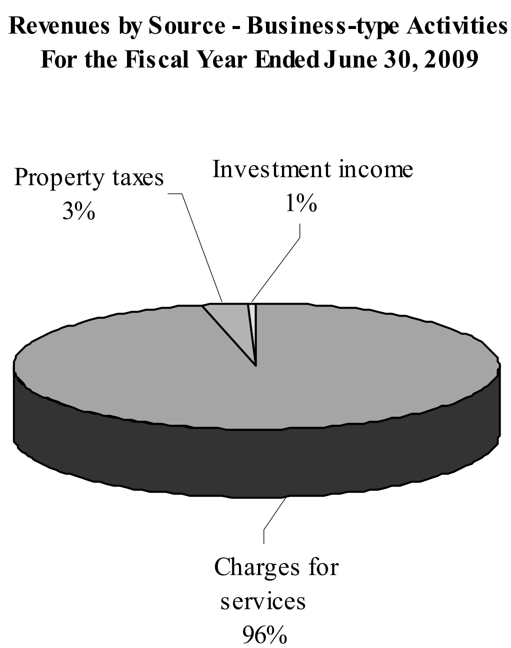
- Parking lot district property taxes of $11.9 million is the second largest source of revenue at only 3.1 percent.

- Investment income of $2.6 million reflects a decrease of $4.7 million or 64.5 percent over FY08, primarily because of the decreases in interest rates and pooled cash and investments during the year.

Business-type activities are shown below comparing costs to revenues generated by related services:



Business-type revenues by source are comprised of the following:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is valuable in assessing the County's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of FY09, the County's governmental funds reported combined ending fund balances of $423.7 million, a decrease of $158.9 million from the end of FY08. Of the total ending fund balances, $189.7 million constitutes the unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of $234 million is unavailable for new spending because it has been reserved for prior period commitments and legal restrictions.

The General Fund is the primary operating fund of the County. At the end of FY09, unreserved and undesignated fund balance of the General Fund was $28.9 million, while total fund balance was $108.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 1 percent of the total General Fund expenditures and transfers out, while total fund balance represents 3.8 percent of the same amount.

The fund balance of the County's General Fund decreased by $64.7 million during FY09, primarily due to reduced income and real property transfer and recordation tax revenues.

The Capital Projects Fund has a total fund balance of $-46.3 million, a decrease of $82.4 million from the end of FY08. The decrease was primarily due to a timing difference between capital expenditures and the debt to be issued in FY10 to pay for those expenditures.

The Debt Service Fund accumulates resources for the payment of general long-term debt principal, interest, and related costs. This fund does not maintain an unreserved fund balance; the reserved fund balance of $3.3 million represents a debt service reserve account.

A more detailed discussion of General Fund revenues can be found in the General Fund Budgetary Highlights section of MD&A. Other factors concerning the finances of the governmental funds are addressed in the discussion of the County's governmental activities.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide statements, but include more detail.

Unrestricted net assets of the Liquor Fund at the end of FY09 amounted to $27.4 million, and operating income was $25.9 million. After a subsidy transfer to the General Fund of $30.4 million, the fund ended FY09 with a decrease in net assets of $4.9 million.

The Solid Waste Activities Fund total net assets amounted to $68.1 million, of which the unrestricted net assets were $5.2 million. Restricted net assets of $32.7 million are attributable to required debt service reserve accounts for the Solid Waste Disposal revenue bonds.

The Parking Lot Districts Fund decrease in net assets amounted to $ .1 million in FY09, resulting in total ending net assets of $169.7 million. Of this amount, $141.1 million (83.1 percent) is invested in capital net of related debt; $7.8 million (4.6 percent) is restricted for debt service on revenue bonds; and $20.9 million (12.3 percent) is unrestricted.

A discussion of enterprise fund long-term debt can be found in the Long-Term Debt section presented later in this MD&A. Other factors concerning the finances of the enterprise funds are addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Revisions to the General Fund expenditure original budget (excluding transfers) to arrive at the final budget amounted to $10.2 million, which included County Council approved supplemental and special appropriations and the year-end County Council transfer and County Executive supplemental appropriations. Major components of the appropriation increases include the following:

- $4.1 million for Board of Elections to pay for Presidential General Election, two unplanned County Council elections and to move the Board to new facilities;

- $1 million increase in personnel costs related to certain public safety activities;

- $9.2 million for snow removal operations and wind and rain storm clean up; and

- $4.4 million decrease for a County program to supplement the income of working families.

Actual revenues were less than budget amounts by $89.7 million, while actual expenditures and net transfers out were less than final budget by $26.9 million and $72.1 million, respectively. Highlights of the comparison of final budget to actual figures for expenditures and net transfers for the fiscal year-ended June 30, 2009, include the following:

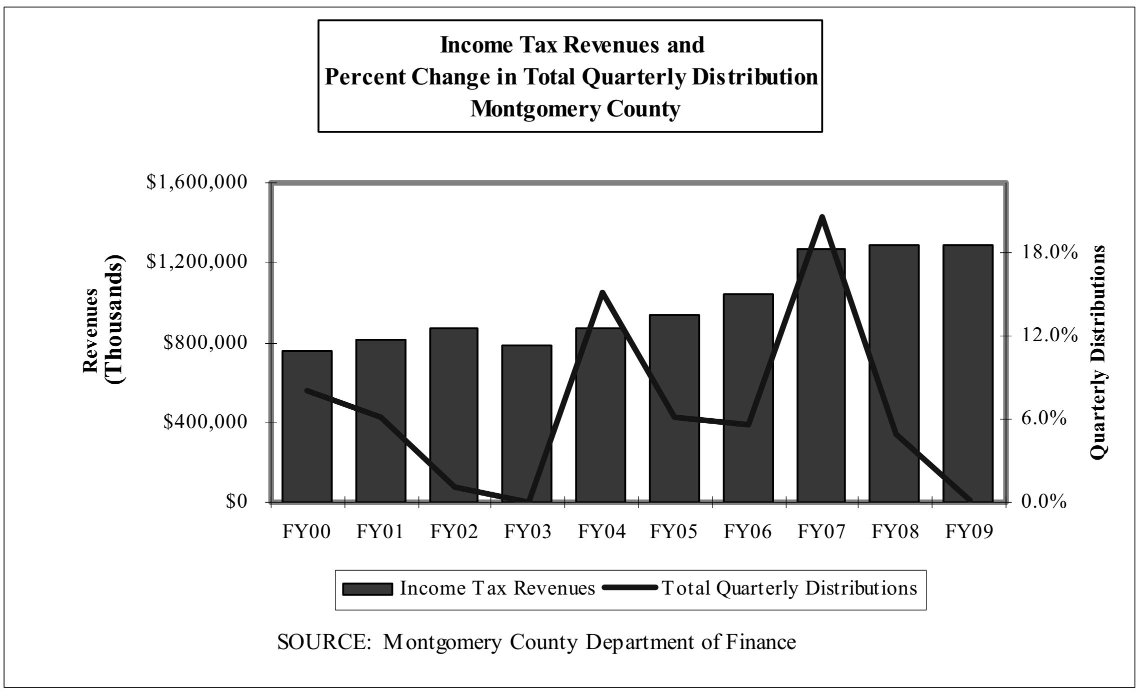
- Actual expenditures of $933.8 million were $26.9 million less than the final budget, which represents 2.8 percent of the final budget, and is attributable to savings achieved across numerous departments.

- Actual transfers to the Capital Projects Fund and component units for capital purposes were less than budgeted by $49.9 million. This is due both to the multi-year nature of capital projects, and to time delays that can be encountered for certain projects.

A more detailed comparison of final budget to actual figures for revenues is presented below:

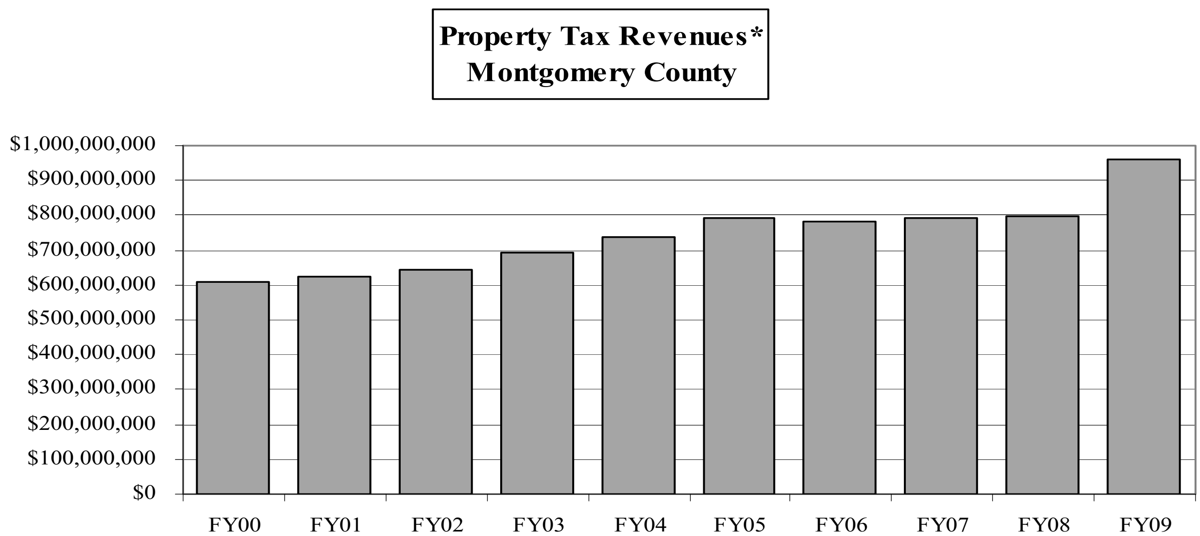
Overview - Actual revenues for the General Fund totaled $2,700.9 million and were 3.2 percent below the budget estimate for the fiscal year but 4.5 percent above actual revenues for FY08. The three largest contributors to the variance in dollars between the budget estimate and actual revenues were the income tax (↓$33.7 million below the budget estimate), followed by the recordation tax (↓$25.6 million below the budget), and finally, the real property transfer tax (↓$16.1 million below the estimate). Revenues from consumption/excise taxes which include fuel/energy, telephone, hotel/motel, and admissions taxes, were $179.2 million in FY09. That amount was $6.5 million or 3.5 percent below the budget estimate. Investment income was approximately $3.9 million below the budget estimate. Licenses and permits (↑2.2%) and charges for services (↑3.4%) came in above budget estimates. Intergovernmental revenues were 10.4 percent below the budget estimate. Such a decrease was attributed to State reimbursements which came in 13.6 percent below the budget estimate, and other intergovernmental revenue which were 8.8 percent below the budget estimate. Federal reimbursements, which represent only 20.4 percent of total intergovernmental revenues, came in 4.0 percent above the budget estimate.

Income Taxes - The largest revenue source for the General Fund is the County income tax. Revenues from the income tax were $1,291.7 million and represented 50.8 percent of actual tax revenues and 47.8 percent of total actual revenues in FY09. Income tax receipts became the majority source of tax revenues in the General Fund when it surpassed the property tax in size in FY99. The dramatic shift in the reliance on the income tax as a major source of revenue can be attributed to two factors: the expansion of the employment base in the County and growth in capital gains. With a Standard & Poor's 500 index decreasing 38.5 percent in calendar year (CY) 2008 after increasing 3.5 percent in calendar year CY2007, 13.6 percent in CY2006, 3.0 percent in CY2005, and 9.0 percent in CY2004 and an average annual growth rate of 1.4 percent in the County's resident employment during the CY2003-CY2006 period, income tax revenues increased 10.4 percent in FY04, 8.2 percent in FY05, 11.0 percent in FY06, 21.1 percent in FY07, and 2.1 percent in FY08. However, with a decline in the growth in resident employment in CY2007 (↓0.1%) and in CY2008 (↓0.4%) coupled with the dramatic decline in the S&P 500 index in CY2008; there was no increase in FY09. As the chart below illustrates, total quarterly distributions for withholding and estimated payments increased 0.2 percent in FY09, +4.9 percent in FY08, +20.5 percent (FY07), +5.6 percent (FY06), +6.1 percent (FY05), and +15.1 percent (FY04).



Property Taxes - Property tax collections in the General Fund amounted to $962.3 million in FY09, which were $2.8 million (↓0.3%) below the budget estimate but 20.8 percent above actual revenues in FY08. Actual property taxes, excluding penalties and interest and other items, were $960.9 million in FY09 – an increase of 20.9 percent over last year. Collections from penalties and interest were $1.4 million — a 25.6 percent decrease compared to FY08. The reason for the variance in property tax revenues compared to the budget estimate is attributed to the decline in personal property taxable assessments.   The increase in property tax collections for the General Fund was attributed to actions by the County for the FY08 levy which is collected in FY09. Such actions by the County included an income tax offset of $579 per owner-occupied residence, compared to the $613 for the prior fiscal year, and an increase in the General Fund tax rate from $0.627 to $0.661 per $100 of assessed value.

The taxable assessments for real property increased 11.1 percent from FY08 to FY09. This was the fourth largest increase in over eighteen years. New construction, which added $1.4 billion to the base in FY09, was 4.6 percent lower than in FY08. The real estate market, particularly the annual double-digit price increases during fiscal years (FY02-FY06), fueled the dramatic increase in the reassessment rate from 21.8 percent to 65.0 percent for Cycle Two reassessments of the County's real property with the three-year phase in starting in Levy Year (LY) 2005, that preceded an increase in the rate from 36.3 percent to 63.3 percent for Cycle Three reassessments in LY06, but declined from 51.8 percent to 43.4 percent for Cycle One in LY07 indicating a significant deceleration in the growth of average sales prices during FY07 (↑2.0%) and FY08 (↑0.4%). With the average sales price for an existing home declining 15.8 percent in FY09, the reassessment rate for Group Two declined from 65.0 percent for LY05 to 16.2 percent for LY08. However, the homestead tax credit limits annual increases in homeowners' taxable assessments to 10 percent per year although other taxable assessments such as commercial and investment residential properties are not limited by this credit. While there were dramatic increases in the reassessment rates, which added over $16.7 billion to the assessable base in FY09, such increases were potentially offset by the homestead tax credit, which excluded an additional $2.3 billion from the real property taxable base in FY09.

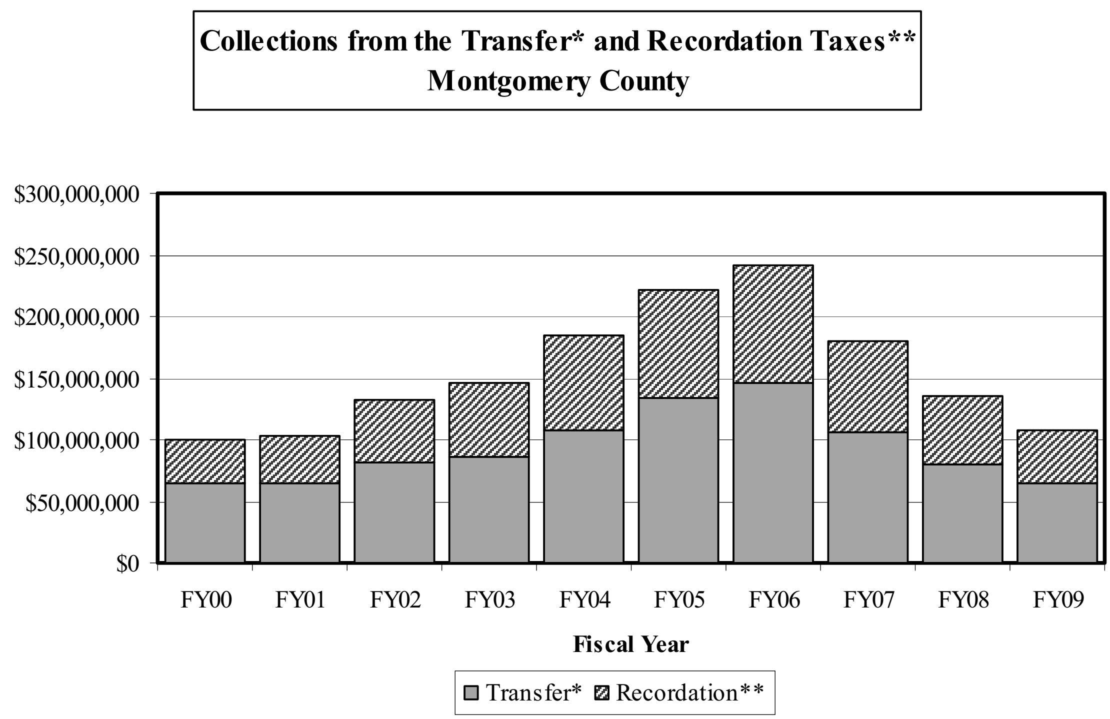


SOURCE: Montgomery County Department of Finance
* General Fund only

Assessments of personal property increased 3.2 percent in FY00, 5.1 percent in FY01, 3.0 percent in FY02, 0.6 percent in FY03, but declined 6.2 percent in FY04 primarily due to weaknesses in all three categories: individual, public utility, and corporate. Unfortunately, there was no rebound in the subsequent years as illustrated by a 1.5 percent decline in FY05, and another 1.8 percent decline in FY06. The declines in FY05 and FY06 were attributed to adjustments to individual personal property undertaken by the Maryland Department of Assessments and Taxation. Due to a rebound in personal property for public utilities, assessments increased 3.1 percent in FY07 and a modest 0.5 percent in FY08. However, because of declines in individual and corporate personal property and public utility tax assessments, total personal property assessments declined 1.3 percent in FY09. For the past four fiscal years (FY06-FY09), taxable assessments for personal property averaged $3.918 billion ranging from a low of $3.832 billion in FY06 to a high of $3.971 billion in FY08. Despite the weaker trend in personal property since FY04, the total taxable assessment grew 9.6 percent in FY05, 11.9 percent in FY06, 13.4 percent in FY07, 12.8 percent in FY08, and 10.8 percent in FY09.

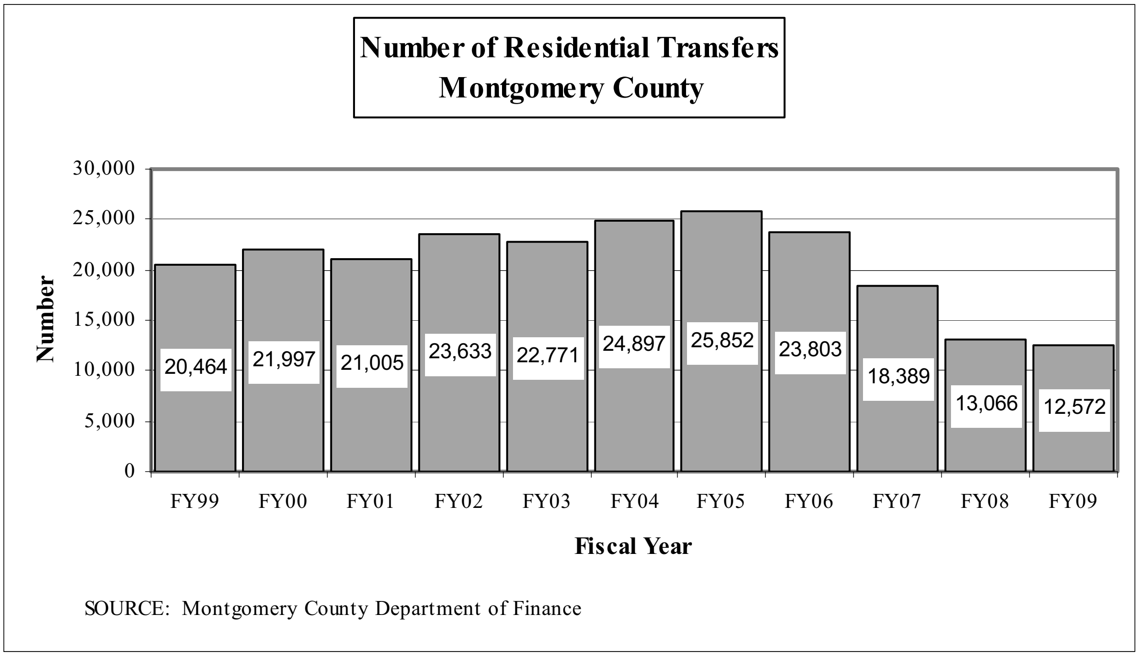
<u>Transfer and Recordation Taxes</u> - The third major category in the County is the combination of real property transfer and recordation taxes. The combined tax receipts from these sources in FY09 were $107.2 million (excluding

recordation tax revenues earmarked for CIP funding of school construction and transfer tax revenues from condominium conversions), and 28.0 percent below the budget estimate and 20.6 percent below actual revenues in FY08. The FY09 decline in collections from transfer and recordation taxes was the third consecutive decrease which represented a decline of $134.5 million over the three-year period. The drop in average sales price for existing homes (↓15.8%) during F09 was the major factor in the decline. As the accompanying chart illustrates, the total amount collected from these taxes increased from $99.8 million in FY00 to a peak of $241.7 million in FY06, before declining to $107.2 in FY09, the lowest amount since the increase in the recordation tax rate beginning in FY03 (from $4.40 to $6.90 per $1,000 of the value of the contract excluding the first $50,000 exempted from taxation for residential properties).

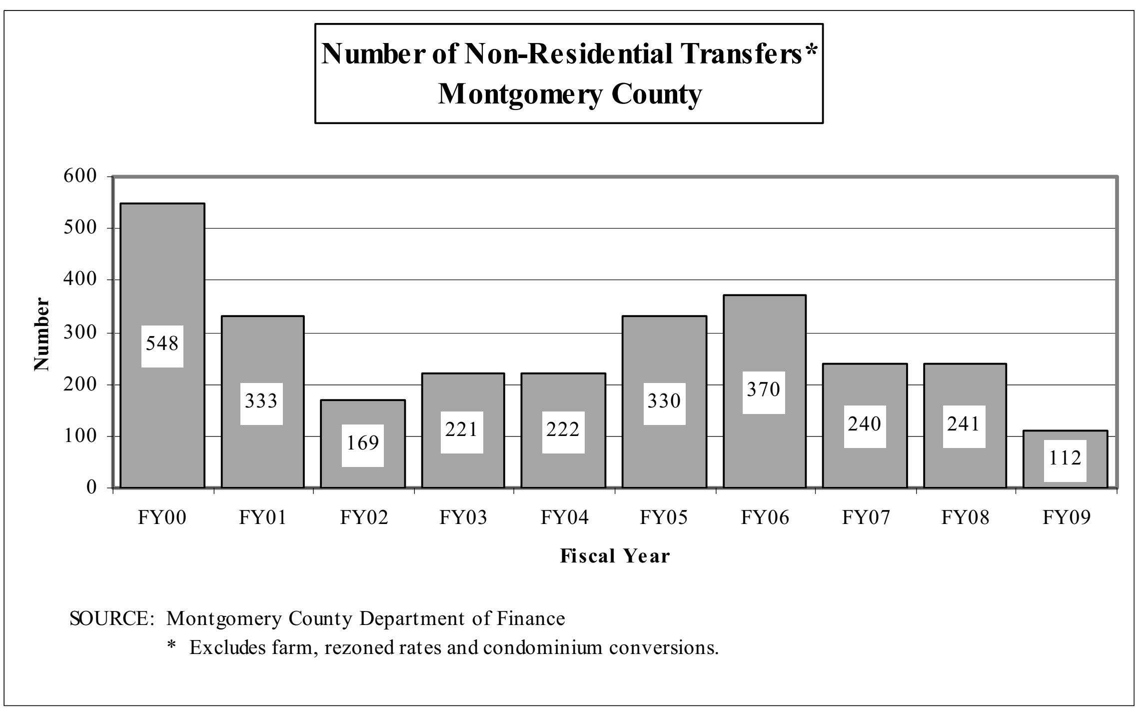


SOURCE: Montgomery County Department of Finance
* Excludes condominium conversions
** Excludes School CIP

General Fund revenues from the transfer tax experienced a decline of 19.4 percent in FY09 compared to a 22.4 percent decline from the recordation tax. Because of the decrease attributed to a dramatic reduction in average sales prices in FY09 (↓15.8%), revenues from the residential sector were $56.1 million, a decrease of 18.6 percent over FY08 − the third decrease since FY06. The number of residential transfers declined to approximately 12,600 (↓3.8%) − the lowest level in over nineteen years and reflecting the drop in housing sales during the first eight months of FY09.



The commercial market was weaker in FY09 compared to the residential sector with revenues decreasing 24.1 percent from $10.1 million to $7.5 million. The number of transfers (112) in FY09 was 53.5 percent below the number in FY08 − the lowest number in over nineteen years.



Other Taxes - The remaining tax sources – consisting of fuel/energy, telephone, hotel/motel, and admissions and amusement taxes – totaled $179.2 million and were approximately $6.5 million, or 3.5 percent, below the budget estimate. Revenues from the telephone tax were 0.2 percent above the budget estimate. That modest increase was attributed to increases in the use of cellular telephones, which represented 66.1 percent of total revenues, and offset the decline in landlines. The remaining consumption/excise taxes were below budget estimates. Revenues from the hotel/motel industry of $16.8 million in FY09 were 15.3 percent below the budget estimate. The fuel/energy tax was up 9.3 percent compared to FY08 reflecting the higher tax rates on fuel oil, electricity, and natural gas but 2.5 percent below the budget estimate, which was attributed to a mild winter and therefore a decline in revenues from fuel oil (↓10.5%). The decrease in the admissions tax (↓8.1%) from the budget estimate was attributed to the decline in tax receipts from two of the largest sources of revenues which represent nearly 50 percent of total revenues – arcades (↓0.9%), and golf activities (↓20.4%).

Investment Income - In the General Fund, investment income decreased from $8.9 million in FY08 to $0.6 million and was 87.1 percent below the budget estimate. The dramatic decrease in FY09 was the result of a significant accommodative policy of the Federal Open Market Committee (FOMC) of the Federal Reserve that reduced interest rates beginning in September 2007. From that time to December 2008, the FOMC decreased the target interest rate for federal funds from 5.25 percent to a range of between 0.00 and 0.25 percent – a decline of 500-525 basis points. The justification for such a decrease was the significant global credit crisis that began in August 2007. Because of this 500+-basis-point decrease over the fifteen-month period, short-term or money market rates decreased as well, hence the average yield on cash equity for the County decreased from 5.21 percent in FY07 to 1.71 percent in FY09. Total pooled investment income on a budgetary basis, which includes all funds and outside participants excluding unrealized gains or losses, was $11.9 million or 72.5 percent below last fiscal year. With the decrease in investment income coupled with a lesser rate of increase in spending, the average daily portfolio balance decreased from $971.4 million in FY08 to $695.7 million in FY09.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2009, amounted to $3,082 million (net of accumulated depreciation and amortization), as summarized below:

Capital Assets, Net of Depreciation
June 30, 2009

	Governmental Activities	Business-type Activities	Total FY09	Total FY08
Land	$ 645,547,868	$ 59,329,889	704,877,757	$ 658,648,955
Buildings	466,054,900	150,577,069	616,631,969	615,163,870
Improvements other than buildings	28,081,990	28,951,743	57,033,733	55,074,486
Furniture, fixtures, equipment and machinery	83,971,071	8,447,924	92,418,995	111,332,318
Leasehold improvements	9,080,164	-	9,080,164	9,890,909
Automobiles and trucks	127,426,744	1,644,457	129,071,201	112,941,444
Infrastructure	1,110,992,250	12,773	1,111,005,023	1,113,807,434
Other assets	172,207	-	172,207	380,180
Construction in progress	352,436,230	9,282,824	361,719,054	260,367,292
Total	$ 2,823,763,424	$ 258,246,679	$ 3,082,010,103	$ 2,937,606,888

*Certain amounts have been reclassified to conform with the current year presentation.

Changes in the County's capital assets for FY09 are summarized as follows:

Change in Capital Assets
For the Fiscal Year Ended June 30, 2009

	Governmental Activities	Business-type Activities	Total FY09	Total FY08
Beginning Balance	$ 2,716,099,259	$ 221,507,629	$ 2,937,606,888	$ 2,851,846,300
Additions*	203,193,490	49,486,289	252,679,779	190,035,492
Retirements, net*	276,419	9,556	285,975	438,769
Depreciation expense	95,252,906	12,737,683	107,990,589	103,836,135
Ending Balance	$ 2,823,763,424	$ 258,246,679	$ 3,082,010,103	$ 2,937,606,888

* Presented net of transfers from construction in progress; retirements are also net of related accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- Roads, including underlying land, valued at $2.2 million were transferred to the County by various developers.
- $6.9 million was spent to replace an existing transit facility with a new 3-story, multi-modal transit center that serves a vital part of the Silver Spring revitalizing initiative.
- $7.4 million to purchase preservation easements on farmland in agricultural zones and other zones approved by the County Council to preserve farmland not protected by Transferable Development Rights (TDRs) or State agricultural land preservation easements.
- The County incurred $13.5 million in costs for the acquisition of replacement fire apparatus for various fire stations throughout the County and $1.3 million for the acquisition of Ride-On buses.

- $5.4 million was spent to provide for a 30 year maintenance cycle for sidewalks, curbs and gutters in business districts and residential communities throughout the County.
- $3.5 million was spent on an advanced transportation management system (ATMS) that supports public safety and directly impacts the movement of people and goods throughout the County's transportation system.
- $16.9 million was spent in the development of a new information technology system and business process reengineering that will streamline existing business processes and enhance residents' assistance.

Additional information pertaining to the County's capital assets can be found in Notes to Financial Statements, Notes I-D5 and III-C.

Long-Term Debt:

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2009:

Long-Term Debt
June 30, 2009

	Governmental Activities	Business-type Activities	Total FY09	Total FY08
General obligation bonds	$ 1,496,561,371	$ -	$1,496,561,371	$1,366,758,054
Variable rate demand obligation	100,000,000	-	100,000,000	100,000,000
Bond anticipation notes	300,000,000	-	300,000,000	300,000,000
Revenue bonds	14,463,000	79,567,000	94,030,000	54,685,000
Lease revenue bonds	35,025,000	-	35,025,000	36,670,000
Notes payable *	15,764,265	467,877	16,232,142	10,645,442
Certificates of participation	30,475,000	-	30,475,000	33,580,000
Capital leases	67,929,435	-	67,929,435	74,472,783
Compensated absences	70,023,763	5,275,874	75,299,637	69,933,367
Other post employment benefits	113,534,939	-	113,534,939	58,598,791
Claims and judgements	1,550,000	-	1,550,000	-
Landfill closure costs	-	20,675,923	20,675,923	22,733,923
Total	$ 2,245,326,773	$105,986,674	$2,351,313,447	$2,128,077,360

* Notes payable include equipment notes, WSSC note, and HUD loan.

At June 30, 2009, the County had outstanding general obligation (GO) bonds of $1,496.6 million, with outstanding variable rate demand obligations (VRDOs) of $100 million and bond anticipation notes (BANs) of $300 million. Over the last ten years, the County issued its GO bonds once a year, with the exception of FY08, when no GO "new money" bonds were issued. The County adopted a policy in 1988 of initially financing capital construction with BANs. BANs are subsequently paid off by the issuance of the County's GO bonds. Montgomery County also issues bonds to finance the capital construction of MCPS, MCC, and M-NCPPC not otherwise financed by the State of Maryland. Since FY99, the County sold general obligation bond issues, exclusive of refundings, of up to $250 million. Over the last ten fiscal years, the County's annual issues (including the June 2006 issue of $100 million of VRDOs) averaged $164.0 million.

The County continues to maintain its status as a top rated issuer of municipal securities, with the highest credit ratings possible for a local government. For its GO bonds, the County is a 'Triple AAA' rated County, and received ratings of Aaa from Moody's Investors Service, Inc., AAA from Standard and Poor's, and AAA from Fitch, Inc. County GO bonds have been consistently awarded the highest credit rating from Moody's and Standard and Poor's since 1973 and 1976, respectively, and from Fitch since 1991.

As of June 30, 2009, Montgomery County is one of only nine 'Triple AAA' rated counties in the nation with a population greater than 900,000. According to Standard and Poor's, a deep, diverse, and growing economy; strong financial management; and a low debt burden are the hallmarks of counties rated 'AAA.' The rating category, by definition, represents extremely strong capacity to pay principal and interest. Typically, 'AAA' rated counties demonstrate an ability to weather all economic cycles by maintaining tight budgetary controls, articulating and executing well-designed capital plans, maintaining sufficient reserves, and planning for future contingencies.

Continuing Disclosure - For purposes of complying with the County's continuing disclosure undertakings, this Comprehensive Annual Financial Report is provided to each nationally recognized municipal securities information repository and to the state information depository, if any, established for Maryland. Through the end of FY09, the County satisfied its disclosure requirements via electronic filings with the Municipal Advisory Council of Texas at http://www.disclosureusa.org. Beginning in FY10, the County will submit disclosure filings to the Electronic Municipal Market Access (EMMA) system. Individuals interested in the information to be provided pursuant to such continuing disclosure undertakings should refer to the A Exhibits and Notes to the Financial Statements, as well as Tables 4, 8, 9, 11, 17-21.

Significant bond-related debt activities during FY09 were:

- General Obligation Bonds – This latest installment of the County's annual issue, for $250 million in July 2008, funds capital expenditures for roads, schools, and government facilities. The proceeds of this bond issue were used to pay off an equivalent amount of the County's BANs.

- Liquor Control Revenue Bonds – In May 2009, the County issued $46.8 million of revenue bonds, secured by Department of Liquor Control revenues. The proceeds will be used to purchase a warehouse facility for the Department, as well as to fund the County's share of an interchange at the intersection of Maryland Route 355 (Rockville Pike) and Montrose Parkway West.

- Bond Anticipation Notes (BANs) – The County issued $150 million in BANs in September 2008, and $100 million in February 2009.

Additional information pertaining to the County's long-term debt can be found in Notes to Financial Statements, Notes I-D7, III-E3, and III-F.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors are reflected in the County's FY10 budget:

- The County's economic projections in the FY10 budget assume weak economic activity in FY10 with the County experiencing high unemployment and a decrease (↓0.4% in calendar year 2009) in total payroll employment.

- On a calendar year basis (CY), total payroll employment decreased 0.2 percent in CY08, the latest year for which data are available. That rate followed an average annual increase of slightly more than 1.4 percent between CY98 and CY07. Following a decline in payroll employment during CY08, the County anticipates a decline in payroll employment in CY09 of 0.4 percent and an increase of 0.3 percent in CY10.

- The projection in the FY10 budget assumes that personal income will increase 2.8 percent in CY09 and 3.6 percent in CY10. Those rates are well below the estimated ten-year annual average growth rate of 6.3 percent between CY98-CY07.

- On a calendar year basis, employment in Montgomery County, based on the labor force series as opposed to payroll employment, is expected to decrease 3.0 percent in CY09 and increase 0.8 percent in CY10. The rate of growth in resident employment is estimated to remain reasonably steady with an average annual rate of 0.8 percent between CY10 and CY15. That estimate is consistent with the estimated growth in County population of 1.2 percent per year through CY15.

- The estimated decline in employment in CY09 and a modest increase in personal income reflects the estimated slowdown in the County's and region's economy and the national recession. That recession is reflected in the efforts of the Federal Open Market Committee (FOMC) of the Board of Governors of the Federal Reserve System (Federal Reserve) to cut the targeted interest for federal funds from 5.25 percent during the summer of 2007 to its current range of 0.00-0.25 percent.

- Inflation, as measured by the Consumer Price Index, is expected to increase 3.2 percent in FY10. Because of the interest rates cuts by the FOMC of the Federal Reserve during FY08 and FY09, the County's economic projections include a decrease in the yield on its investments from 4.40 percent in FY08 to 1.10 percent by FY10.

OTHER SIGNIFICANT MATTERS

The Maryland General Assembly 2009 Session passed House Bill 101 "Budget Reconciliation and Financing Act of 2009". A key provision of this bill requires the State Comptroller to distribute $366,778,631 from the local reserve account to the State's general fund by June 30, 2009. From fiscal 2013 through 2022, the State Comptroller is required to distribute $36,677,863 annually in income tax revenues to the local reserve account; and reduce the total amount of income tax revenues distributed to local jurisdictions by a corresponding amount. The effect on the County may be a decrease in income tax revenues in the aforementioned years. The impact of this bill will not result in changes for local governments until FY13.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Montgomery County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montgomery County Government, Department of Finance, 101 Monroe Street, Rockville, Maryland, 20850. This report can also be found on the County's website, http://www.montgomerycountymd.gov (see Departments, Finance, Financial Reports).

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2009
Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Total
ASSETS				
Equity in pooled cash and investments	$ 388,408,646	$ 75,527,637	$ 463,936,283	$ 96,427,073
Cash with fiscal agents	27,777,991	1,529,914	29,307,905	23,465,331
Cash	392,503	235,549	628,052	18,251,895
Investments-cash equivalents	-	-	-	106,554,595
Investments	-	-	-	33,150,132
Receivables (net of allowances for uncollectibles):				
Income taxes	270,812,051	-	270,812,051	-
Property taxes	25,259,214	1,447,216	26,706,430	-
Capital leases	35,025,000	-	35,025,000	31,490,178
Accounts	49,555,385	4,191,470	53,746,855	18,759,672
Special assessments	344	-	344	-
Notes	6,836,025	-	6,836,025	48,315,000
Parking violations	522,208	2,282,575	2,804,783	-
Mortgages receivable	168,536,975	-	168,536,975	346,127,799
Interest	-	-	-	4,795,648
Other	456,905	-	456,905	5,456,251
Internal balances	2,367,858	(2,367,858)	-	-
Due from primary government	-	-	-	80,845,351
Due from component units	68,466,217	432,585	68,898,802	-
Due from other governments	83,078,312	139,456	83,217,768	25,345,112
Inventory of supplies	10,933,503	28,155,649	39,089,152	9,955,589
Prepaids	2,237,438	1,008,765	3,246,203	4,891,786
Deferred charges	5,425,534	1,033,962	6,459,496	529,017
Other assets	-	193,843	193,843	63,445,597
Restricted Assets:				
Equity in pooled cash and investments	-	34,896,446	34,896,446	15,423,589
Cash with fiscal agents	-	-	-	5,876,474
Cash	-	-	-	624,213
Cash non pooled	200,949	-	200,949	-
Investments - cash equivalents	-	-	-	121,024,022
Investments	-	5,596,911	5,596,911	115,088,826
Capital Assets:				
Nondepreciable assets	997,984,098	68,612,713	1,066,596,811	397,768,740
Depreciable assets, net	1,825,779,327	189,633,966	2,015,413,293	2,410,212,234
Total Assets	$ 3,970,056,483	$ 412,550,799	$ 4,382,607,282	$ 3,983,824,124

(Continued)

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS, CONCLUDED
JUNE 30, 2009
Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Total
LIABILITIES				
Accounts payable	$ 64,366,086	$ 17,114,020	$ 81,480,106	$ 83,248,439
Interest payable	30,012,530	381,622	30,394,152	20,417,907
Retainage payable	6,215,758	426,850	6,642,608	14,966,690
Accrued liabilities	61,269,606	13,046,760	74,316,366	100,232,622
Claims payable	95,033,747	-	95,033,747	18,501,490
Deposits	246,682	426,457	673,139	10,796,415
Due to primary government	-	-	-	69,059,644
Due to component units	80,176,603	668,748	80,845,351	-
Due to other governments	10,062,103	1,075,557	11,137,660	-
Unearned revenue	45,476,577	2,011,600	47,488,177	29,173,419
Other liabilities	-	622,860	622,860	12,741,088
Noncurrent Liabilities:				
Due within one year	503,711,749	12,787,497	516,499,246	102,639,915
Due in more than one year	1,786,556,516	95,235,783	1,881,792,299	1,244,949,042
Total Liabilities	2,683,127,957	143,797,754	2,826,925,711	1,706,726,671
NET ASSETS				
Invested in capital, net of related debt	1,937,493,317	177,697,087	2,080,125,833	2,225,858,583
Restricted for:				
Capital projects	20,814,842	-	20,814,842	255,894
General government	130,422,777	-	130,422,777	-
Public safety	24,527,646	-	24,527,646	-
Public works and transportation	10,562	66,606,205	66,616,767	-
Recreation	13,309,262	-	13,309,262	-
Community development and housing	195,721,033	-	195,721,033	-
Environment	5,253,117	-	5,253,117	-
Debt service	3,345,040	-	3,345,040	42,896,631
Other purposes	-	-	-	34,539,425
Unrestricted (deficit)	(1,043,969,070)	24,449,753	(984,454,746)	(26,453,080)
Total Net Assets	$ 1,286,928,526	$ 268,753,045	$ 1,555,681,571	$ 2,277,097,453

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-2

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Government Activities:				
General government	$ 337,557,085	$ 55,124,011	$ 6,720,731	$ 2,019,511
Public safety	626,855,553	44,359,719	30,138,410	5,112,282
Public works and transportation	257,041,963	18,997,028	71,494,515	16,919,856
Health and human services	288,519,635	5,604,372	109,573,451	-
Culture and recreation	116,186,268	29,964,898	4,729,985	7,909,851
Community development and housing	21,365,597	3,937,188	6,300,663	2,567,389
Environment	13,618,312	8,594,412	924	-
Education	1,842,962,933	-	-	-
Interest on long-term debt	92,511,000	-	-	-
Total Governmental Activities	3,596,618,346	166,581,628	228,958,679	34,528,889
Business-type Activities:				
Liquor control	197,044,956	220,795,524	-	-
Solid waste disposal and collection	96,857,869	100,139,024	8,700	-
Parking lot districts	29,003,485	27,303,666	-	-
Permitting services	27,878,868	22,998,323	-	-
Community use of public facilities	8,744,741	8,576,323	-	-
Total Business-type Activities	359,529,919	379,812,860	8,700	-
Total Primary Government	$ 3,956,148,265	$ 546,394,488	$ 228,967,379	$ 34,528,889
Component Units:				
General government (BUPI)	$ 4,689,374	$ 4,410,146	$ 232,949	$ -
Culture and recreation (MCRA)	20,738,255	17,210,744	-	147,771
Community development and housing (HOC)	211,000,336	108,757,842	94,688,518	5,697,302
Education:				
Elementary and secondary education (MCPS)	2,357,261,020	33,074,282	100,503,742	49,264,320
Higher education (MCC)	265,994,842	76,324,928	29,930,300	780,845
Total Component Units	$ 2,859,683,827	$ 239,777,942	$ 225,355,509	$ 55,890,238

General Revenues:
Property taxes
County income taxes
Real property transfer taxes
Recordation taxes
Fuel energy taxes
Hotel-motel taxes
Telephone taxes
Other taxes
Grants and contributions not restricted to specific programs
Investment income
Gain on sale of capital assets
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (273,692,832)	$ -	$ (273,692,832)	$ -
(547,245,142)	-	(547,245,142)	-
(149,630,564)	-	(149,630,564)	-
(173,341,812)	-	(173,341,812)	-
(73,581,534)	-	(73,581,534)	-
(8,560,357)	-	(8,560,357)	-
(5,022,976)	-	(5,022,976)	-
(1,842,962,933)	-	(1,842,962,933)	-
(92,511,000)	-	(92,511,000)	-
(3,166,549,150)	-	(3,166,549,150)	-
-	23,750,568	23,750,568	-
-	3,289,855	3,289,855	-
-	(1,699,819)	(1,699,819)	-
-	(4,880,545)	(4,880,545)	-
-	(168,418)	(168,418)	-
-	20,291,641	20,291,641	-
(3,166,549,150)	20,291,641	(3,146,257,509)	-
-	-	-	(46,279)
-	-	-	(3,379,740)
-	-	-	(1,856,674)
-	-	-	(2,174,418,676)
-	-	-	(158,958,769)
-	-	-	(2,338,660,138)
1,296,974,051	11,854,882	1,308,828,933	-
1,169,568,981	-	1,169,568,981	-
64,771,739	-	64,771,739	-
42,437,216	-	42,437,216	-
129,328,307	-	129,328,307	-
16,829,254	-	16,829,254	-
30,906,025	-	30,906,025	-
8,704,474	-	8,704,474	-
-	-	-	2,458,871,781
14,173,076	2,599,459	16,772,535	6,799,476
1,604,285	-	1,604,285	-
44,971,675	(44,971,675)	-	-
2,820,269,083	(30,517,334)	2,789,751,749	2,465,671,257
(346,280,067)	(10,225,693)	(356,505,760)	127,011,119
1,633,208,593	278,978,738	1,912,187,331	2,150,086,334
$ 1,286,928,526	$ 268,753,045	$ 1,555,681,571	$ 2,277,097,453

MONTGOMERY COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009
Exhibit A-3

	General	Revenue Stabilization	Housing Initiative	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	$ 17,037,504	$ 119,647,603	$ 16,238,822	$ 73,070	$ 41,895,502	$ 60,437,102	$ 255,329,603
Cash with fiscal agents	1,940,112	-	-	15,397,468	10,440,411	-	27,777,991
Cash	146,953	-	212,450	-	-	32,800	392,203
Cash restricted non pooled	200,949	-	-	-	-	-	200,949
Receivables (net of allowances for uncollectibles):							
Income taxes	270,812,051	-	-	-	-	-	270,812,051
Property taxes	20,570,727	-	-	-	-	4,688,487	25,259,214
Capital leases	-	-	-	35,025,000	-	-	35,025,000
Accounts	42,524,573	-	-	-	515,685	4,584,480	47,624,738
Special assessments	-	-	-	344	-	-	344
Notes	-	-	-	-	12,068	6,823,957	6,836,025
Parking violations	522,208	-	-	-	-	-	522,208
Mortgages receivable	168,002	-	134,235,816	-	300,000	33,833,157	168,536,975
Other	-	-	-	-	4,114	451,577	455,691
Due from other funds	44,683,677	-	-	-	-	5,422,208	50,105,885
Due from component units	936,642	-	41,459,181	-	16,393,449	9,151,315	67,940,587
Due from other governments	19,631,585	-	-	-	23,694,573	39,597,607	82,923,765
Inventory of supplies	5,379,506	-	-	-	1,796,522	-	7,176,028
Prepaids	544,113	-	781	-	1,130,485	264,580	1,939,959
Total Assets	$ 425,098,602	$ 119,647,603	$ 192,147,050	$ 50,495,882	$ 96,182,809	$ 165,287,270	$ 1,048,859,216
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 25,148,188	$ -	$ 627,927	$ 87,684	$ 20,931,356	$ 9,171,230	$ 55,966,385
Retainage payable	20,383	-	-	-	6,190,070	5,305	6,215,758
Accrued liabilities	32,716,149	-	62,383	-	1,336,159	15,453,357	49,568,048
Deposits	-	-	-	-	80,000	166,682	246,682
Due to other funds	11,045,017	-	15,934	12,035,000	30,592,502	12,034,094	65,722,547
Due to component units	10,663,083	-	309,632	-	68,153,552	999,154	80,125,421
Due to other governments	3,070,669	-	235,000	-	2,468,760	4,285,639	10,060,068
Deferred revenue	234,329,051	-	2,213,399	35,028,158	12,742,734	72,913,512	357,226,854
Total Liabilities	316,992,540	-	3,464,275	47,150,842	142,495,133	115,028,973	625,131,763
Fund Balances:							
Reserved for:							
Legal debt restrictions	-	-	-	3,345,040	10,440,411	-	13,785,451
Long-term receivables	-	-	173,481,598	-	16,393,449	5,313,168	195,188,215
Inventory	5,379,505	-	-	-	1,796,522	-	7,176,027
Prepaids	544,113	-	781	-	1,130,485	261,603	1,936,982
Fire-Rescue Grant	-	-	-	-	-	1,339,856	1,339,856
Donor-specified purposes	-	-	-	-	-	1,502,623	1,502,623
Other purposes	2,698,310	-	-	-	10,374,431	-	13,072,741
Total Reserved	8,621,928	-	173,482,379	3,345,040	40,135,298	8,417,250	234,001,895
Unreserved, designated for, reported in:							
Encumbrances - Major Funds	18,630,308	-	5,934,438	-	-	8,130,070	32,694,816
General Fund	51,999,830	-	-	-	-	-	51,999,830
Special Revenue Funds	-	-	9,265,958	-	-	25,841,599	35,107,557
Designated for transfers to Capital Projects Fund	-	-	-	-	-	55,173	55,173
Unreserved, undesignated (deficit), reported in:							
General Fund	28,853,996	-	-	-	-	-	28,853,996
Capital Projects Fund	-	-	-	-	(86,447,622)	-	(86,447,622)
Special Revenue Funds	-	119,647,603	-	-	-	7,814,205	127,461,808
Total Unreserved (Deficit)	99,484,134	119,647,603	15,200,396	-	(86,447,622)	41,841,047	189,725,558
Total Fund Balances	108,106,062	119,647,603	188,682,775	3,345,040	(46,312,324)	50,258,297	423,727,453
Total Liabilities and Fund Balances	$ 425,098,602	$ 119,647,603	$ 192,147,050	$ 50,495,882	$ 96,182,809	$ 165,287,270	$ 1,048,859,216

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

MONTGOMERY COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009
Exhibit A-4

Total fund balance - governmental funds (see Exhibit A-3)		$ 423,727,453
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental fund activities are not financial resources and therefore not reported in the funds:		
Nondepreciable capital assets:		
Land	$ 645,525,362	
Construction in progress	352,436,230	
Depreciable capital assets:		
Buildings	750,744,300	
Improvements other than buildings	46,164,482	
Furniture, fixtures, equipment and machinery	245,182,186	
Automobiles and trucks	168,643,698	
Infrastructure	1,589,425,226	
Other capital assets	2,079,731	
Total capital assets	3,800,201,215	
Less accumulated depreciation	(1,010,386,285)	2,789,814,930
Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds:		
General obligation bonds payable	(1,496,561,371)	
Variable rate demand obligations	(100,000,000)	
Bond anticipation notes payable	(300,000,000)	
Lease revenue bonds payable	(35,025,000)	
Accrued interest payable	(30,008,882)	
Capital leases payable	(67,929,435)	
Certificates of participation	(30,475,000)	
Notes payable	(15,389,394)	
Revenue bonds	(14,463,000)	
Other postemployment benefits	(113,534,939)	
Claims and judgements	(1,550,000)	
Compensated absences	(68,084,486)	(2,273,021,507)
Costs incurred from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements:		
Unamortized premiums	(64,307,030)	
Deferred amount on refunding	19,365,538	
Deferred issuance costs	5,425,535	(39,515,957)
Internal service funds are used by management to provide certain goods and services to governmental funds. The assets and liabilities of internal service funds are included in the government-wide statement of net assets:		
Assets:		
Current and noncurrent assets	147,050,904	
Capital assets	79,440,514	
Less accumulated depreciation	(45,492,021)	
Liabilities	(110,492,278)	
Cumulative loss for certain activities of internal service funds that is reported with business-type activities	-	70,507,119
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes	198,151,500	
Property taxes	24,802,939	
Intergovernmental revenue	46,625,398	
Other revenue	45,836,651	315,416,488
Net assets of governmental activities (see Exhibit A-1)		$ 1,286,928,526

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

MONTGOMERY COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Exhibit A-5

	General	Revenue Stabilization	Housing Initiative	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	$ 2,540,477,984	$ -	$ 6,022,355	$ -	$ 31,185,481	$ 294,833,610	$ 2,872,519,430
Licenses and permits	9,319,612	-	-	-	-	2,225,888	11,545,500
Intergovernmental	90,521,958	-	-	-	23,453,529	112,504,437	226,479,924
Charges for services	32,195,778	-	-	-	88,636	56,942,331	89,226,745
Fines and forfeitures	27,604,483	-	-	-	-	819,292	28,423,775
Investment income	872,126	2,005,903	765,252	6,226,352	213,023	2,032,260	12,114,916
Miscellaneous	12,188,055	-	1,999,827	600	305,582	3,362,559	17,856,623
Total Revenues	2,713,179,996	2,005,903	8,787,434	6,226,952	55,246,251	472,720,377	3,258,166,913
EXPENDITURES							
Current:							
General government	262,977,455	-	-	-	-	14,029,761	277,007,216
Public safety	351,136,405	-	15,549,276	-	-	202,473,073	569,158,754
Public works and transportation	56,035,338	-	-	-	-	120,379,035	176,414,373
Health and human services	200,410,294	-	-	-	-	76,421,532	276,831,826
Culture and recreation	49,876,611	-	-	-	-	43,739,567	93,616,178
Community development and housing	12,734,105	-	-	-	-	6,474,784	19,208,889
Environment	4,220,318	-	-	-	-	6,098,638	10,318,956
Education	1,643,643,553	-	-	-	-	-	1,643,643,553
Debt Service:							
Principal retirement:							
General obligation bonds	-	-	-	120,196,683	-	-	120,196,683
Bond anticipation notes	-	-	-	250,000,000	-	-	250,000,000
Other notes	-	-	-	2,817,609	-	-	2,817,609
Interest:							
General obligation bonds	-	-	-	81,534,678	-	-	81,534,678
Variable rate demand obligations	-	-	-	1,282,778	-	-	1,282,778
Bond anticipation notes	-	-	-	4,121,080	-	-	4,121,080
Other notes	-	-	-	254,366	-	-	254,366
Leases and other obligations	-	-	-	19,857,064	-	-	19,857,064
Issuing costs	-	-	-	2,087,524	-	-	2,087,524
Capital projects	-	-	-	-	447,794,002	-	447,794,002
Total Expenditures	2,581,034,079	-	15,549,276	482,151,782	447,794,002	469,616,390	3,996,145,529
Excess (Deficiency) of Revenues over (under) Expenditures	132,145,917	2,005,903	(6,761,842)	(475,924,830)	(392,547,751)	3,103,987	(737,978,616)
OTHER FINANCING SOURCES (USES)							
Transfers in	54,225,415	-	27,253,837	226,765,510	45,375,483	14,098,369	367,718,614
Transfers (out)	(251,674,728)	(2,005,903)	(1,659,480)	(2,005,903)	(17,471,347)	(49,442,384)	(324,259,745)
Sale of property	-	-	1,629,312	-	-	-	1,629,312
Debt Issued:							
General obligation bonds	-	-	-	250,000,000	-	-	250,000,000
Premium on general obligation bonds	-	-	-	1,018,750	7,001,875	-	8,020,625
Bond anticipation notes	-	-	-	-	250,000,000	-	250,000,000
Lease revenue bonds	596,652	-	-	-	14,463,000	-	15,059,652
Premium on revenue bonds	-	-	-	142,088	754,298	-	896,386
Notes	-	-	-	-	10,000,000	-	10,000,000
Total Other Financing Sources (Uses)	(196,852,661)	(2,005,903)	27,223,669	475,920,445	310,123,309	(35,344,015)	579,064,844
Net Change in Fund Balances	(64,706,744)	-	20,461,827	(4,385)	(82,424,442)	(32,240,028)	(158,913,772)
Fund Balances - Beginning of Year	172,812,806	119,647,603	168,220,948	3,349,425	36,112,118	82,498,325	582,641,225
Fund Balances - End of Year	$ 108,106,062	$ 119,647,603	$ 188,682,775	$ 3,345,040	$ (46,312,324)	$ 50,258,297	$ 423,727,453

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

MONTGOMERY COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-6

Net change in fund balances - total governmental funds (see Exhibit A-5)		$ (158,913,772)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 193,133,863	
Depreciation expense	(87,715,481)	105,418,382
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds all proceeds are reported as financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of capital assets sold.		(25,027)
Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources.		2,239,071
Some revenues will not be collected for several months after the fiscal year ends. As such, these revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased (decreased) this year, as follows:		
Income taxes	(122,147,954)	
Property taxes	8,731,316	
Intergovernmental revenues	34,462,991	
Other revenues	(1,301,394)	(80,255,040)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Debt issued or incurred:		
General obligation bonds	(258,917,011)	
Bond anticipation notes	(250,000,000)	
Promissory note	(10,000,000)	
Capital lease financing	-	
Lease revenue bonds	(15,059,652)	
Certificates of participation	-	
Less issuance costs	2,087,523	
Principal repayments:		
General obligation bonds	120,196,683	
Bond anticipation notes	250,000,000	
Leases payable	2,843,651	
Capital leases	7,140,000	
Certificates of participation	3,105,000	
Notes payable	2,957,731	(145,646,075)
Some expenses, representing the change in long-term liabilities or assets, reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued interest payable	1,469,009	
Compensated absences	(4,809,569)	
Other postemployment benefits	(54,936,148)	
Amortization	6,074,288	(52,202,420)
The current year loss for certain activities of internal service funds is reported with governmental activities.		(16,895,186)
Change in net assets of governmental activities (see Exhibit A-2)		$ (346,280,067)

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-7

	Budget						
	Prior Year Carryover Encumbrances	**Current Year**	**Total Original**	**Revisions**	**Final**	**Actual**	**Variance Positive (Negative)**
Revenues:							
Taxes:							
Property	$ -	$ 963,618,115	$ 963,618,115	$ -	$ 963,618,115	$ 960,942,376	$ (2,675,739)
Property - penalty and interest	-	1,480,608	1,480,608	-	1,480,608	1,370,122	(110,486)
Other	-	-	-	-	-	6,809	6,809
Total Property Tax	-	965,098,723	965,098,723	-	965,098,723	962,319,307	(2,779,416)
County Income Tax	-	1,325,440,000	1,325,440,000	-	1,325,440,000	1,291,716,935	(33,723,065)
Other Local Taxes:							
Real property transfer	-	80,900,000	80,900,000	-	80,900,000	64,771,739	(16,128,261)
Recordation	-	68,084,500	68,084,500	-	68,084,500	42,437,216	(25,647,284)
Fuel energy	-	132,700,000	132,700,000	-	132,700,000	129,328,307	(3,371,693)
Hotel - motel	-	19,870,000	19,870,000	-	19,870,000	16,829,254	(3,040,746)
Telephone	-	30,850,000	30,850,000	-	30,850,000	30,906,025	56,025
Other	-	2,360,000	2,360,000	-	2,360,000	2,169,201	(190,799)
Total Other Local Taxes	-	334,764,500	334,764,500	-	334,764,500	286,441,742	(48,322,758)
Total Taxes	-	2,625,303,223	2,625,303,223	-	2,625,303,223	2,540,477,984	(84,825,239)
Licenses and Permits:							
Business	-	4,360,400	4,360,400	13,000	4,373,400	4,269,845	(103,555)
Non business	-	4,745,000	4,745,000	-	4,745,000	5,049,767	304,767
Total Licenses and Permits	-	9,105,400	9,105,400	13,000	9,118,400	9,319,612	201,212
Intergovernmental Revenue:							
State Aid and Reimbursements:							
DHR State reimbursement	-	6,788,990	6,788,990	-	6,788,990	7,157,597	368,607
Highway user revenue	-	39,672,000	39,672,000	-	39,672,000	32,011,346	(7,660,654)
Police protection	-	13,487,000	13,487,000	-	13,487,000	13,440,729	(46,271)
Health and human services programs	-	7,103,007	7,103,007	-	7,103,007	7,535,663	432,656
Public libraries	-	5,275,970	5,275,970	-	5,275,970	4,523,994	(751,976)
911 Emergency	-	7,508,000	7,508,000	-	7,508,000	4,551,916	(2,956,084)
Other	-	1,901,641	1,901,641	-	1,901,641	1,419,812	(481,829)
Total State Aid and Reimbursements	-	81,736,608	81,736,608	-	81,736,608	70,641,057	(11,095,551)
Federal Reimbursements:							
Federal financial participation	-	15,598,910	15,598,910	-	15,598,910	16,272,209	673,299
Other	-	2,256,290	2,256,290	-	2,256,290	2,295,860	39,570
Total Federal Reimbursements	-	17,855,200	17,855,200	-	17,855,200	18,568,069	712,869
Other Intergovennmental	-	1,389,630	1,389,630	50,000	1,439,630	1,312,832	(126,798)
Total Intergovernmental Revenue	-	100,981,438	100,981,438	50,000	101,031,438	90,521,958	(10,509,480)
Charges for Services:							
General government	-	1,406,330	1,406,330	(11,990)	1,394,340	1,296,806	(97,534)
Public safety	-	10,222,230	10,222,230	-	10,222,230	11,561,116	1,338,886
Health and human services	-	1,814,020	1,814,020	-	1,814,020	1,547,937	(266,083)
Culture and recreation	-	600	600	-	600	3,634	3,034
Environment	-	649,160	649,160	-	649,160	139,789	(509,371)
Public works and transportation	-	65,000	65,000	-	65,000	82,342	17,342
Total Charges for Services	-	14,157,340	14,157,340	(11,990)	14,145,350	14,631,624	486,274
Fines and forfeitures	-	25,560,760	25,560,760	18,990	25,579,750	27,604,483	2,024,733
Investment Income:							
Pooled investment income	-	4,426,030	4,426,030	-	4,426,030	540,590	(3,885,440)
Other interest income	-	-	-	-	-	28,195	28,195
Total Investment Income	-	4,426,030	4,426,030	-	4,426,030	568,785	(3,857,245)
Miscellaneous Revenue:							
Property rentals	-	5,393,600	5,393,600	-	5,393,600	5,163,376	(230,224)
Sundry	-	5,702,200	5,702,200	(67,110)	5,635,090	12,637,827	7,002,737
Total Miscellaneous Revenue	-	11,095,800	11,095,800	(67,110)	11,028,690	17,801,203	6,772,513
Total Revenues	-	2,790,629,991	2,790,629,991	2,890	2,790,632,881	2,700,925,649	(89,707,232)
Expenditures:							
Departments or Offices:							
County Council:							
Personnel	-	8,619,554	8,619,554	(172,090)	8,447,464	8,126,863	320,601
Operating	65,839	961,150	1,026,989	-	1,026,989	879,733	147,256
Totals	65,839	9,580,704	9,646,543	(172,090)	9,474,453	9,006,596	467,857
Board of Appeals:							
Personnel	-	544,550	544,550	1,380	545,930	545,920	10
Operating	-	74,750	74,750	(2,890)	71,860	65,990	5,870
Totals	-	619,300	619,300	(1,510)	617,790	611,910	5,880
Legislative Oversight:							
Personnel	-	1,291,550	1,291,550	(20,710)	1,270,840	1,254,448	16,392
Operating	-	78,750	78,750	-	78,750	23,323	55,427
Totals	-	1,370,300	1,370,300	(20,710)	1,349,590	1,277,771	71,819
Merit System Protection Board:							
Personnel	-	137,760	137,760	80	137,840	137,839	1
Operating	-	17,700	17,700	(1,740)	15,960	10,925	5,035
Totals	-	155,460	155,460	(1,660)	153,800	148,764	5,036
Zoning and Administrative Hearings:							
Personnel	-	456,472	456,472	(10,390)	446,082	440,811	5,271
Operating	-	95,440	95,440	(6,000)	89,440	43,943	45,497
Totals	-	551,912	551,912	(16,390)	535,522	484,754	50,768

(Continued)

Exhibit A-7

	Budget						
	Prior Year Carryover Encumbrances	Current Year	Total Original	Revisions	Final	Actual	Variance Positive (Negative)
Inspector General:							
Personnel	$ -	$ 558,772	$ 558,772	$ (68,540)	$ 490,232	$ 419,386	$ 70,846
Operating	5,775	137,950	143,725	60,749	204,474	198,352	6,122
Capital outlay	2,352	4,000	6,352	-	6,352	-	6,352
Totals	8,127	700,722	708,849	(7,791)	701,058	617,738	83,320
People's Counsel:							
Personnel	-	235,780	235,780	-	235,780	232,615	3,165
Operating	-	14,390	14,390	-	14,390	6,732	7,658
Totals	-	250,170	250,170	-	250,170	239,347	10,823
Circuit Court:							
Personnel	-	8,227,401	8,227,401	(119,760)	8,107,641	7,654,326	453,315
Operating	440,889	2,520,230	2,961,119	(82,053)	2,879,066	2,833,281	45,785
Capital outlay	-	-	-	139,804	139,804	139,804	-
Totals	440,889	10,747,631	11,188,520	(62,009)	11,126,511	10,627,411	499,100
State's Attorney:							
Personnel	-	12,053,403	12,053,403	(30,550)	12,022,853	12,022,849	4
Operating	539	542,550	543,089	118,757	661,846	661,844	2
Totals	539	12,595,953	12,596,492	88,207	12,684,699	12,684,693	6
County Executive:							
Personnel	-	6,317,221	6,317,221	(185,049)	6,132,172	5,868,370	263,802
Operating	58,857	662,220	721,077	334,247	1,055,324	1,012,600	42,724
Totals	58,857	6,979,441	7,038,298	149,198	7,187,496	6,880,970	306,526
Commission for Women:							
Personnel	-	1,138,851	1,138,851	(8,080)	1,130,771	1,105,841	24,930
Operating	20,452	178,580	199,032	(18,150)	180,882	169,922	10,960
Totals	20,452	1,317,431	1,337,883	(26,230)	1,311,653	1,275,763	35,890
Regional Service Centers:							
Personnel	-	3,426,341	3,426,341	(139,260)	3,287,081	3,154,424	132,657
Operating	99,492	1,067,761	1,167,253	(5,670)	1,161,583	1,084,499	77,084
Totals	99,492	4,494,102	4,593,594	(144,930)	4,448,664	4,238,923	209,741
Ethics Commission:							
Personnel	-	260,841	260,841	10,060	270,901	270,898	3
Operating	-	3,470	3,470	4,890	8,360	8,359	1
Totals	-	264,311	264,311	14,950	279,261	279,257	4
Intergovernmental Relations:							
Personnel	-	726,760	726,760	38,770	765,530	765,521	9
Operating	332	156,010	156,342	(15,600)	140,742	94,807	45,935
Totals	332	882,770	883,102	23,170	906,272	860,328	45,944
Public Information:							
Personnel	-	1,130,651	1,130,651	15,620	1,146,271	1,146,267	4
Operating	45,026	178,070	223,096	(17,907)	205,189	205,179	10
Totals	45,026	1,308,721	1,353,747	(2,287)	1,351,460	1,351,446	14
Board of Elections:							
Personnel	-	2,835,441	2,835,441	1,149,050	3,984,491	3,984,489	2
Operating	300	4,118,700	4,119,000	2,999,730	7,118,730	5,932,347	1,186,383
Totals	300	6,954,141	6,954,441	4,148,780	11,103,221	9,916,836	1,186,385
County Attorney:							
Personnel	-	5,195,778	5,195,778	(88,670)	5,107,108	5,107,103	5
Operating	58,198	485,080	543,278	203,506	746,784	746,782	2
Totals	58,198	5,680,858	5,739,056	114,836	5,853,892	5,853,885	7
Management and Budget:							
Personnel	-	3,876,831	3,876,831	(81,240)	3,795,591	3,643,332	152,259
Operating	26,233	190,810	217,043	(10,274)	206,769	199,152	7,617
Totals	26,233	4,067,641	4,093,874	(91,514)	4,002,360	3,842,484	159,876
Finance:							
Personnel	-	9,279,514	9,279,514	(294,710)	8,984,804	8,354,324	630,480
Operating	1,580,267	1,447,780	3,028,047	(766,279)	2,261,768	2,050,651	211,117
Totals	1,580,267	10,727,294	12,307,561	(1,060,989)	11,246,572	10,404,975	841,597
Human Resources:							
Personnel	-	5,726,901	5,726,901	(354,180)	5,372,721	4,793,902	578,819
Operating	540,565	3,796,070	4,336,635	68,619	4,405,254	4,405,252	2
Totals	540,565	9,522,971	10,063,536	(285,561)	9,777,975	9,199,154	578,821
Technology Services:							
Personnel	-	18,572,887	18,572,887	(467,390)	18,105,497	17,601,513	503,984
Operating	5,153,347	15,017,870	20,171,217	(1,029,943)	19,141,274	18,794,399	346,875
Capital outlay	-	120,300	120,300	-	120,300	117,487	2,813
Totals	5,153,347	33,711,057	38,864,404	(1,497,333)	37,367,071	36,513,399	853,672
General Services:							
Personnel	-	14,885,448	14,885,448	107,630	14,993,078	14,993,078	-
Operating	-	13,435,830	13,435,830	4,845,923	18,281,753	18,281,746	7
Capital outlay	-	-	-	48,500	48,500	48,492	8
Totals	-	28,321,278	28,321,278	5,002,053	33,323,331	33,323,316	15
Consumer Protection:							
Personnel	-	2,564,211	2,564,211	(65,220)	2,498,991	2,492,287	6,704
Operating	2,023	144,280	146,303	(580)	145,723	76,783	68,940
Totals	2,023	2,708,491	2,710,514	(65,800)	2,644,714	2,569,070	75,644
Corrections and Rehabilitation:							
Personnel	-	58,087,094	58,087,094	550,330	58,637,424	58,637,424	-
Operating	30,530	7,515,720	7,546,250	486,465	8,032,715	8,032,714	1
Totals	30,530	65,602,814	65,633,344	1,036,795	66,670,139	66,670,138	1

(Continued)

	Budget						
	Prior Year Carryover Encumbrances	Current Year	Total Original	Revisions	Final	Actual	Variance Positive (Negative)
Human Relations Commission:							
Personnel	$ -	$ 2,311,273	$ 2,311,273	$ (178,140)	$ 2,133,133	$ 2,112,794	$ 20,339
Operating	660	190,230	190,890	(2,590)	188,300	188,294	6
Totals	660	2,501,503	2,502,163	(180,730)	2,321,433	2,301,088	20,345
Police:							
Personnel	-	200,918,479	200,918,479	(1,256,960)	199,661,519	197,984,086	1,677,433
Operating	1,396,857	39,394,570	40,791,427	1,689,208	42,480,635	38,601,903	3,878,732
Capital outlay	-	-	-	307,710	307,710	307,704	6
Totals	1,396,857	240,313,049	241,709,906	739,958	242,449,864	236,893,693	5,556,171
Sheriff:							
Personnel	-	18,293,850	18,293,850	(135,522)	18,158,328	18,158,324	4
Operating	197,049	2,239,670	2,436,719	(210,660)	2,226,059	2,226,055	4
Totals	197,049	20,533,520	20,730,569	(346,182)	20,384,387	20,384,379	8
Homeland Security:							
Personnel	-	1,182,287	1,182,287	(77,270)	1,105,017	761,288	343,729
Operating	425,241	471,400	896,641	(280,158)	616,483	616,478	5
Totals	425,241	1,653,687	2,078,928	(357,428)	1,721,500	1,377,766	343,734
Transportation:							
Personnel	-	26,468,761	26,468,761	182,190	26,650,951	26,329,944	321,007
Operating	4,092,899	22,278,270	26,371,169	2,430,843	28,802,012	27,958,806	843,206
Totals	4,092,899	48,747,031	52,839,930	2,613,033	55,452,963	54,288,750	1,164,213
Health and Human Services:							
Personnel	-	109,935,233	109,935,233	(2,958,530)	106,976,703	103,361,909	3,614,794
Operating	2,515,651	91,320,900	93,836,551	(582,166)	93,254,385	88,659,949	4,594,436
Capital outlay	-	-	-	275,850	275,850	275,840	10
Totals	2,515,651	201,256,133	203,771,784	(3,264,846)	200,506,938	192,297,698	8,209,240
Libraries:							
Personnel	-	32,140,814	32,140,814	(1,445,850)	30,694,964	30,554,189	140,775
Operating	1,910,921	8,114,720	10,025,641	(494,090)	9,531,551	8,615,276	916,275
Capital outlay	75,960	-	75,960	-	75,960	75,960	-
Totals	1,986,881	40,255,534	42,242,415	(1,939,940)	40,302,475	39,245,425	1,057,050
Housing and Community Affairs:							
Personnel	-	4,917,767	4,917,767	(140,490)	4,777,277	4,624,056	153,221
Operating	217,194	716,610	933,804	131,412	1,065,216	849,827	215,389
Totals	217,194	5,634,377	5,851,571	(9,078)	5,842,493	5,473,883	368,610
Economic Development:							
Personnel	-	5,077,994	5,077,994	(331,880)	4,746,114	4,746,103	11
Operating	286,982	2,970,590	3,257,572	680,456	3,938,028	3,938,021	7
Totals	286,982	8,048,584	8,335,566	348,576	8,684,142	8,684,124	18
Environmental Protection:							
Personnel	-	3,617,701	3,617,701	(132,290)	3,485,411	3,370,265	115,146
Operating	451,790	783,839	1,235,629	(127,229)	1,108,400	966,523	141,877
Totals	451,790	4,401,540	4,853,330	(259,519)	4,593,811	4,336,788	257,023
Total Departments	19,702,220	792,460,431	812,162,651	4,465,029	816,627,680	794,162,522	22,465,158
Nondepartmental:							
State retirement contribution - operating	-	934,920	934,920	-	934,920	934,919	1
Retirees group insurance - operating	-	26,039,330	26,039,330	-	26,039,330	26,039,330	-
State positions supplement - personnel	-	144,951	144,951	-	144,951	114,954	29,997
Judges special pension contribution - personnel	-	3,740	3,740	10	3,750	3,749	1
Compensation adjustment - personnel	-	2,428,223	2,428,223	(1,639,480)	788,743	166,443	622,300
Compensation adjustment - operating	1,728	642,370	644,098	185,782	829,880	829,878	2
OPEB trust contributions - operating	-	16,391,930	16,391,930	-	16,391,930	16,391,930	-
Productivity Enhancement - personnel	-	(13,000,000)	(13,000,000)	13,000,000	-	-	-
Municipal tax duplication - operating	-	7,488,240	7,488,240	-	7,488,240	7,479,836	8,404
Tax grants to municipalities - operating	-	28,020	28,020	-	28,020	28,012	8
Rebate - Takoma Park police - operating	-	705,570	705,570	11,020	716,590	716,590	-
Rebate - Takoma Park library - operating	-	112,630	112,630	-	112,630	112,352	278
Homeowners' association roadways - operating	-	337,700	337,700	-	337,700	337,549	151
Contribution to risk management - operating	-	9,809,740	9,809,740	-	9,809,740	9,397,551	412,189
Historical activities - operating	-	355,340	355,340	-	355,340	355,340	-
Conference and Vistors Bureau - operating	65,605	695,450	761,055	-	761,055	761,055	-
Arts Council - operating	98,319	5,315,480	5,413,799	(638)	5,413,161	5,404,463	8,698
Community grants - operating	3,005,213	5,783,460	8,788,673	(1,290,309)	7,498,364	7,351,795	146,569
Conference Center - personnel	-	112,790	112,790	-	112,790	73,173	39,617
Conference Center - operating	18,200	454,300	472,500	(714)	471,786	356,277	115,509
English Literacy - operating	-	745,000	745,000	-	745,000	745,000	-
County associations - operating	-	70,450	70,450	-	70,450	69,953	497
Metropolitan Washington C O G - operating	-	742,720	742,720	650	743,370	743,366	4
Public Technology, Inc. - operating	-	27,500	27,500	-	27,500	20,000	7,500
Independent audit - operating	-	394,000	394,000	-	394,000	290,805	103,195
Prisoner medical services - operating	-	10,000	10,000	17,320	27,320	27,313	7
Boards, committees and commissions - operating	-	20,000	20,000	2,960	22,960	22,959	1
Charter Review Commission - operating	-	150	150	-	150	135	15
Closing costs assistance - operating	-	33,790	33,790	-	33,790	33,790	-
Working families income supplement - operating	-	13,667,700	13,667,700	(4,360,060)	9,307,640	9,016,267	291,373
Interagency tech, policy & coord comm - operating	233	30,000	30,233	-	30,233	6,788	23,445
County Leases - personnel	-	-	-	55,290	55,290	55,290	-
County Leases - operating	488,376	18,455,210	18,943,586	(636,170)	18,307,416	16,634,447	1,672,969
County Leases - capital outlay	-	-	-	544,920	544,920	544,912	8
Rockville parking district - operating	-	377,500	377,500	107,610	485,110	485,109	1
Climate Change - operating	-	1,561,000	1,561,000	-	1,561,000	1,262,801	298,199
Desktop computer modernizaton - operating	680,727	7,136,360	7,817,087	(202,481)	7,614,606	7,326,529	288,077

(Continued)

MONTGOMERY COUNTY, MARYLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONCLUDED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-7

	Budget						
	Prior Year Carryover Encumbrances	Current Year	Total Original	Revisions	Final	Actual	Variance Positive (Negative)
Utilities - operating	$ 97,499	$ 25,866,880	$ 25,964,379	$ (91,519)	$ 25,872,860	$ 25,527,000	$ 345,860
Total - Nondepartmental	4,455,900	133,922,444	138,378,344	5,704,191	144,082,535	139,667,660	4,414,875
Total Expenditures	24,158,120	926,382,875	950,540,995	10,169,220	960,710,215	933,830,182	26,880,033
Excess of Revenues over (under) Expenditures	(24,158,120)	1,864,247,116	1,840,088,996	(10,166,330)	1,829,922,666	1,767,095,467	(62,827,199)
Other Financing Sources (Uses):							
Transfers In:							
Special Revenue Funds:							
Fire Tax District	-	120,750	120,750	-	120,750	120,750	-
Recreation	-	4,938,000	4,938,000	-	4,938,000	4,938,000	-
Mass Transit	-	7,744,000	7,744,000	-	7,744,000	7,744,000	-
Water Quality Protection	-	259,620	259,620	-	259,620	259,620	-
Urban Districts	-	390,970	390,970	-	390,970	390,970	-
Housing Activities	-	178,100	178,100	-	178,100	178,100	-
Grants	-	-	-	632,695	632,695	632,695	-
Cable TV	-	3,435,010	3,435,010	-	3,435,010	3,435,010	-
Total Special Revenue Funds	-	17,066,450	17,066,450	632,695	17,699,145	17,699,145	-
Enterprise Funds:							
Liquor	-	30,410,060	30,410,060	-	30,410,060	30,410,060	-
Parking Lot Districts	-	1,850,890	1,850,890	-	1,850,890	1,850,890	-
Solid Waste Activities	-	2,251,490	2,251,490	-	2,251,490	2,251,490	-
Community Use of Public Facilities	-	370,740	370,740	-	370,740	370,740	-
Permitting Services	-	3,718,570	3,718,570	-	3,718,570	3,718,570	-
Total Enterprise Funds	-	38,601,750	38,601,750	-	38,601,750	38,601,750	-
Total Transfers In	-	55,668,200	55,668,200	632,695	56,300,895	56,300,895	-
Transfers In - Component Units:							
Montgomery County Public Schools	-	328,420	328,420	-	328,420	328,416	(4)
Montgomery College	-	-	-	-	-	262,668	262,668
Total Transfers In - Component Units	-	328,420	328,420	-	328,420	591,084	262,664
Transfers (Out):							
Special Revenue Funds:							
Recreation	-	(1,375,320)	(1,375,320)	-	(1,375,320)	(1,375,320)	-
Urban Districts	-	(751,600)	(751,600)	-	(751,600)	(751,600)	-
Mass Transit	-	(531,310)	(531,310)	-	(531,310)	(531,310)	-
Housing Activities	-	(9,782,490)	(9,782,490)	-	(9,782,490)	(9,782,490)	-
Economic Development	-	(556,160)	(556,160)	-	(556,160)	(556,160)	-
Grants	-	-	-	(543,742)	(543,742)	(440,431)	103,311
Total Special Revenue Funds	-	(12,996,880)	(12,996,880)	(543,742)	(13,540,622)	(13,437,311)	103,311
Internal Service Funds:							
Motor Pool	-	(1,332,650)	(1,332,650)	(48,180)	(1,380,830)	(1,214,928)	165,902
Total Internal Service Funds	-	(1,332,650)	(1,332,650)	(48,180)	(1,380,830)	(1,214,928)	165,902
Enterprise Funds:							
Community Use of Public Facilities	-	(151,860)	(151,860)	-	(151,860)	(151,860)	-
Parking Lot Districts	(87,657)	-	(87,657)	-	(87,657)	(7,317)	80,340
Solid Waste Activities	-	(1,675,670)	(1,675,670)	-	(1,675,670)	(1,675,670)	-
Permitting Services	-	(1,153,770)	(1,153,770)	-	(1,153,770)	(1,153,770)	-
Total Enterprise Funds	(87,657)	(2,981,300)	(3,068,957)	-	(3,068,957)	(2,988,617)	80,340
Debt Service Fund	-	(226,016,610)	(226,016,610)	(122,626)	(226,139,236)	(204,596,878)	21,542,358
Capital Projects Fund	(35,058,941)	(21,993,249)	(57,052,190)	214,996	(56,837,194)	(28,736,385)	28,100,809
Total Transfers (Out)	(35,146,598)	(265,320,689)	(300,467,287)	(499,552)	(300,966,839)	(250,974,119)	49,992,720
Transfers (Out) - Component Units and Joint Ventures:							
Montgomery County Public Schools - operating	-	(1,515,137,977)	(1,515,137,977)	-	(1,515,137,977)	(1,515,137,973)	4
Montgomery County Public Schools - capital	(7,706,141)	(18,283,000)	(25,989,141)	(3,125,000)	(29,114,141)	(12,365,746)	16,748,395
Total Montgomery County Public Schools	(7,706,141)	(1,533,420,977)	(1,541,127,118)	(3,125,000)	(1,544,252,118)	(1,527,503,719)	16,748,399
Montgomery College - operating	-	(106,776,153)	(106,776,153)	-	(106,776,153)	(106,776,153)	-
Montgomery College - capital	(8,966,773)	(4,067,000)	(13,033,773)	(988,774)	(14,022,547)	(9,363,681)	4,658,866
Total Montgomery College	(8,966,773)	(110,843,153)	(119,809,926)	(988,774)	(120,798,700)	(116,139,834)	4,658,866
Housing Opportunity Commission - operating	-	(6,140,640)	(6,140,640)	-	(6,140,640)	(5,987,120)	153,520
Housing Opportunity Commission - capital	-	(1,505,126)	(1,505,126)	-	(1,505,126)	(1,284,392)	220,734
Total Housing Opportunity Commission	-	(7,645,766)	(7,645,766)	-	(7,645,766)	(7,271,512)	374,254
M-NCPPC - operating	-	(92,500)	(92,500)	(19,920)	(112,420)	(79,295)	33,125
Total Transfers (Out) - Component Units and JV	(16,672,914)	(1,652,002,396)	(1,668,675,310)	(4,133,694)	(1,672,809,004)	(1,650,994,360)	21,814,644
Total Other Financing Sources (Uses)	(51,819,512)	(1,861,326,465)	(1,913,145,977)	(4,000,551)	(1,917,146,528)	(1,845,076,500)	72,070,028
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(75,977,632)	2,920,651	(73,056,981)	(14,166,881)	(87,223,862)	(77,981,033)	9,242,829
Fund Balance - Beginning of Year	75,977,632	95,113,308	171,090,940	(6,204,232)	164,886,708	164,886,708	-
Fund Balance - End of Year	$ -	$ 98,033,959	$ 98,033,959	$ (20,371,113)	$ 77,662,846	$ 86,905,675	$ 9,242,829

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009
Exhibit A-8

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Totals	
ASSETS						
Current Assets:						
Equity in pooled cash and investments	$ 8,757,286	$ 33,422,372	$ 20,276,040	$ 13,071,939	$ 75,527,637	$ 133,079,043
Cash with fiscal agents	1,529,914	-	-	-	1,529,914	-
Cash	35,825	3,000	196,724	-	235,549	300
Receivables (net of allowances for uncollectibles):						
Property taxes	-	-	1,447,216	-	1,447,216	-
Accounts	2,284,019	1,899,918	5,143	2,390	4,191,470	1,930,647
Parking violations	-	-	2,282,575	-	2,282,575	-
Due from other funds	-	6,339	-	-	6,339	7,305,783
Due from component units	-	55,853	376,732	-	432,585	525,630
Due from other governments	-	139,456	-	-	139,456	154,547
Inventory of supplies	28,155,649	-	-	-	28,155,649	3,757,475
Prepaids	1,003,260	928	3,829	748	1,008,765	297,479
Other assets	193,843	-	-	-	193,843	-
Total Current Assets	41,959,796	35,527,866	24,588,259	13,075,077	115,150,998	147,050,904
Noncurrent Assets:						
Restricted Assets:						
Equity in pooled cash and equivalents	-	28,664,452	6,231,994	-	34,896,446	-
Investments	-	4,064,057	1,532,854	-	5,596,911	-
Restricted Assets	-	32,728,509	7,764,848	-	40,493,357	-
Unamortized debt costs	315,360	228,999	489,603	-	1,033,962	-
Capital Assets:						
Land, improved and unimproved	7,033,656	17,834,755	34,461,478	-	59,329,889	22,506
Improvements other than buildings	-	72,849,884	59,966,123	-	132,816,007	268,565
Infrastructure	-	14,351	-	-	14,351	-
Buildings	33,597,257	30,728,728	181,656,717	-	245,982,702	-
Furniture, fixtures, equipment, and machinery	6,495,540	13,265,524	1,060,733	2,064,127	22,885,924	4,104,664
Automobiles and trucks	3,679,373	411,042	131,445	275,258	4,497,118	75,044,779
Construction in progress	-	7,676,117	1,606,707	-	9,282,824	-
Subtotal	50,805,826	142,780,401	278,883,203	2,339,385	474,808,815	79,440,514
Less: Accumulated depreciation	12,005,242	99,344,659	103,428,441	1,783,794	216,562,136	45,492,021
Total Capital Assets (net of accumulated depreciation)	38,800,584	43,435,742	175,454,762	555,591	258,246,679	33,948,493
Total Noncurrent Assets	39,115,944	76,393,250	183,709,213	555,591	299,773,998	33,948,493
Total Assets	81,075,740	111,921,116	208,297,472	13,630,668	414,924,996	180,999,397
LIABILITIES						
Current Liabilities:						
Accounts payable	7,265,866	7,601,355	2,099,438	147,361	17,114,020	8,399,701
Interest payable	-	49,083	332,226	313	381,622	3,648
Retainage payable	-	-	426,850	-	426,850	-
Deposits	426,457	-	-	-	426,457	-
Claims payable	-	-	-	-	-	95,033,747
Accrued liabilities	2,609,140	1,353,317	542,072	11,365,437	15,869,966	3,439,799
Due to other funds	395,215	173,110	54,696	1,638,574	2,261,595	1,846,879
Due to component units	-	-	-	668,748	668,748	51,182
Due to other governments	641,079	406,596	27,882	-	1,075,557	2,035
Equipment notes payable	-	-	152,786	62,481	215,267	145,628
Unearned revenue	-	-	-	2,011,600	2,011,600	855,597
Revenue bonds payable	1,205,324	3,420,000	1,840,000	-	6,465,324	-
Landfill closure costs	-	2,150,000	-	-	2,150,000	-
Other liabilities	-	-	622,860	-	622,860	-
Total Current Liabilities	12,543,081	15,153,461	6,098,810	15,894,514	49,689,866	109,778,216
Noncurrent Liabilities:						
Equipment notes payable	-	-	240,640	11,969	252,609	229,243
Revenue bonds payable	33,077,696	9,900,660	32,159,927	-	75,138,283	-
Landfill closure costs	-	18,525,923	-	-	18,525,923	-
Compensated absences	482,625	251,772	104,699	479,872	1,318,968	484,819
Total Noncurrent Liabilities	33,560,321	28,678,355	32,505,266	491,841	95,235,783	714,062
Total Liabilities	46,103,402	43,831,816	38,604,076	16,386,355	144,925,649	110,492,278
NET ASSETS						
Invested in capital, net of related debt	6,039,455	30,115,082	141,061,409	481,141	177,697,087	33,573,622
Restricted for debt service	1,529,914	32,728,509	7,764,848	-	42,023,271	-
Unrestricted	27,402,969	5,245,709	20,867,139	(3,236,828)	50,278,989	36,933,497
Total Net Assets	$ 34,972,338	$ 68,089,300	$ 169,693,396	($ 2,755,687)	269,999,347	$ 70,507,119

ADJUSTMENTS

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1,246,302)
Net assets of business-type activities	$ 268,753,045

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-9

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Totals	
OPERATING REVENUES						
Sales - net	$ 218,787,448	$ -	$ -	$ -	$ 218,787,448	$ -
Charges for services	17,010	99,943,176	18,383,673	10,571,545	128,915,404	208,748,892
Licenses and permits	1,583,108	11,005	-	20,778,300	22,372,413	-
Fines and penalties	349,084	86,015	8,314,778	102,020	8,851,897	-
Claim recoveries	-	-	-	-	-	1,949,014
Total Operating Revenues	220,736,650	100,040,196	26,698,451	31,451,865	378,927,162	210,697,906
OPERATING EXPENSES						
Cost of goods sold	156,456,172	-	-	-	156,456,172	-
Personnel costs	23,913,109	12,759,468	4,156,140	24,182,466	65,011,183	25,215,717
Other postemployment contributions	2,209,175	573,525	276,175	1,706,425	4,765,300	1,329,550
Postage	67,460	151,301	8,974	29,986	257,721	1,670,682
Self-insurance incurred and estimated claims	-	-	-	-	-	122,771,134
Insurance	532,380	732,767	14,400	57,630	1,337,177	20,841,935
Supplies and materials	534,966	1,104,658	552,737	366,803	2,559,164	27,548,229
Contractual services	1,719,804	73,263,832	5,722,221	4,536,926	85,242,783	11,689,615
Communications	458,097	217,825	177,304	314,213	1,167,439	633,395
Transportation	695,743	1,772,592	240,708	627,129	3,336,172	565,233
Public utility services	902,335	163,631	3,029,519	1,808,970	5,904,455	1,062,540
Rentals	5,371,530	35,068	1,483,661	2,233,605	9,123,864	379,065
Maintenance	492,434	439,533	2,336,232	404,680	3,672,879	11,376,899
Depreciation	955,637	2,329,449	9,287,998	164,599	12,737,683	7,537,426
Landfill closure expense	-	2,077,000	-	-	2,077,000	-
Other	478,282	520,347	11,379	87,526	1,097,534	97,788
Total Operating Expenses	194,787,124	96,140,996	27,297,448	36,520,958	354,746,526	232,719,208
Operating Income (Loss)	25,949,526	3,899,200	(598,997)	(5,069,093)	24,180,636	(22,021,302)
NONOPERATING REVENUES (EXPENSES)						
Property taxes	-	-	11,854,882	-	11,854,882	-
Intergovermental	-	8,700	-	-	8,700	-
Gain (loss) on disposal of capital assets	(1,496,903)	179,653	-	-	(1,317,250)	175,862
Investment income	78,116	1,641,495	609,760	270,088	2,599,459	2,199,902
Interest expense	(398,110)	(812,506)	(1,665,589)	(5,913)	(2,882,118)	(17,331)
Other revenue	5,333	62,266	638,295	141,923	847,817	1,942,137
Insurance recoveries	-	36,562	-	1,223	37,785	224,286
Total Nonoperating Revenues (Expenses)	(1,811,564)	1,116,170	11,437,348	407,321	11,149,275	4,524,856
Income (Loss) Before Capital Contributions and Transfers	24,137,962	5,015,370	10,838,351	(4,661,772)	35,329,911	(17,496,446)
Capital Contributions	-	-	596,652	-	596,652	-
Transfers In (Out):						
Transfers in	1,325,505	344,115	173,022	1,048,855	2,891,497	2,109,458
Transfers out	(30,410,060)	(2,251,490)	(11,708,964)	(4,089,310)	(48,459,824)	-
Total Transfers In (Out)	(29,084,555)	(1,907,375)	(11,535,942)	(3,040,455)	(45,568,327)	2,109,458
Change in Net Assets	(4,946,593)	3,107,995	(100,939)	(7,702,227)	(9,641,764)	(15,386,988)
Total Net Assets - Beginning of Year	39,918,931	64,981,305	169,794,335	4,946,540		85,894,107
Total Net Assets - End of Year	$ 34,972,338	$ 68,089,300	$ 169,693,396	$ (2,755,687)		$ 70,507,119

Adjustment to reflect the consolidation of internal service fund activities relating to enterprise funds	(583,929)
Change in net assets of business-type activities	$ (10,225,693)

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-10

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Liquor	Solid Waste Activities	Parking Lot Districts	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 226,180,636	$ 97,813,568	$ 26,111,311	$ 30,446,010	$ 380,551,525	$ 210,305,722
Payments to suppliers	(178,024,420)	(80,773,335)	(12,625,532)	(12,059,076)	(283,482,363)	(79,890,331)
Payments to employees	(23,686,373)	(12,787,324)	(4,092,115)	(23,974,319)	(64,540,131)	(25,301,286)
Internal activity - operating payments from other funds	-	2,948,090	-	1,153,770	4,101,860	-
Other operating receipts	-	-	-	3,046,164	3,046,164	513,560
Other operating payments	-	-	-	(3,652,496)	(3,652,496)	-
Claims paid	-	-	-	-	-	(114,852,822)
Other revenue	5,333	98,828	638,295	143,146	885,602	1,942,137
Net Cash Provided (Used) by Operating Activities	24,475,176	7,299,827	10,031,959	(4,896,801)	36,910,161	(7,283,020)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Property tax collections	-	-	11,854,882	-	11,854,882	-
Operating subsidies, transfers and receipts from other funds	1,325,505	344,115	173,022	2,248,855	4,091,497	64,215
Operating subsidies, transfers and payments to other funds	(30,410,060)	(2,251,490)	(11,708,964)	(4,089,310)	(48,459,824)	-
Intergovernmental revenue	-	8,700	-	-	8,700	-
Net Cash Provided (Used) by Noncapital Financing Activities	(29,084,555)	(1,898,675)	318,940	(1,840,455)	(32,504,745)	64,215
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	33,967,660	-	-	-	33,967,660	-
Proceeds from sale of capital assets	-	179,653	-	-	179,653	651,540
Purchases of capital assets	(33,833,267)	(8,902,208)	(7,560,651)	(80,860)	(50,376,986)	(8,832,007)
Principal paid on capital debt	-	(3,255,000)	(4,311,945)	(109,974)	(7,676,919)	(140,121)
Interest paid on capital debt	(398,110)	(751,750)	(1,617,361)	(6,100)	(2,773,321)	(18,694)
Internal activity - payments from other funds	-	-	-	-	-	2,045,243
Net Cash Provided (Used) by Capital and Related Financing Activities	(263,717)	(12,729,305)	(13,489,957)	(196,934)	(26,679,913)	(6,294,039)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income from pooled investments	78,116	1,279,696	509,975	270,088	2,137,875	2,196,209
Investment income from nonpooled investments	-	12,868	-	-	12,868	3,693
Net Cash Provided (Used) by Investing Activities	78,116	1,292,564	509,975	270,088	2,150,743	2,199,902
Net Increase (Decrease) in Cash and Cash Equivalents	(4,794,980)	(6,035,589)	(2,629,083)	(6,664,102)	(20,123,754)	(11,312,942)
Balances - Beginning of Year	15,118,005	68,125,413	29,333,841	19,736,041	132,313,300	144,392,285
Balances - End of Year	$ 10,323,025	$ 62,089,824	$ 26,704,758	$ 13,071,939	$ 112,189,546	$ 133,079,343
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 25,949,526	$ 3,899,200	$ (598,997)	$ (5,069,093)	$ 24,180,636	$ (22,021,302)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	955,637	2,329,449	9,287,998	164,599	12,737,683	7,537,426
Other revenue	5,333	98,828	638,295	143,146	885,602	1,942,137
Changes in assets and liabilities:						
Receivables, net	682,445	692,234	(588,900)	8,772	794,551	121,375
Inventories, prepaids and other assets	(442,993)	471	1,761	-	(440,761)	(239,921)
Accounts payable and other liabilities	(2,941,030)	222,880	1,231,201	253,961	(1,232,988)	5,380,045
Accrued expenses	266,258	56,765	60,601	(398,186)	(14,562)	(2,780)
Net Cash Provided (Used) by Operating Activities	$ 24,475,176	$ 7,299,827	$ 10,031,959	$ (4,896,801)	$ 36,910,161	$ (7,283,020)
Noncash investing, capital and financing activities:						
Capital asset disposals	$ 1,587,320	$ 1,104,513	$ -	$ 7,708	$ 2,699,541	$ -
Assets acquired through transfers from governmental activities	-	-	596,652	-	596,652	-
Change in fair value of investments that are not cash equivalents	-	196,921	99,785	-	296,706	-

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009
Exhibit A-11

	Pension and Other Employee Benefit Trusts	Investment Trust	Private-Purpose Trusts	Agency Funds
ASSETS				
Current Assets:				
Equity in pooled cash and investments	$ 1,098,366	$ 45,809,029	$ 224,619	$ 42,016,416
Cash	-	-	-	190,281
Investments:				
U.S. Government and agency obligations	316,739,428	-	-	-
Asset-backed securities	12,163,832	-	-	-
Corporate bonds	322,886,763	-	-	-
Collateralized mortgage obligations	9,104,627	-	-	-
Commercial mortgage-backed securities	15,131,578	-	-	-
Common and preferred stock	995,018,436	-	-	-
Mutual and commingled funds	432,851,218	-	-	-
Short-term investments	195,559,877	-	-	-
Cash collateral received under securities lending agreements	138,201,569	-	-	-
Real estate	72,158,654	-	-	-
Private equity	139,209,558	-	-	-
Total investments	2,649,025,540	-	-	-
Receivables (net of allowances for uncollectibles):				
Dividends and accrued interest	11,080,736	-	-	-
Property taxes	-	-	-	6,297,134
Accounts	98,097	-	25,000	178,114
Due from other funds	12,415,315	-	-	-
Due from component units	160,842	-	-	-
Due from other governments	2,552,469	-	-	-
Total Current Assets	2,676,431,365	45,809,029	249,619	48,681,945
Total Assets	2,676,431,365	45,809,029	249,619	$ 48,681,945
LIABILITIES				
Current Liabilities:				
Accounts payable	163,094,086	-	-	17,917
Accrued liabilities	241,914	-	-	-
Deposits	-	-	-	463,011
Claims payable	3,978,471	-	-	-
Due to other funds	2,301	-	-	-
Due to other governments	-	-	-	5,394,106
Uncollected property taxes due to governments	-	-	-	5,970,697
Undistributed taxes and refunds	-	-	-	13,183,260
Unearned revenue	83,660	-	-	-
Tax sale surplus and redemptions payable	-	-	-	2,602,118
Other liabilities	-	-	-	21,050,836
Total Current Liabilities	167,400,432	-	-	48,681,945
Noncurrent Liabilities:				
Compensated absences	49,112	-	-	-
Total Liabilities	167,449,544	-	-	$ 48,681,945
NET ASSETS				
Held in trust for pension and other postemployment benefits, external investment pool participants, and other purposes	$ 2,508,981,821	$ 45,809,029	$ 249,619	

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-12

	Pension and Other Employee Benefit	Investment	Private-Purpose
ADDITIONS			
Contributions:			
Employers	$ 187,097,727	$ -	$ -
Members	60,873,265	-	24,993
Federal government - Medicare Part D	1,297,204	-	-
Share purchases	-	31,292,283	-
Total Contributions	249,268,196	31,292,283	24,993
Investment income (loss)	(486,868,516)	648,556	2,748
Less: Investment expenses	15,208,750	-	-
Net Investment Income (Loss)	(502,077,266)	648,556	2,748
Other income - forfeitures	371,852	-	-
Total Additions, net	(252,437,218)	31,940,839	27,741
DEDUCTIONS			
Benefits:			
Annuities:			
Retirees	123,560,071	-	-
Survivors	7,333,268	-	-
Disability	37,724,912	-	-
Claims	48,389,690	-	-
Total Benefits	217,007,941	-	-
Share redemptions	-	24,420,000	-
Member refunds	17,728,063	-	-
Program expenses	-	-	1,270
Administrative expenses	6,945,424	-	-
Total Deductions	241,681,428	24,420,000	1,270
Net Increase (Decrease)	(494,118,646)	7,520,839	26,471
Net Assets - Beginning of Year	3,003,100,467	38,288,190	223,148
Net Assets - End of Year	$ 2,508,981,821	$ 45,809,029	$ 249,619

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2009
Exhibit A-13

	MCPS	HOC	Nonmajor Component Units	Total
ASSETS				
Equity in pooled cash and investments	$ 71,300,827	$ 8,158,997	$ 16,967,249	$ 96,427,073
Cash with fiscal agents	-	20,349,325	3,116,006	23,465,331
Cash	13,597,637	17,698	4,636,560	18,251,895
Investments-cash equivalents	34,797,610	42,185,919	29,571,066	106,554,595
Investments	5,572,786	-	27,577,346	33,150,132
Receivables (net of allowances for uncollectibles):				
Capital leases	-	-	31,490,178	31,490,178
Accounts	12,169,437	2,432,992	4,157,243	18,759,672
Notes	-	-	48,315,000	48,315,000
Mortgages receivable	-	346,127,799	-	346,127,799
Interest	-	4,795,648	-	4,795,648
Other	480,205	4,156,662	819,384	5,456,251
Due from primary government	60,755,697	3,164,839	16,924,815	80,845,351
Due from other governments	16,265,945	1,158,806	7,920,361	25,345,112
Inventory of supplies	7,598,665	271,752	2,085,172	9,955,589
Prepaids	346,766	2,753,000	1,792,020	4,891,786
Deferred charges	-	-	529,017	529,017
Other assets	-	43,077,438	20,368,159	63,445,597
Restricted Assets:				
Equity in pooled cash and investments	-	234,372	15,189,217	15,423,589
Cash with fiscal agents	-	5,876,474	-	5,876,474
Cash	-	-	624,213	624,213
Investments - cash equivalents	-	117,340,185	3,683,837	121,024,022
Investments	-	115,088,826	-	115,088,826
Capital Assets:				
Nondepreciable assets	245,371,691	90,792,843	61,604,206	397,768,740
Depreciable assets, net	1,685,357,615	409,913,074	314,941,545	2,410,212,234
Total Assets	2,153,614,881	1,217,896,649	612,312,594	3,983,824,124
LIABILITIES				
Accounts payable	45,364,834	10,288,276	27,595,329	83,248,439
Interest payable	-	19,472,403	945,504	20,417,907
Retainage payable	12,287,657	-	2,679,033	14,966,690
Accrued liabilities	90,981,809	8,318,169	932,644	100,232,622
Claims payable	18,501,490	-	-	18,501,490
Deposits	-	10,764,847	31,568	10,796,415
Due to primary government	101,307	67,937,246	1,021,091	69,059,644
Unearned revenue	3,927,863	20,020,263	5,225,293	29,173,419
Other liabilities	-	12,741,088	-	12,741,088
Noncurrent Liabilities:				
Due within one year	24,901,795	71,809,952	5,928,168	102,639,915
Due in more than one year	256,377,723	803,438,540	185,132,779	1,244,949,042
Total Liabilities	452,444,478	1,024,790,784	229,491,409	1,706,726,671
NET ASSETS				
Invested in capital, net of related debt	1,905,292,815	37,261,363	283,304,405	2,225,858,583
Restricted for:				
Capital projects	-	-	255,894	255,894
Debt service	-	38,960,018	3,936,613	42,896,631
Other purposes	1,094,713	11,013,299	22,431,413	34,539,425
Unrestricted (deficit)	(205,217,125)	105,871,185	72,892,860	(26,453,080)
Total Net Assets	$ 1,701,170,403	$ 193,105,865	$ 382,821,185	$ 2,277,097,453

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

MONTGOMERY COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
Exhibit A-14

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	MCPS	HOC	Nonmajor Component Units	Total
Component units:								
General government	$ 4,689,374	$ 4,410,146	$ 232,949	$ -	$ -	$ -	$ (46,279)	$ (46,279)
Culture and recreation	20,738,255	17,210,744	-	147,771	-	-	(3,379,740)	(3,379,740)
Community development and housing	211,000,336	108,757,842	94,688,518	5,697,302	-	(1,856,674)	-	(1,856,674)
Education:								
Secondary education	2,357,261,020	33,074,282	100,503,742	49,264,320	(2,174,418,676)	-	-	(2,174,418,676)
Higher education	265,994,842	76,324,928	29,930,300	780,845	-	-	(158,958,769)	(158,958,769)
Total component units	$ 2,859,683,827	$ 239,777,942	$ 225,355,509	$ 55,890,238	(2,174,418,676)	(1,856,674)	(162,384,788)	(2,338,660,138)
General revenues:								
Grants and contributions not restricted to specific programs					2,256,121,693	-	202,750,088	2,458,871,781
Investment income					845,745	1,528,681	4,425,050	6,799,476
Total general revenues					2,256,967,438	1,528,681	207,175,138	2,465,671,257
Change in net assets					82,548,762	(327,993)	44,790,350	127,011,119
Net assets - beginning					1,618,621,641	193,433,858	338,030,835	2,150,086,334
Net assets - ending					$ 1,701,170,403	$ 193,105,865	$ 382,821,185	$ 2,277,097,453

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) applicable to local government entities. The following is a summary of significant policies:

A) Reporting Entity

Background

Montgomery County, Maryland (County) is a charter government under the constitution and general laws of the State of Maryland (State). The charter provides for separate legislative and executive branches with legislative responsibility vested in an elected nine-member county council and executive responsibility vested in an elected county executive. The County provides its citizens with services in areas of general government, public safety, public works and transportation, health and human services, education, culture and recreation, community development and housing, and environment.

As required by GAAP, these financial statements present the primary government and its component units, which are entities for which the primary government is considered financially accountable. The County reporting entity is determined by criteria established by the Governmental Accounting Standards Board (GASB). The judgment to include or exclude activities is dependent on evaluation of the GASB criteria. Various departments and agencies governed directly by the County Executive and the County Council of Montgomery County are included in the reporting entity as the primary government and are referred to hereafter as the Primary Government. The component units (as discussed below) are included in the reporting entity because the Primary Government approves the budget requests, provides a significant amount of funding for each of these units, and/or appoints the governing boards.

Discretely Presented Component Units

The financial data of the County's component units are discretely presented in a column separate from the financial data of the primary government, to emphasize that the component units are legally separate from the Primary Government. Financial information regarding the component units is included in the component units' combining statements. The following are the County's component units, each of which has a June 30 fiscal year-end:

Montgomery County Public Schools (MCPS) provides public education in kindergarten through twelfth grade to children residing within Montgomery County. Members of the Board of Education are elected by the voters. (One nonvoting student member is elected by secondary students.) However, MCPS is fiscally dependent upon the Primary Government because the Primary Government approves the budget, levies taxes to provide the majority of the fiscal support, and issues debt for construction of school facilities.

Montgomery Community College (Montgomery College or MCC) provides educational services to County citizens by offering two-year associate degrees and a continuing education program. MCC is responsible for post secondary education within the government's jurisdiction. The Montgomery County Board of Community College trustees is the governing authority. The State Governor appoints the trustees from a list of candidates supplied by a nominating committee. The nominating committee is controlled by the County Executive and the County Council. Therefore, essentially the Primary Government and the State Governor must agree upon the trustees to serve on the College's Governing Board. In addition, the County Council reviews and approves both the operating and capital budgets and budgetary amendments of MCC. The Primary Government contributes substantial funding for both the operating and capital budgets, as well as issues debt for the construction of college facilities.

Montgomery County Revenue Authority (MCRA) is governed by a five-member Board of Directors. All members are appointed by the County Executive subject to the confirmation of the County Council. The County Council approves the capital budget of MCRA. MCRA approves its own operating budget. MCRA is an instrumentality of the Primary Government for the purpose of constructing, improving, and maintaining self-sustaining projects devoted to public use, good or welfare.

Housing Opportunities Commission of Montgomery County (HOC) is governed by seven commissioners who are appointed by the County Executive with the approval of the County Council. In addition, the County Council provides for a subsidy to the operating budget of HOC and guarantees a relatively small portion of its debt (up to $50,000,000). The HOC operating budget approval occurs on a project basis, with the County Council having authority to approve project budgets that include County funding. HOC presents its proposed budget to the Council for review and comment only, as required by Article 44A, Section 2 of the Annotated Code of Maryland. Even though there is a large dependence on the U.S. Department of Housing and Urban Development (HUD), HOC has sufficient financial accountability to the Primary Government to be included as a component unit.

Bethesda Urban Partnership, Inc (BUPI) has its entire eleven-member Board of Directors appointed by the County Executive with the approval of the County Council. The primary purpose of BUPI, a not-for-profit corporation, is to execute service contracts for the benefit of one of the Primary Government's special taxing districts (Bethesda Urban District). Substantially all of BUPI's funding is granted through the Primary Government's operating budget. The County Council annually approves the BUPI operating budget and is able to modify it in a manner similar to the way Primary Government agency budgets are modified.

Complete financial statements can be obtained at the component units' administrative offices listed below:

Montgomery County Public Schools
850 Hungerford Drive
Rockville, MD 20850

Montgomery College
900 Hungerford Drive
Rockville, MD 20850

Montgomery County Revenue Authority
101 Monroe Street, 4th Floor
Rockville, MD 20850

Housing Opportunities Commission
of Montgomery County, Maryland
10400 Detrick Avenue
Kensington, MD 20895-2484

Bethesda Urban Partnership, Inc.
7700 Old Georgetown Road
Bethesda, MD 20814

Joint Ventures

The following organizations are considered joint ventures of the County: Maryland-National Capital Park and Planning Commission (M-NCPPC), Washington Suburban Sanitary Commission (WSSC), Washington Suburban Transit Commission (WSTC), Washington Metropolitan Area Transit Authority (WMATA), Metropolitan Washington Council of Governments (COG), and Northeast Maryland Waste Disposal Authority (NEMWDA). Disclosure of the County's participation in these joint ventures is presented in Note IV-D. Complete financial statements can be obtained at the joint ventures' offices listed below:

Maryland-National Capital Park and
Planning Commission
6611 Kenilworth Avenue
Riverdale, MD 20737

Washington Suburban Sanitary
Commission
14501 Sweitzer Lane
Laurel, MD 20707

Washington Suburban Transit
Commission
4351 Garden City Drive, Suite 305
Hyattsville, MD 20785

Washington Metropolitan Area Transit Authority 600 Fifth Street, NW Washington, DC 20001	Metropolitan Washington Council of Governments 777 N. Capitol Street, NE, #300 Washington, DC 20002	Northeast Maryland Waste Disposal Authority 100 South Charles St, Tower II-Suite 402 Baltimore, MD 21201

B) Government-Wide and Fund Financial Statements

Government-Wide Financial Statements – The government-wide financial statements report information on all of the nonfiduciary activities of the Primary Government and its component units. Since by definition, assets of fiduciary funds are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities of the Primary Government, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Statement of Net Assets – This statement is designed to display the financial position of the reporting entity as of year-end. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. Net assets are divided into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – This statement demonstrates the degree to which the direct expenses of a given function or segment for the fiscal year are offset by program revenues. Therefore, this statement reflects both the gross and net costs per functional category (general government, public safety, public works and transportation, health and human services, culture and recreation, community development and housing, environment, and education) that are otherwise being supported by general revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants 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. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants column includes operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Financial Statements – Separate 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.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses.

General Fund Budget-to-Actual Comparison Statement - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the financial progress of their governments over the course of the year. For this reason, the County has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. The County and many other governments revise their original budgets over the course of the year for a variety of reasons; such revisions are reflected in a separate column in this statement.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting

Full Accrual Basis Financial Statements - The government-wide, proprietary fund, and certain fiduciary fund (pension and other employee benefit trusts, investment trust, and private-purpose trusts) 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. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets and related depreciation are also recorded in these statements. The agency funds also use the accrual basis of accounting to recognize assets and liabilities.

Modified Accrual Basis Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In the governmental funds, revenues are recorded as soon as they are susceptible to accrual (both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment has matured and is due. Similarly, expenditures related to claims and judgments and compensated absences are recorded only to the extent that they are expected to be liquidated with expendable available financial resources. Also, capital assets and related depreciation and long-term liabilities are not recorded in these statements.

In applying the susceptible to accrual concept to income taxes (distributed by the State), property taxes, and intergovernmental revenues other than grants, the County defines "available" to mean received within 30 days after year-end.

In the State of Maryland, the State has assumed the responsibility for the collection of all income taxes and for distributing those collections to the respective counties. The counties set their individual tax rates within limits provided by State law. However, collections and pursuit of delinquent taxes are the responsibility of the State. The County records estimated receivables relating to income taxes when the underlying income is earned. Amounts not received within 30 days are reported as deferred revenue. At year-end, deferred revenue relating to income taxes primarily includes amounts related to late filers, delinquent returns and audits, and unallocated withholding, not received within the County's availability period. Amounts relating to late filers are expected to be received from the State within the next fiscal year; however, collections related to delinquent returns and audits and unallocated withholding may not occur and be remitted to the County for several years. Deferred revenue relating to income taxes primarily includes amounts related to late filers, delinquent returns and audits, and remaining unallocated withholding.

In applying the susceptible to accrual concept to operating and capital grants, classified with intergovernmental revenues in the fund financial statements, the County records receivables when the applicable eligibility requirements including time requirements are met. Related revenues are recognized to the extent that cash is expected to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as deferred revenue.

Charges for services, licenses and permits, fines and penalties, and miscellaneous revenues (except earnings on investments) are generally recorded as revenues when received in cash during the year. At year-end, receivables are recorded for significant amounts due. If such amounts are received in cash after year-end within the County's 30 day availability period, they are recognized as revenue; if not, such amounts are reported as deferred revenue.

Financial Statement Presentation

The County reports the following major governmental funds:

General Fund - This fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Revenue Stabilization Fund - This fund is used to account for the accumulation of resources during periods of economic growth and prosperity, when revenue collections exceed estimates. Funds may then be drawn upon during periods of economic slowdown, when collections fall short of revenue estimates.

Housing Initiative Fund - This fund is used to account for the fiscal activity for financing, supplementing, and constructing affordable residential facilities for eligible participants.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Special assessment activities are accounted for in the Debt Service Fund for practical purposes because they differ significantly from traditional special assessment practices. The principal and interest collected annually on such assessments are used as a partial source of funding for debt service on all outstanding general obligation road and storm drainage bonds. The remaining debt service requirement is financed from current governmental revenues and transfers, generally from the General Fund.

Capital Projects Fund - This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The County reports the following major enterprise funds:

Liquor Enterprise Fund - This fund accounts for the operations of twenty-four liquor stores and the Montgomery County Liquor Warehouse. Under State law, the Montgomery County Department of Liquor Control has a monopoly on the distribution of alcoholic beverages, and the sale of spirits, within the County.

Solid Waste Activities Enterprise Fund - This fund accounts for the fiscal activity of all solid waste disposal operations, including recycling and leaf vacuuming, for the County. The fund utilizes the Dickerson, Maryland Resource Recovery Facility for refuse incineration, in combination with the out-of-County landfill haul and local recycling operations, to meet its disposal and recycling requirements.

The fund also accounts for the fiscal activity related to County contracted refuse collection within the Solid Waste Collection District. This district is essentially comprised of the higher density, non-municipal, residential areas of the County. The Vacuum Leaf Collection program provides leaf collection services to downcounty residents during the late fall/winter months.

Parking Lot Districts Enterprise Fund - This fund accounts for the fiscal activity related to serving the parking needs of the people who work and shop in the four central business districts zoned for commercial or industrial use identified as Silver Spring, Bethesda, Wheaton, and Montgomery Hills.

Additionally, the County reports the following fund types:

Other Governmental Funds - The other governmental fund types used by the County are special revenue and permanent. Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes. Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or to other governmental units, on a cost-reimbursement basis. There are four internal service funds reported by the County: Motor Pool, Liability and Property Coverage Self-Insurance, Employee Health Benefits Self-Insurance, and Central Duplicating.

The County reports the following fiduciary fund types:

Pension and Other Employee Benefit Trust Fund - This fund is used to account for all activities of the Employees' Retirement System of Montgomery County (defined benefit plan), Employees' Retirement Savings Plan (defined contribution plan), Deferred Compensation Plan, and Retiree Health Benefits Trust, including accumulation of resources for, and payment of, retirement annuities and/or other benefits and administrative costs.

Investment Trust Fund - This fund accounts for the portion of the external investment pool, sponsored by the County, that belongs to participating governments that are not part of the County reporting entity.

Private-Purpose Trust Funds - These funds account for arrangements under which principal and interest are legally held in trust for parties outside of the County, such as court appointed guardians, and others, and must be expended in accordance with their designated purposes.

Agency Funds - These funds are used to account for assets, such as property taxes, held in a purely custodial capacity, where the County receives, temporarily invests, and remits such resources to individuals, private organizations, or other governments.

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

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets. The effect of interfund services provided and used between functions has not been eliminated in the Statement of Activities, since to do so would distort the direct costs and program revenues reported for the various functions concerned.

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 enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

D) Assets, Liabilities, and Net Assets or Equity

1) Cash and Investments

Pooled Cash and Investments – The County sponsors an external investment pool. Participants in the pool include the County, certain component unit agencies, and other legally separate entities. The portion of pooled cash and investments applicable to other legally separate entities (not included in the County reporting entity) is accounted for in a separate Investment Trust Fund. During the year, investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. At year-end, investments in the pool are adjusted to fair value plus accrued interest. See Note III-A for additional information.

Non-pooled Investments:

Governmental Fund Types – Investments of the Housing Opportunities Commission (HOC) Treasury Bonds Permanent Fund (a primary government fund) matured during the year. In accordance with agreements between HOC and the County, proceeds from the matured investments, which represented the net assets of the Fund, were transferred to the Housing Initiative Special Revenue Fund.

Proprietary Fund Types – The Solid Waste Activities and the Parking Lot District enterprise funds investment in U.S. Government securities are stated at fair value plus accrued interest.

Pension and Other Employee Benefit Trust Fiduciary Fund Type – Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2009. Fair value for real estate investments is determined using unit values supplied by the issuers, which are based upon the issuers' appraisals of underlying real estate values. Such values involve subjective judgment and may differ from amounts which would be realized if such real estate was actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Cash and Cash Equivalents – For Statement of Cash Flows reporting purposes, “cash equivalents” are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. The balance sheet classification for “cash and cash equivalents” in the Statement of Cash Flows includes the following: “Equity in pooled cash and investments,” “Cash,” “Cash with fiscal agents,” and “Restricted Equity in pooled cash and investments.”

2) Receivables and Payables

Due From/To Other Funds and Internal Balances – Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the year and where repayment is expected within a reasonable time are referred to as “due from/to other funds.” Such outstanding balances not expected to be repaid within a reasonable time are included in interfund “transfers in/out.” Any residual balances of “due from/to other funds” outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Trade Accounts Receivable – Trade and other receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles is calculated based on historical collection data and, in some cases, specific account analysis.

3) Inventories and Prepaids

Inventories – Inventories are valued at lower of cost (principally first-in, first-out) or market in the Liquor Enterprise Fund and consist of goods held for sale. Inventories valued at cost (principally moving-average) are carried in the Motor Pool Internal Service Fund and the governmental fund types. All inventories are maintained by perpetual records and adjusted by annual physical counts. Inventories in the governmental funds and Motor Pool Internal Service Fund consist of items held for consumption. The cost is recorded as an expenditure at the time individual items are withdrawn for use. In governmental funds, the reserve for inventory is equal to the amount of inventory to indicate that portion of fund balance which is not available for funding other expenditures.

Prepaids – Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaids.

4) Restricted Assets

Certain proceeds of the County’s bonds, as well as certain resources set aside for revenue bond repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

5) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of

$5,000 or more, and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and structures	20 – 40
Improvements other than buildings	3 – 40
Infrastructure	20 – 60
Furniture, fixtures, equipment and machinery	3 – 20
Automobiles and trucks	2 – 15

For Statement of Cash Flows reporting purposes, proceeds from insurance on capital assets that are stolen or destroyed are classified as proceeds from sale of capital assets.

6) Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources has been determined by the County to be immaterial and is therefore not reported as an expenditure and a liability of the governmental fund that will pay the leave. Vested or accumulated vacation leave is reported as a liability and expense in the government-wide financial statements and proprietary fund types in the fund financial statements, along with the corresponding employer's share of social security and medicare taxes. Based on a historical analysis of leave usage, 75 percent and 25 percent of such accrued leave is classified as current and long-term, respectively. In the proprietary fund financial statements, the current portion of compensated absences is classified as accrued liabilities. Such amounts have been reclassified to non-current liabilities (due within one year and due in more than one year) in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

7) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable in the proprietary fund financial statements and noncurrent liabilities in the government-wide financial statements are reported net of the applicable bond premium or discount. Bond issuance costs are generally reported as a deferred asset and amortized over the term of the related debt using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8) Fund Equity/Net Assets

In the government-wide financial statements, the County has reported negative unrestricted net assets. This is due to the fact that the County issues general obligation bonded debt for purposes of capital construction on behalf of MCPS, MCC, and M-NCPPC. The capital assets related to component units are reported on the financial statements of MCPS and MCC, and this amount is also classified as net assets invested in capital, net of related debt (of which there is none) in the Component Units column of the government-wide Statement of Net Assets (Exhibit A-1). For Primary Government purposes, since the issuance of such debt has not resulted in a capital asset, the effect of this debt is reflected in unrestricted net assets (deficit) in the Governmental Activities column of the government-wide Statement of Net Assets. At June 30, 2009, the County has reported outstanding general obligation bond and variable rate demand obligation debt related to MCPS, MCC, and M-NCPPC amounting to $1,122,854,267. Absent the effect of this relationship, the County would have reported positive unrestricted net assets of governmental activities in the amount of $78,885,197.

In the government-wide Statement of Net Assets (Exhibit A-1), the amount reported in the Business-type Activities column for net assets invested in capital, net of related debt, includes $50,560,997 in capital assets acquired by the Silver Spring Parking Lot District. Since the related capital lease liability of $35,064,571 at June 30, 2009, is an obligation of the Governmental Activities (see Note III-E3), and the debt does not relate to a governmental capital asset, the impact of such debt is reported in the unrestricted portion of net assets in the Governmental Activities column. However, in the Total Primary Government column, the impact of such debt has been reclassified and reflected with the associated capital asset, in net assets invested in capital, net of related debt.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. However, long-term receivables in the Grants Special Revenue Fund, a nonmajor governmental fund, have not met the “available” criteria for revenue recognition, and are, therefore, offset by deferred revenue rather than reserved fund balance. In the Capital Projects Fund, fund balance reserved for other purposes represents recordation and impact tax collections on hand that are legally restricted for use on projects of other component unit and municipality governments. In the General Fund, the net revenue streams from the Landlord-Tenant Mediation program and Commission on Common Ownership Communities represent reserved for other purposes. These amounts are legally restricted by Montgomery County Code.

Designations of fund balances represent tentative management plans that are subject to change, which are described more fully in Note III-H.

9) Property Taxes

Real and personal property taxes are levied at rates enacted by the County Council in the tax levy resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation cannot be exceeded without public notice of the intent to exceed, and only after public hearings. The general property tax rate was levied above the constant yield rate for FY09. Following the Fairness in Taxation (FIT) legislation, the County Charter requires an affirmative vote of seven members of the Council to increase the real property tax rate to a level that will produce total revenues exceeding the total revenue produced by the tax on real property in the preceding year, plus 100 percent of any increase in the Consumer Price Index with exemptions for revenue from newly constructed, rezoned property and development district tax to fund capital improvement projects. The tax rate adopted for levy year 2008 (i.e., FY09), in conjunction with an enhanced homeowner's tax credit program and a one-time income tax offset credit, met the Charter limit for that year.

Generally, property taxes are levied as of July 1 and become delinquent on October 1. Interest and penalty amounts are assessed annually at 20 percent on delinquent tax bills. Owner-occupied residential property owners pay their tax on a semi-annual schedule, with the first and second installments due on September 30 and December 31, respectively. Taxpayers may opt to make both semi-annual payments on or before September 30.

The County collects delinquent real property taxes through a public tax lien sale. Tax liens, representing delinquent taxes on real property are sold in random groups, utilizing a sealed bid process, on the second Monday in June, when taxes have remained overdue since the preceding October 1 or in the case of a semi-annual schedule, January 1.

E) <u>Accounting Changes</u>

The County has adopted GASB Statements No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and No. 52, *Land and Other Real Estate Held as Investments by Endowments.* Neither statement has an impact on the County's financial statements for the current fiscal year.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) <u>Budgetary Information</u>

<u>Overview</u>

Annual appropriated operating budgets are adopted for the General Fund, Debt Service Fund, substantially all Special Revenue Funds (except for the Agricultural Transfer Tax Fund), Enterprise Funds, the Liability and Property Coverage Self-Insurance Internal Service Fund, and the Employee Health Benefits Self-Insurance Internal Service Fund. The Capital Projects Fund budget is appropriated at the project level on a biennial basis. All unencumbered appropriations except for those related to Federal and State grants and those related to the Capital Projects Fund lapse at year-end.

Encumbrance accounting is employed for budgetary purposes in the governmental and proprietary funds. Encumbrances (purchase orders and contracts awarded for which goods and services have not been received at year-end), and other commitments for the expenditure of funds are recorded in order to preserve that portion of the appropriation. In the governmental funds for GAAP purposes, outstanding encumbrances are reported as a designation of fund balance because they do not constitute expenditures or liabilities. In the proprietary funds, encumbrances are eliminated for GAAP financial statement presentation since neither goods nor services have been provided. For GAAP purposes, all encumbrances are charged to expenditures/expenses in the period in which goods or services are received.

For FY07 through FY09, as a pilot program, the Department of Public Libraries is appropriated by program; the three programs within the Department of Public Libraries' budget to actual expenditures are as follows:

	Budget	Actual	Variance Positive (Negative)
Administration, Outreach and Support Services:			
Personnel	$ 2,237,788	$ 2,235,119	$ 2,669
Operating	1,729,713	1,556,008	173,705
Totals	3,967,501	3,791,127	176,374
Library Services to the Public:			
Personnel	25,627,815	25,489,713	138,102
Operating	321,040	271,114	49,926
Capital Outlay	75,960	75,960	-
Totals	26,024,815	25,836,787	188,028
Collection Management:			
Personnel	2,829,361	2,829,357	4
Operating	7,480,798	6,788,154	692,644
Totals	10,310,159	9,617,511	692,648
Total Personnel	30,694,964	30,554,189	140,775
Total Operating	9,531,551	8,615,276	916,275
Total Capital Outlay	75,960	75,960	-
Grand Total	$ 40,302,475	$ 39,245,425	$ 1,057,050

For FY10, the appropriation of the Department of Public Libraries is by the same major categories referenced in the next section.

Approval

Pursuant to the Montgomery County Charter, the Capital Improvements Program (CIP), is presented to the County Council by January 15 in even numbered years. An Amended CIP is presented to the County Council by January 15 in odd numbered years. The annual capital budget, with the CIP or Amended CIP, is presented to the County Council by January 15 of every year and the operating budget is presented to the County Council by March 15 of every year. The County Council holds public hearings and, pursuant to the County Charter, an annual appropriation resolution must be passed by the County Council by June 1. This resolution becomes effective for the one-year period beginning the following July 1. For the operating budget, the annual resolution provides the spending authority at the department level in three major categories (personnel costs, operating, and capital outlay) with the unencumbered appropriation authority expiring the following June 30. Encumbered appropriations are reappropriated and carried forward to the subsequent fiscal year. With the exception of the Grants Special Revenue Fund (see Note III-H1), such encumbrances are designated as part of the current fiscal year's fund balance. The annual budget must be consistent with the six-year program for public services and fiscal policy. Multi-year planning provides a framework to make informed decisions about the levels of public services and project the impact of what may happen as a result of current decisions and policies. For the capital projects budget, the annual resolution provides spending authority at the project level. The unencumbered appropriation of the CIP budget is reappropriated in the following year's budget unless specifically closed out by County Council action.

The County Executive has authority to transfer appropriations within departments up to 10 percent of the original appropriation. Transfers between departments are also limited to 10 percent of original appropriation and require County Council action. During the operating year the County Council may adopt a supplemental appropriation if recommended by the County Executive and after holding a public hearing. Supplemental appropriations enacted during the first half of the fiscal year require: five Councilmember votes if they are to avail the County of, or put into effect the provision of Federal, State, or local legislation or regulation; or six Councilmember votes for any other purpose. During the operating year the County Council may also adopt, with six Councilmember votes, special appropriations to meet an unforeseen disaster or other emergency or to act without delay in the public interest. Special appropriations require only public notice by news release. During FY09, the County Council increased the operating budget through supplemental and special appropriations by $50.4 million. In addition, supplemental appropriations increased the CIP budget by $80.2 million.

Presentation

The basis used to prepare the legally adopted budget is different from GAAP in a number of ways, including the following:

- Encumbrances outstanding are charged to budgetary appropriations and considered expenditures of the current period; any cancellations of such encumbrances in a subsequent year are classified with miscellaneous revenue for budgetary purposes.
- Certain activity, such as unrealized gains (losses), is not budgeted due to its nature.
- Certain interfund revenues/expenditures are classified as transfers for budget purposes.
- Proprietary fund budgets do not include depreciation and bad debts, however they do include debt service payments and capital outlay.
- Year-end incurred but not reported (IBNR) adjustments in the self-insurance internal service funds are not budgeted for, as they are incorporated into the budget preparation process of the following fiscal year.
- Mortgages and loans made and related repayments are generally accounted for as expenditures/other financial uses and revenues/other financing sources, respectively.
- Retirement of commercial paper bond anticipation notes through the issuance of general obligation bonds is not budgeted.
- Proceeds under certain capital lease financing are not budgeted.
- Certain activity is not budgeted by the County, since it is included in the budget of a component unit that is legally adopted by the County Council, such as certain pass-through expenditures, and bond proceeds and related transfers to MCPS and MCC.

Adjustments necessary to reconcile the General Fund budgetary and GAAP statements are as follows:

	Revenues	Expenditures and Encumbrances	Other Financing Sources (Uses)	Effect on Fund Balance
General Fund:				
As reported - budgetary basis	$ 2,700,925,649	$ 933,830,182	$ (1,845,076,500)	$ (77,981,033)
Reconciling items:				
Cancellation of prior year encumbrances	(6,204,232)	-	-	(6,204,232)
Elimination of encumbrances outstanding	-	(18,630,308)	-	18,630,308
Unrealized gains (losses)	303,341	-	-	303,341
Financing under capital lease	-	596,652	596,652	-
Other postemployment contributions	-	(3,656,910)	(3,656,910)	-
Conference Center activity	15,488,674	14,943,804	-	544,870
Interfund activities budgeted as transfers:				
Recreation facility maintenance costs	2,075,480	-	(2,075,480)	-
Public agency permits	-	1,153,770	1,153,770	-
Solid waste tipping fees	-	1,675,670	1,675,670	-
Community use of public facilities for elections	-	126,860	126,860	-
Component Unit activities budgeted as transfers:				
Component Units - Transfer in	591,084	-	(591,084)	-
Component Units - Transfer out	-	1,650,994,360	1,650,994,360	-
As reported - GAAP basis	$ 2,713,179,996	$ 2,581,034,079	$ (196,852,661)	$ (64,706,744)

B) Deficit Fund Equity

Capital Projects – The $46,312,324 deficit in the Capital Projects Fund represents a timing difference between the construction of capital assets and the planned FY10 issuance of debt to fund that construction.

Mass Transit Facilities – The $8,019,271 unreserved deficit in the Mass Transit Facilities Special Revenue Fund is caused by a delay in receiving FY09 state aid amounting to $22.1 million for the County's Ride-on program. This amount, which is reflected as a receivable and deferred revenue in the accompanying financial statements, was received in October 2009.

Permitting Services – The $4,778,897 unrestricted deficit in the Permitting Services Fund is caused by a sharp reduction in permit revenue primarily in the second half of FY09 due to the severe economic downturn in the construction industry. The deficit will be recovered by reducing personnel and operating costs in FY10 and FY11. Costs will be kept at a minimum until revenue improves to cover this deficit.

NOTE III. DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

1) Overview

The Montgomery County reporting entity total cash and investments as of June 30, 2009, totaled $3,808,816,947 of which $3,272,930,797 is related to the Primary Government, as presented below and in the government-wide financial statements. These funds are held in several pools, various non-pooled investments, and cash funds. The following is a schedule of total cash and investments:

Statement of Net Asset Amounts:	Primary Government	Component Units	Total Reporting Entity
Equity in pooled cash and investments	$ 553,084,713	$ 96,427,073	$ 649,511,786
Cash with fiscal agents	29,307,905	23,465,331	52,773,236
Cash	818,333	18,251,895	19,070,228
Investments - cash equivalents	-	106,554,595	106,554,595
Investments	2,649,025,540	33,150,132	2,682,175,672
Restricted equity in pooled cash and investments	34,896,446	15,423,589	50,320,035
Restricted cash with fiscal agents	-	5,876,474	5,876,474
Restricted cash	200,949	624,213	825,162
Restricted investments - cash equivalents	-	121,024,022	121,024,022
Restricted investments	5,596,911	115,088,826	120,685,737
Total	$ 3,272,930,797	$ 535,886,150	$ 3,808,816,947
Deposit and Investment Summary:			
Deposits	$ 179,371,374	$ 43,027,420	$ 222,398,794
Investments	3,063,433,185	338,561,531	3,401,994,716
Cash on hand, fiscal agents, safe deposit escrow	30,126,238	154,297,199	184,423,437
Total	$ 3,272,930,797	$ 535,886,150	$ 3,808,816,947

Primary Government cash and investments reconciles to the basic financial statements as follows:

Government-wide	$ 534,566,546
Fiduciary funds	2,738,364,251
Total	$ 3,272,930,797

PRIMARY GOVERNMENT

2) External Investment Pool

Overview:

The County maintains an external investment pool that is subject to oversight by the County's Internal Investment Committee, but is not subject to regulatory oversight by the Securities and Exchange Commission (SEC). Participants in the pool include the County, certain component unit agencies, and other legally separate entities. The equity position of each fund and component unit is reported as an asset by the funds and component units. The external portion of the pool (i.e., participation by legally separate entities) is reported as the Investment Trust Fund in the accompanying financial statements. Participants' shares redeemed during the year are based on actual cost; participants' shares are then adjusted to fair value at year-end. The County has not provided or obtained any legally binding guarantees during the year to support the value of shares.

During the year, investments are stated at cost plus accrued interest and are adjusted for amortization of premiums and accretion of discounts. Investments are marked-to-market at year-end, since the pool does not meet the strict definition of “2a-7 like.” The fair value of U. S. Government securities, repurchase agreements, commercial paper and bankers’ acceptances are provided by the County’s custodian, which are based on various industry standard pricing sources. For interest-bearing investments, market value quotations did not include accrued interest. However, for reporting purposes, immaterial amounts of accrued interest have been classified with the fair value of investments in the accompanying financial statements.

Investment income during the year, and the adjustment to fair value at year-end, is allocated to pool participants based upon their average equity in the pool. The adjustment to fair value for the current year related to all County funds (exclusive of legally separate entities’ accounts reflected in the Investment Trust Fund) is recorded in the General Fund, since this amount is not material.

External investment pool amounts, included in the schedule above, are as follows:

Balance Sheet Amounts:	Primary Government	Component Units	Total Reporting Entity
Equity in pooled cash and investments	$ 553,084,713	$ 14,195,365	$ 567,280,078
Restricted equity in pooled cash and investments	34,896,446	-	34,896,446
Total	$ 587,981,159	$ 14,195,365	$ 602,176,524
Deposit and Investment Summary:			
Deposits	$ 179,170,425	$ -	$ 179,170,425
Investments, including accrued interest	408,810,734	14,195,365	423,006,099
Total	$ 587,981,159	$ 14,195,365	$ 602,176,524

Deposits:

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statute requires that securities underlying certificates of deposit have a market value that equals or exceeds the cost of the deposit while County investment policy requires a market value of at least 102 percent of the cost of the deposit. Appropriate sections of these cited statutes also require that funds on deposit in financial institutions be fully secured. The form of such security shall be in compliance with State statute and the County Code. Collateral pledged for protection of these banking deposits is held in the County’s name at a third party depository, in the trust department of pledging banks, or insured by a surety bond by a State approved insurance company.

Deposits include bank accounts and non-negotiable certificates of deposit. Deposits at financial institutions were fully insured or collateralized at year-end.

Investments:

The County, through its external investment pool, maintains an active and sophisticated cash and investment management program. The primary objectives of the program are the preservation of capital, providing liquidity to meet financial obligations, and maximization of the investment yield on short-term working capital. Working capital is managed pursuant to the Annotated Code of Maryland, the County Code, and the County's investment policies as approved by the County Council. There were no unusual variations in the mix or volume of the investment portfolio throughout the year. The County was in compliance with all applicable investment statutes throughout the fiscal year.

Investment Type:	Fair Value	Principal	Maturity Range	Interest Range
U. S. Government securities	$ 202,677,694	$ 202,670,212	July 09 - August 09	0.01 - 0.44 %
Bankers' acceptances	24,138,843	24,099,479	August 09	1.48
Money market mutual funds	98,977,485	98,977,485	n/a	0.15 - 0.26
State pool	97,047,956	97,047,956	n/a	0.38
Total	$ 422,841,978	$ 422,795,132		

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to maturities of one year or less. However, a portion of the portfolio may be invested in investments with longer maturities (up to two years); any investment with a maturity of over 12 months must be approved by the Director of Finance prior to execution. As of June 30, 2009, the County's investment maturities are as follows:

		Investment Maturities (in Years)	
Investment Type:	Fair Value	Less than 1	1-2
U. S. Government securities	$ 202,677,694	$ 202,677,694	-
Bankers' acceptances	24,138,843	24,138,843	-
Money market mutual funds	98,977,485	98,977,485	-
State pool	97,047,956	97,047,956	-
Total	$ 422,841,978	$ 422,841,978	$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County is authorized to invest in: a) obligations for which the United States has pledged its full faith and credit for the payment of principal and interest, b) obligations that a federal agency or instrumentality issues in accordance with an act of Congress, or c) repurchase agreements that any of the foregoing listed obligations secures. Cited statutes also authorize investments in bankers' acceptances, secured certificates of deposit issued by Maryland banks, commercial paper of the highest investment grade, the Maryland Local Government Investment Pool (MLGIP), and money market mutual funds that are registered and operate in accordance with Rule 2a-7 and in accordance with Maryland State Code. State statutes and County policies require that these 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.

As of June 30, 2009, the County's investments were rated as follows:

Investment Type	Ratings: Standard & Poor's	Fitch	Moody's
Repurchase agreements [1]	N/R	N/R	N/R
U.S. Government securities [2]:			
Agency discounts	A-1+	F1+	P-1
Other U.S. Government securities	AAA	AAA	Aaa
Bankers' acceptances [3]	N/R	N/R	N/R
Certificates of deposit [4]	N/R	N/R	N/R
Money market mutual funds	AAA	AAA	Aaa

N/R-Not Rated

1 Disclosure of the credit risk for the County's repurchase agreements is required since the underlying securities are not issued or explicitly guaranteed by the U.S. Government.

2 Only includes securities implicitly guaranteed by the U.S. Government.

3 While the bankers' acceptances are not rated, County policy requires that the underlying issuer is of the highest short-term investment grade.

4 While the certificates of deposit are not rated, County policy requires that the underlying issuer is of the highest short-term investment grade.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the County will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name. County and State statutes require that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the investment. County policies require that a third party custodian hold investment securities and the collateral underlying all repurchase agreements. At June 30, 2009, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. It is the County's policy to diversify by investment type and institution in order to avoid unreasonable risks, with maximum limits as follows:

Diversification by Investment Type	Maximum percent of Portfolio*
U. S. Treasury obligations	100 %
U. S. Government agencies	50
Repurchase agreements	50
Bankers' acceptances	50
Money market mutual fund	25
Local government investment pool	25
Collateralized certificates of deposit**	25
Commercial paper	5

Diversification by Institution	Maximum percent of Portfolio*
Approved broker/dealers	50 %
Money market mutual funds by fund	25
Bankers' acceptances by country	25
Bankers' acceptances by institution	10
Commercial banks (certificates of deposit)**	10
U.S. Government agencies by agency	20

* At time of purchase

** Certificates of deposit are classified as deposits for financial reporting purposes.

As of June 30, 2009, five percent or more of the County's investments, excluding amounts issued or explicitly guaranteed by the U.S. Government, mutual funds, and pooled investments, are invested in:

Issuer	Fair Value
Bank of America	$ 24,138,843
BB&T	50,000,000
Federal Agricultural Mortgage Corp.	69,989,253
Federal Home Loan Bank	56,465,700
Federal Home Loan Mortgage Corp.	76,222,741
JPMorgan Funds	97,676,091
MD Locat Govt. Investment Pool	97,047,956

External Investment Pool Condensed Financial Statements:

The condensed financial statements of the County's external investment pool at June 30, 2009, are as follows:

Statement of Net Assets
June 30, 2009

Assets:		
Investment in securities, at fair value	$	422,841,978
Cash		179,170,425
Accrued interest receivable		164,121
Total assets and net assets	$	602,176,524
Net assets consist of:		
Internal participants' units outstanding ($1.00 par)	$	556,367,495
External participants' units outstanding ($1.00 par)		45,809,029
Net assets	$	602,176,524
Participants net asset value, offering price and redemption price per share ($602,176,524 / 602,507,889 units)	$	1.00

Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

Investment Income *		$	12,161,107
Distributions to participants:			
Distributions paid and payable			(12,161,107)
Share transactions at net asset value of $1.00 per share:			
Purchase of units	$ 3,617,458,243		
Redemption of units	(3,809,153,512)		
Net decrease in net assets and shares resulting from share transactions			(191,695,269)
Total decrease in net assets			(191,695,269)
Net assets, July 1, 2008			793,871,793
Net assets, June 30, 2009		$	602,176,524

* The pool has no expenses.

3) Major and Nonmajor Fund Deposit and Investment Risks

Primary government (non fiduciary) cash and investments are primarily invested in the County's external investment pool. Major funds with significant cash and investments comprised of other than the external investment pool include the following:

Debt Service Fund - Cash with fiscal agents of $15,397,468 includes $12,035,000 which is held for approximately one day in bank accounts that are not in the County's name and are not collateralized. Per the Montgomery County Code, banks receiving County funds in trust, for the purpose of paying principal and interest on bonds or other County obligations, need not furnish security for those funds. The remaining balance of $3,347,854 represents lease revenue bond debt service reserve funds which are held in money market mutual funds and U.S Government securities. These funds, originally held in the Capital Projects Fund, were transferred to the Debt Service Fund during FY09.

Capital Projects Fund - Cash with fiscal agents of $10,440,411 is held in money market mutual funds and U.S. Government securities.

Liquor – Cash with fiscal agents of $1,529,914 at the end of FY09 was held in money market funds for the purpose of disbursement of design and planning costs for a warehouse.

There are no cash and investments in nonmajor funds with significantly greater risk exposures than those described above or those relating to the external investment pool.

4) **Fiduciary Funds**

Employees' Retirement System:

Investment Overview

Section 33-61C of the County Code (Code), authorizes the Board of Investment Trustees (Board) (see Note IV-F) to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the Employees' Retirement System (System) is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolios and by monitoring the financial markets, the System's asset allocation and the investment managers hired by the System. Each investment manager has a specific benchmark and investment guidelines appropriate for the type of investments they are managing. Section 33-60 of the Code prohibits the Board from investing in any bonds, notes, or debt instruments issued by the County, any political subdivision within the County, any agency supported or financed wholly or partly by taxes levied by the Montgomery County Council, or any agency supported by bond issues underwritten by the County.

Credit Risk/Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board's investment policies and guidelines limit the percentage of the total fund and individual manager's account which can be invested in fixed income securities rated below investment grade. In addition, the Board's investment policies and guidelines limit the percentage of each investment manager's account that may be allocated to any one security, position, issuer or affiliated issuer, to less than 5 percent of the fair value of the investment manager's account. The System does not have investments (other than those issued or explicitly guaranteed by the U.S. Government or pooled investments) in any one company that represents 5 percent or more of net assets held in trust for pension benefits.

The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2009, are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	$ 181,736,282	22.08 %
	A	4,480,518	0.54
Foreign Government Obligations	AAA	106,081,252	12.89
	A	21,048,518	2.56
	BBB	3,086,308	0.37
	BB	306,550	0.04
Asset-Backed Securities	AAA	8,632,740	1.05
	A	103,938	0.01
	BBB	2,826,489	0.34
	B	112,631	0.01
	CCC	277,116	0.03
	CC	53,208	0.01
	Unrated	157,710	0.02
Commercial Mortgage-Backed Securities	AAA	13,579,593	1.65
	AA	259,040	0.03
	Unrated	1,292,945	0.16
Collateralized Mortgage Obligations	AAA	4,901,184	0.60
	BBB	677,848	0.08
	BB	116,888	0.01
	B	1,433,422	0.17
	CCC	1,809,435	0.22
	Unrated	165,850	0.02
Corporate Bonds	AAA	5,125,516	0.62
	AA	13,895,216	1.69
	A	54,728,478	6.65
	BBB	42,775,814	5.20
	BB	52,873,906	6.42
	B	57,606,155	7.00
	CCC	27,721,842	3.37
	CC	2,799,458	0.34
	C	874,244	0.11
	D	2,377,000	0.29
	Unrated	2,893,627	0.35
Fixed Income Pooled Funds	Unrated	59,215,507	7.19
Short-term Investments and Other	N/A	147,195,584	17.88
Total Fixed Income Securities		$ 823,221,812	100.00 %

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Board's investment policies and guidelines manage interest rate risk by establishing duration constraints on each fixed income manager's portfolio based on the duration of each manager's respective benchmark. Duration is a measure of interest rate risk based on a bond price's sensitivity to a

100-basis point change in interest rates. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration of eight would mean that, given a 100-basis point change up/down in rates, a bond's price would move down/up by 8 percent.

As of June 30, 2009, the System's fixed income portfolio had the following sensitivity to changes in interest rates:

Type of Investment	Effective Duration in Years	Fair Value	Percentage of Portfolio
U.S. Government Obligations	4.95	$ 186,216,800	22.62 %
Foreign Government Obligations	7.14	130,522,628	15.85
Asset-Backed Securities	2.10	12,163,832	1.48
Commercial Mortgage-Backed Securities	3.09	15,131,578	1.84
Collateralized Mortgage Obligations	0.51	9,104,627	1.11
Corporate Bonds	4.99	263,671,256	32.03
Fixed Income Pooled Funds	N/A	59,215,507	7.19
Short-term Investments and Other	N/A	147,195,584	17.88
Total Fixed Income Securities		$ 823,221,812	100.00 %

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Board's International Investing Policy's objective is to achieve long-term capital appreciation and current income by investing in diversified portfolios of non-U.S. equities and bonds. The System has indirect exposure to foreign currency risk as follows:

International Securities	Equity	Fixed Income	Short-term and Other	Total Non-U.S. Dollar
Japanese Yen	$ 94,751,685	$ -	$ 5,513,828	$ 100,265,513
European Currency Unit	91,772,005	65,680,067	(78,224,119)	79,227,953
Australian Dollar	3,391,425	-	20,863,608	24,255,033
New Zealand Dollar	304,966	294,016	20,436,997	21,035,979
British Pound Sterling	41,303,329	33,196,684	(54,258,615)	20,241,398
Hong Kong Dollar	15,556,860	-	6,510	15,563,370
Swedish Krona	8,071,891	11,170,334	(11,628,062)	7,614,163
Danish Krone	6,761,798	-	-	6,761,798
Swiss Franc	19,540,446	-	(15,160,313)	4,380,133
Indonesian Rupiah	1,398,608	1,277,425	-	2,676,033
Other Currencies	14,678,071	22,338,424	(25,794,546)	11,221,949
Total International Securities	$297,531,084	$133,956,950	$(138,244,712)	$ 293,243,322

Derivatives

The System invests in derivative instruments on a limited basis in accordance with the Board's Derivatives Policy. During FY09, the System invested directly in various derivatives including asset-backed securities, collateralized mortgage obligations, exchange-traded future contracts, forward currency contracts, swaps, and floating rate securities. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. The System entered into these investments either to increase earnings or to hedge against potential losses. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Derivatives Policy seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain mutual and commingled funds which may hold derivative financial instruments.

As permitted by the Board's policies, the System holds off-financial statement derivatives in the form of exchange-traded financial futures and options. The futures and options with fair values of approximately $10,683,141 are held for investment purposes and included within the financial statements at June 30, 2009. Gains and losses on futures and options are determined based upon fair values and recorded in the Statement of Changes in Plan Net Assets.

Interest rate swaps, foreign currency exchange swaps, and forward foreign currency exchange contracts are held for investment purposes. At June 30, 2009, the System had approximately $107,860,000 net exposure in foreign currency exchange and interest rate swaps and $111,823,210 negative net exposure in forward foreign currency exchange contracts.

Securities Lending

Board policy permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodian is the agent in lending the System's securities for collateral of 102 percent for domestic and 105 percent for international securities. The custodian receives cash, securities or irrevocable bank letters of credit as collateral. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral received from the borrower is invested by the lending agent, as an agent for the System, in a short-term investment pool in the name of the System, with guidelines approved by the Board. Such investments are considered a collateralized investment pool. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pool, which the System cannot determine. The System records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net assets. On November 21, 2008, the Board began restricting the amount of loans the lending agent could make on its behalf. This restriction remained in place as of June 30, 2009. The agent indemnifies the System by agreeing to purchase replacement securities, or return the cash collateral thereof, in the event a borrower fails to return loaned securities or pay distributions thereon. On September 15, 2008, Lehman Brothers International Europe (LBIE) and on September 18, 2008, Lehman Brothers Inc (LBI) were called into default on obligations under the terms of one or more of the Securities Borrowing Agreements. The System was compensated for any security that was not returned from loan in accordance with the contractual obligations. There were no other such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from a default of the borrower or lending agent.

As of June 30, 2009, the fair value of securities on loan was $136,504,992. Cash received as collateral and the related liability of $138,201,569 as of June 30, 2009, is shown on the Statement of Plan Net Assets. Securities received as collateral are not reported as assets since the System does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to $4,295,939 and $2,490,951, respectively, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

The following represents the balances relating to the securities lending transactions at June 30, 2009:

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral:			
U.S. Government Obligations	$ 46,081,308	$ -	$ 47,123,316
Corporate Bonds	22,149,159	-	22,724,237
Equities	65,813,462	-	68,354,016
Lent for Non-Cash Collateral:			
U.S. Government Obligations	2,158,598	2,218,642	-
Corporate Bonds	1	1	-
Equities	302,464	317,230	-
Total	$136,504,992	$ 2,535,873	$ 138,201,569

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeded the amounts the borrowers owe the System. The System is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2009, there were no funds held by a counterparty that was acting as the System's agent in securities lending transactions.

Employees' Retirement Savings Plan:

Section 33-125 of the Code authorizes the Board to establish a diversified slate of mutual and commingled investment funds from which participants may select an option. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2009, the fair value of the mutual and commingled investment funds was $127,577,002. The fair value of the investments in international mutual funds was $15,002,729.

Employees' Deferred Compensation Plan:

The Board is required to establish a diversified slate of mutual and commingled funds from which participants may select investment options. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2009, the fair value of the mutual and commingled investment funds was $201,253,401. The fair value of the investments in international mutual funds included in the County Plan was $25,168,150.

Retiree Health Benefits Trust:

Section 33-163 of the Code authorizes the Board to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolios and by monitoring the financial markets, the System's asset allocation and the investment managers hired by the System. Section 33-162 of the Code prohibits the Board from investing in any bonds, notes, or debt instruments issued by Montgomery County, any political subdivision within Montgomery County, any agency supported or financed wholly or partly by taxes levied by the Montgomery County Council, or any agency supported by bond issues underwritten by Montgomery County.

As of June 30, 2009, the fair value of the mutual and commingled investment funds was $30,965,128. The fair value of the investments in international mutual funds was $9,545,587.

COMPONENT UNITS

HOC:

At year-end, HOC's cash and investments are significant in relation to the total component unit cash and investments. HOC's cash balances as of June 30, 2009, were entirely insured or collateralized with securities held by HOC's agent in HOC's name. HOC and its discretely presented component units investments are subject to interest rate, credit, and custodial risk as described below:

Interest Rate Risk

HOC's investment policy which applies to the General Fund, Public Fund and the Opportunity Housing Fund, requires that the majority of HOC's investments must be on a short-term basis (less than one year); however a portion of the portfolio may be invested in investments with longer maturities (up to two years). The investment requirements for the Multi-Family Fund and Single Family Fund are specified within each of the bond trust indentures. The bond trustee is required to invest money in obligations with the objective that sufficient money will be available to pay the interest due on the bonds and will mature or be subject to redemption with the objective that sufficient money will be available for the purposes intended in accordance with the Indenture.

Credit Risk

HOC's investment policy for the General Fund, Public Fund and the Opportunity Housing Fund permits the following investment types: U.S. government and federal agencies; repurchase agreements; banker's acceptances; money market mutual funds; Maryland local government investment pool; Montgomery County investment pool; certificate of deposits and time deposits; and commercial paper. Bankers Acceptances of domestic banks and commercial paper must maintain the highest rating from one of the Nationally Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC or State Treasurer. Repurchase agreements require collateralization at 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities provided the collateral is held by a custodian, other than the seller. Certificates of deposit or time deposits must be collateralized at 102% of the fair value and held by a custodian other than the seller. HOC invests in the Montgomery County Local Government Investment Pool (County external investment pool) and the Maryland State Local Government Investment Pool (MLGIP). The MLGIP is not subject to regulatory oversight by the SEC, however the MGLIP is operated pursuant to the annotated code of Maryland.

The Single Family and Multi-Family Bond Funds require that the trustee invest moneys on deposit under the indenture in investment obligations as defined by the respective bond indenture agreements. Investment obligations are defined as the following: (i) Government obligations; (ii) bond debentures or other obligation issued by government agencies or corporations; (iii) time deposits or certificate of deposits insured by the Federal Deposit Insurance Corporation; (iv) repurchase agreements backed by obligations described in (i) and (ii) above; (v) investment agreements; (vi) tax exempt obligations; and (vii) money market funds.

Custodial Risk

Amounts held in trust accounts and other demand accounts are covered by federal depository insurance, or collateralized at a level of at least 102% of fair value of principal and accrued interest. Repurchase agreement collateral for the MLGIP is segregated and held in the name of Mercantile-Safe Deposit and Trust's account at the Federal Reserve Bank. The cash and cash equivalents held by PNC Bank for the

General Fund, Housing Opportunity Fund and Public Fund are in bank money market accounts and interest bearing accounts. These amounts are unrated by an independent rating agency. The Moody's rating for PNC Bank short-term deposits as of June 30, 2009 was P-1.

At June 30, 2009, HOC had the following cash, cash equivalents, investments and maturities:

Cash Equivalents	Fair Value	Rating
Cash Equivalents:		
General Fund:		
Money Market Accounts	9,172,287	N/A
Opportunity Housing Fund:		
Investment in County External Investment Pool	8,158,997	N/A
Investment in MLGIP	393,053	AAA
Money Market Accounts	12,496,718	N/A
Public Fund:		
Investment in MLGIP	5,230,653	AAA
Money Market Accounts	15,915,796	N/A
Multi-Family Fund		
Money Market Accounts	45,911,058	N/A
Certificate of Deposit	240,000	N/A
Single Family Fund - Money Market Accounts	69,172,913	AAA
Total	$ 166,691,475	
Short-term Investments:		
Multi-Family Fund:		
US Treasuries	1,226,621	AAA
Total	$ 1,226,621	

Long-Term Investments	Fair Value	1-5 years	6-10 years	Greater than 10 years	Rating
Long-term Investments:					
Multi-Family Fund:					
U. S. Treasuries	$ 1,467,998	$ -	$ -	$ 1,467,998	AAA
Fannie Mae	3,856,662	-	-	3,856,662	AAA
Freddie Mac	3,739,901	2,267,808	-	1,472,093	AAA
GNMA Pool	73,603,088	-	-	73,603,088	AAA
Bank One Investment Agreement	591,525	-	-	591,525	AA/Aa2
Single Family Fund:					
Federal Farm Credit Banks	5,636,054	-	-	5,636,054	AAA
Federal Home Loan Banks	8,853,895	156,102	-	8,697,793	AAA
U. S. Treasuries	8,543,549	-	2,812,453	5,731,096	AAA
Fannie Mae	923,095	-	-	923,095	AAA
Solomon Repurchase Agreement	2,345,800	-	2,345,800	-	AAA
Tennessee Valley Authority	5,768,635	-	2,462,453	3,306,182	AAA
Total long-term investments	115,330,202	2,423,910	7,620,706	105,285,586	
Cash balances	26,003,499				
Total Cash, Cash Equivalents and Investments	$ 309,251,797				

B) Receivables

1) Accounts Receivable

The allowance for doubtful accounts at June 30, 2009, reported in the enterprise funds, amounted to:

Liquor	$ 431,382
Solid Waste Activities	12,064
Parking Lot Districts	2,459,793
	$ 2,903,239

2) Due from/to Component Units

The balances at June 30, 2009, were:

Due from Component Units /
Due to Primary Government:

Due from Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due to Primary Government:						
General	$ -	$ 900,000	$ -	$ 36,642	$ -	$ 936,642
Major Governmental				41,459,181		41,459,181
Capital Projects	-	-	-	16,393,449	-	16,393,449
Solid Waste Activities Enterprise	51,649	684	-	426	3,094	55,853
Nonmajor Governmental	-	-	-	9,151,315	-	9,151,315
Major Enterprise	-	-	-	376,732	-	376,732
Internal Service	49,658	6,862	66,648	387,434	15,028	525,630
Fiduciary	-	-	28,775	132,067	-	160,842
Total Due to Primary Government	$ 101,307	$ 907,546	$ 95,423	$ 67,937,246	$ 18,122	$ 69,059,644

Due to Component Units /
Due from Primary Government:

Due to Component Units:	MCPS	MCC	MCRA	HOC	BUPI	Total
Due from Primary Government:						
General	$ 8,260,864	$ -	$ -	$ 2,402,219	$ -	$ 10,663,083
Major Governmental				309,632		309,632
Capital Projects	50,932,758	16,847,522	-	373,272	-	68,153,552
Nonmajor Governmental	842,145	57,140	-	79,716	20,153	999,154
Nonmajor Enterprise	668,748	-	-	-	-	668,748
Internal Service	51,182	-	-	-	-	51,182
Total Due from Primary Government	$ 60,755,697	$ 16,904,662	$ -	$ 3,164,839	$ 20,153	$ 80,845,351

In the major governmental funds, $41,459,181 due from HOC to the Housing Initiative Special Revenue Fund represents mortgage loans, which are generally repayable based on project cash flows, specified future dates, or sales of the respective properties. Included in this amount is a loan of $2,213,324, for which payments are based on cash flows. Terms of the note stipulate that the balance of the note will be forgiven at the termination of the ground lease in December 2035. To date the project has not generated cash flows. This loan is offset by deferred revenue. Also included in the amount above is a ground lease, upon which is located affordable housing owned by HOC. The ground lease provides for lease payments from HOC for $1 per year for 83 years. Fund balance has been reserved for the remaining loans.

3) Due From Other Governments

The total amount due from other governments at June 30, 2009, was comprised of the following:

	General	Capital Projects	Solid Waste Activities	Nonmajor Governmental	Internal Service	Fiduciary	Total
Federal government	$ -	$ 2,151,476	$ -	$ 10,929,253	$ -	$ 2,516,851	$ 15,597,580
State of Maryland	19,631,585	20,869,886	4,084	27,898,667	42,904	27,156	68,474,282
Other	-	673,211	135,372	769,687	111,643	8,462	1,698,375
Total	$ 19,631,585	$ 23,694,573	$ 139,456	$ 39,597,607	$ 154,547	$ 2,552,469	$ 85,770,237

C) Capital Assets

PRIMARY GOVERNMENT

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental Activities				
Nondepreciable Capital Assets:				
Land	$ 605,871,292	$ 39,676,576	$ -	$ 645,547,868
Construction in progress	257,837,176	129,531,702	34,932,648	352,436,230
Total Nondepreciable Capital Assets	863,708,468	169,208,278	34,932,648	997,984,098
Depreciable Capital Assets:				
Buildings	749,736,077	1,008,223	-	750,744,300
Improvements other than buildings	45,984,295	448,751	-	46,433,046
Furniture, fixtures, equipment and machinery	232,836,007	3,977,849	304,907	236,508,949
Leasehold improvements	12,777,902	-	-	12,777,902
Automobiles and trucks	219,180,350	34,644,645	10,136,520	243,688,476
Infrastructure	1,560,586,835	28,838,392	-	1,589,425,227
Other assets	2,079,731	-	-	2,079,731
Total Capital Assets being Depreciated	2,823,181,197	68,917,860	10,441,426	2,881,657,631
Less Accumulated Depreciation for:				
Buildings	265,392,804	19,296,596	-	284,689,400
Improvements other than buildings	17,010,344	1,340,713	-	18,351,057
Furniture, fixtures, equipment and machinery	129,223,744	23,607,234	293,100	152,537,878
Leasehold improvements	2,886,993	810,745	-	3,697,738
Automobiles and trucks	107,784,222	18,349,417	9,871,907	116,261,732
Infrastructure	446,792,748	31,640,228	-	478,432,976
Other assets	1,699,551	207,973	-	1,907,524
Total Accumulated Depreciation	970,790,406	95,252,906	10,165,007	1,055,878,305
Total Depreciable Assets, net	1,852,390,791	(26,335,046)	276,419	1,825,779,326
Governmental Activities Capital Assets, net	$ 2,716,099,259	$ 142,873,232	$ 35,209,068	$ 2,823,763,424
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	$ 52,777,663	$ 6,552,226	$ -	$ 59,329,889
Construction in progress	2,530,116	14,642,501	7,889,793	9,282,824
Total Nondepreciable Capital Assets	55,307,779	21,194,727	7,889,793	68,612,713
Depreciable Capital Assets:				
Buildings	218,911,392	27,071,310	-	245,982,702
Improvements other than buildings	126,516,890	6,299,117	-	132,816,007
Furniture, fixtures, equipment and machinery	21,622,708	2,427,240	1,164,024	22,885,924
Infrastructure	14,351	-	-	14,351
Automobiles and trucks	4,161,599	383,688	48,169	4,497,118
Total Capital Assets being Depreciated	371,226,940	36,181,355	1,212,193	406,196,102
Less Accumulated Depreciation for:				
Buildings	88,090,795	7,314,838	-	95,405,633
Improvements other than buildings	100,416,355	3,447,909	-	103,864,264
Furniture, fixtures, equipment and machinery	13,902,653	1,689,815	1,154,468	14,438,000
Infrastructure	1,004	574	-	1,578
Automobiles and trucks	2,616,283	284,547	48,169	2,852,661
Total Accumulated Depreciation	205,027,090	12,737,683	1,202,637	216,562,136
Total Depreciable Assets, net	166,199,850	23,443,673	9,556	189,633,966
Business-Type Activities Capital Assets, net	$ 221,507,629	$ 44,638,400	$ 7,899,349	$ 258,246,679

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

Governmental activities:		
General government	$	10,617,196
Public safety		29,226,926
Public works and transportation		44,665,263
Health and human services		8,208,527
Culture and recreation		1,347,798
Community development and housing		986,818
Environment		200,378
Total depreciation expense-governmental activities	$	95,252,906

Business-type activities:		
Liquor	$	955,637
Solid waste activities		2,329,449
Parking lot districts		9,287,998
Permitting services		157,882
Community use of public facilities		6,717
Total depreciation expense-business-type activities	$	12,737,683

Construction commitments as of June 30, 2009, are as follows:

	Construction Commitments
General Government	46,713,046
Public Safey	17,910,195
Public Works and Transportaion	132,095,915
Health and Human Services	19,279
Culture & Recreation	10,825,078
Community Development & Housing	20,875,724
Environment	2,340,124
Total	230,779,361

COMPONENT UNITS

Capital assets of MCPS, amounting to $1,930,729,306 at June 30, 2009, are significant in relation to the total component unit capital assets.

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental Activities				
Nondepreciable capital assets:				
Land	$ 68,861,249	$ -	$ 3,930	$ 68,857,319
Construction in progress	155,190,542	186,537,930	165,214,100	176,514,372
Total nondepreciable capital assets	224,051,791	186,537,930	165,218,030	245,371,691
Depreciable capital assets:				
Buildings and improvements	2,016,306,229	145,533,363	3,589,308	2,158,250,284
Site improvements	167,468,261	22,991,838	-	190,460,099
Vehicles and equipment	147,329,742	8,848,339	11,082,246	145,095,835
Total depreciable capital assets	2,331,104,232	177,373,540	14,671,554	2,493,806,218
Less accumulated depreciation for:				
Buildings and improvements	643,415,471	48,137,636	3,213,341	688,339,766
Site improvements	34,584,151	3,804,167	-	38,388,318
Vehicles and equipment	82,673,299	12,925,647	9,494,870	86,104,076
Total accumulated depreciation	760,672,921	64,867,450	12,708,211	812,832,160
Total depreciable capital assets, net	1,570,431,311	112,506,090	1,963,343	1,680,974,058
Government activities capital assets, net	$1,794,483,102	$299,044,020	$167,181,373	1,926,345,749
Business-Type Activities				
Depreciable capital assets:				
Buildings	$ 17,831	$ -	$ -	17,831
Vehicles and equipment	18,743,228	412,869	2,561,849	16,594,248
Total depreciable capital assets	18,761,059	412,869	2,561,849	16,612,079
Less accumulated depreciation for:				
Buildings	15,156	1,783	-	16,939
Vehicles and equipment	13,392,607	1,086,332	2,267,356	12,211,583
Total accumulated depreciation	13,407,763	1,088,115	2,267,356	12,228,522
Business-type activities capital assets, net	$ 5,353,296	$ (675,246)	$ 294,493	4,383,557
Total MCPS government-wide capital assets				$ 1,930,729,306

Depreciation expense of MCPS was charged to functions/programs as follows:

Governmental activities:	
Regular instruction	$ 53,798,111
Special education	264,390
School administration	54,882
Student personnel services	5,468
Student transportation	8,662,515
Operation of plant	162,065
Maintenance of plant	861,349
Administration	1,058,670
Total depreciation expense-governmental activities	$ 64,867,450
Business-type activities:	
Food services	$ 1,067,931
Entrepreneurial	17,660
Real estate management	2,524
Total depreciation expense-business type activities	$ 1,088,115

Commitments for ongoing construction in progress at June 30, 2009, were $87,563,310.

D) Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as of June 30, 2009, is as follows:

	Due From Fund					
Due To Fund	General	Solid Waste Activities	Nonmajor Governmental	Internal Service	Fiduciary	Total
General	$ -	$ 1,609	$ -	$ 4,331,576	$ 6,711,832	$ 11,045,017
Montgomery Housing Initiative	-	-	-	7,065	8,869	15,934
Debt Service	11,553,103	-	481,897	-	-	12,035,000
Capital Projects	25,368,987		4,940,311	128,050	155,154	30,592,502
Liquor	-	1,869	-	210,629	182,717	395,215
Solid Waste Activities	-	-	-	75,871	97,239	173,110
Parking Lot Districts	-	2,766	-	23,701	28,229	54,696
Nonmajor Governmental	6,561,587	95	-	2,146,858	3,325,554	12,034,094
Nonmajor Enterprise	1,200,000	-	-	179,666	258,908	1,638,574
Internal Service	-	-	-	201,153	1,645,726	1,846,879
Fiduciary	-	-	-	1,214	1,087	2,301
Total	$ 44,683,677	$ 6,339	$ 5,422,208	$ 7,305,783	$ 12,415,315	$ 69,833,322

Included in the amounts presented above are the following short-term loans from the General Fund that were or will be repaid during FY10:

- $25.4 million to the Capital Projects Fund to cover construction payments, due primarily to the timing of reimbursements from Federal, State and other agencies, and to lag time between programming and collection of certain impact taxes; and
- $12.0 million to the Debt Service Fund relating to a debt service payment due on the first day of the next fiscal year, that must be remitted to the County's fiscal agent one working day prior to the debt service due date.

Remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2009, consisted of the following:

	Transfers In Fund								
Transfers Out Fund	General	Revenue Stabilization	Housing Initiative	Debt Service	Capital Projects	Liquor	Solid Waste	Parking Lot Districts	Subtotal Major
General	$ -	$ -	$ 9,782,490	$ 204,596,877	$ 28,736,385	$ 1,325,505	$ 344,115	$ 173,022	$ 244,958,394
Revenue Stabilization	-	-	-	2,005,903	-		-	-	2,005,903
Housing Initiative	178,100	-	-	76,862	1,404,518	-	-	-	1,659,480
Debt Service	-	-	-	-	2,005,903	-	-	-	2,005,903
Capital Projects	-	-	17,471,347	-	-	-	-	-	17,471,347
Liquor	30,410,060	-	-	-	-	-	-	-	30,410,060
Solid Waste Activities	2,251,490	-	-	-	-	-	-	-	2,251,490
Parking Lot Districts	1,850,890	-	-	-	23,079	-	-	-	1,873,969
Nonmajor Governmental	15,445,565	-	-	20,085,868	13,205,598	-	-	-	48,737,031
Nonmajor Enterprise	4,089,310	-	-	-	-	-	-	-	4,089,310
Internal Service Funds	-	-	-	-	-	-	-	-	-
Total	$ 54,225,415	$ -	$ 27,253,837	$ 226,765,510	$ 45,375,483	$ 1,325,505	$ 344,115	$ 173,022	$ 355,462,887

	Transfers In Fund				
Transfers Out Fund	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Subtotal Major	Total
General	$ 3,654,821	$ 1,048,855	$ 2,012,658	$ 244,958,394	$ 251,674,728
Revenue Stabilization	-	-	-	2,005,903	2,005,903
Housing Initiative	-	-	-	1,659,480	1,659,480
Debt Service	-	-	-	2,005,903	2,005,903
Capital Projects	-	-	-	17,471,347	17,471,347
Liquor	-	-	-	30,410,060	30,410,060
Solid Waste Activities	-	-	-	2,251,490	2,251,490
Parking Lot Districts	9,834,995	-	-	1,873,969	11,708,964
Nonmajor Governmental	608,553	-	96,800	48,737,031	49,442,384
Nonmajor Enterprise	-	-	-	4,089,310	4,089,310
Internal Service Funds	-	-	-	-	-
Total	$ 14,098,369	$ 1,048,855	$ 2,109,458	$ 355,462,887	$ 372,719,569

Primary activities include:

- Transfers from major and non-major governmental funds to the Debt Service Fund to provide funding for debt service principal and interest payments;
- Transfers of current receipts and pay-go from the General Fund to the Capital Projects Fund; and
- Transfer of Liquor Enterprise Fund profits to the General Fund.

Transfers at the government-wide financial statement level include $596,652 associated with the General Fund and Silver Spring Parking Lot District (SSPLD) relating to general governmental capital lease obligations for capital assets accounted for in the SSPLD. At the fund level, such transfers are classified as capital contributions in the SSPLD, and expenditures and an other financing source in the General Fund, in accordance with generally accepted accounting principles (see Note III-E3).

E) Leases

1) Operating Leases

The County leases buildings and office facilities and other equipment under non-cancelable operating leases. Lease agreements typically provide for automatic termination on July 1 of any year in which funds to meet subsequent rental payments are not appropriated. Total costs for operating leases were approximately $16,004,000 for FY09. Future minimum lease payments under significant non-cancelable operating leases are as follows:

Fiscal Year Ending June 30	
2010	$ 21,678,000
2011	17,757,000
2012	16,155,000
2013	12,235,000
2014	10,355,000
2015 - 2019	36,046,000
2020 - 2024	17,717,000
2025 - 2027	62,000
Total	$ 132,005,000

2) Capital Lease Receivable

Pursuant to the issue of the 2002 Lease Revenue Bonds and 2004 Lease Revenue Bonds (See Note III-F7), the County is obligated to lease the Shady Grove and Grosvenor Metrorail Garage Projects to WMATA at amounts calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the bonds. Separate lease agreements were executed in conjunction with each bond issue. The leases associated with the 2002 and 2004 bond issues have original terms of 22 years and 20 years, respectively, both ending on June 1, 2024.

The composition of the capital lease receivable is as follows:

	Shady Grove	Grosvenor	Total
Minimum lease payments receivable	$ 24,965,828	$24,546,810	$ 49,512,638
Unearned lease income	(7,300,605)	(7,187,033)	(14,487,638)
Net investment in direct financing leases	$ 17,665,223	$17,359,777	$ 35,025,000

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

Fiscal Year Ending June 30	
2010	$ 3,294,214
2011	3,292,009
2012	3,296,303
2013	3,300,252
2014	3,300,640
2015-2019	16,580,305
2020-2024	16,448,915
Total minimum lease payments	$ 49,512,638

3) Capital Lease Obligations

The County has entered into various lease agreements as lessee with the Montgomery County Revenue Authority (MCRA) for financing the construction or acquisition of certain County facilities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates of the leases.

The assets acquired and placed in service through MCRA capital leases are as follows:

Land	$ 13,449,033
Land improvements	1,673,621
Buildings	53,783,181
Furniture, fixtures, equipment and machinery	159,291
Subtotal	69,065,126
Less accumulated depreciation	(21,666,486)
Total asset value under capital leases	$ 47,398,640

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	
2010	$ 5,203,801
2011	4,859,933
2012	4,862,605
2013	3,955,329
2014	3,465,929
2015-2019	16,073,222
2020-2023	3,982,500
Total minimum lease payments	42,403,319
Less: amount representing interest	(9,983,319)
Present value of minimum lease payments	$ 32,420,000

Included in the schedules above are amounts relating to the Montgomery County Conference Center, which was opened during FY05. The Maryland Stadium Authority (MSA) also participated in financing the construction through the issuance of long-term debt. The County recognized the MSA contribution of $19,719,328 as revenue when the Conference Center opened. The ownership of the Conference Center will transfer to the County at the end of the MCRA lease term.

The County has entered into a lease agreement as lessee with the Maryland Economic Development Corporation (MEDCO) to lease from MEDCO the Town Square Garage 61 and Wayne Avenue Garages, located in the Silver Spring Parking Lot District (SSPLD). The construction of these garages is being funded through the issuance of lease revenue bonds by MEDCO. The ownership of the garages will transfer to the County at the end of the lease term. Although this capital lease is a general governmental obligation, the asset is reflected in the SSPLD, as required by law, and is offset by a capital contribution. For government-wide financial statement purposes, the capital lease obligation in the governmental activities and capital asset in the business-type activities are offset by transfers out and transfers in, respectively, since any amounts that ultimately may be repaid by the SSPLD are not expected to be repaid within a reasonable time.

The assets acquired through this capital lease are as follows:

	Town Square	Wayne Avenue	Total
Buildings	$30,485,144	$ 29,685,533	$60,170,677
Less accumulated depreciation	(4,733,517)	(4,876,163)	(9,609,680)
Total asset value under capital leases	$25,751,627	$ 24,809,370	$50,560,997

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Town Square	Wayne Ave	Total
2010	$ 2,476,851	$ 3,113,475	$ 5,590,326
2011	2,470,554	3,073,775	5,544,329
2012	2,469,739	3,084,425	5,554,164
2013	2,461,668	3,113,219	5,574,887
2014	2,451,011	3,110,394	5,561,405
2015-2017	7,337,867	9,300,362	16,638,229
Total minimum lease payments	19,667,690	24,795,650	44,463,340
Less: amount representing interest	(3,142,690)	(4,430,650)	(7,573,340)
Present value of minimum lease payments	$ 16,525,000	$ 20,365,000	$ 36,890,000

F) Long-Term Debt

PRIMARY GOVERNMENT

1) General Obligation Bonds Payable

General obligation bonds are authorized, issued, and outstanding for the following purposes: (1) General County Facilities, (2) Roads and Storm Drainage, (3) Parks, (4) Public Schools, (5) Community College, (6) Consolidated Fire Tax District, (7) Mass Transit Facilities, (8) Public Housing Facilities, and (9) Parking Facilities. All bonds are valid and legally binding general obligations of the County, and constitute an irrevocable pledge of its full faith and credit and unlimited taxing power. Such bonds are payable from ad valorem taxes, unlimited as to rate or amount, on all real, tangible personal, and certain intangible property that is subject to taxation at full rates for local purposes in the County.

Proceeds from general obligation bonds for public schools and the community college are appropriated by the County Council to MCPS and MCC (component units), respectively, and remitted to such component units by the County. For GAAP purposes, proceeds from debt issuance for these purposes and any related expenditures incurred and reimbursed to the component units are reflected as other financing sources and expenditures, respectively, in the accompanying fund financial statements. These amounts are not budgeted by the County since this activity is appropriated for budget purposes to the component units. Any general obligation bond proceeds, not yet expended by the component units at year end, is reflected as Reserved Fund Balance of the Capital Projects Fund.

In November 2001, $143,000,000 in general obligation bonds, which mature in FY09 and beyond, were defeased. In November 2002, $95,750,000 in general obligation bonds, which mature in FY07 and beyond, were defeased. These defeasances were effected by placing the proceeds of general obligation refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. As of June 30, 2009, $45,500,000, and $6,500,000 respectively, in general obligation bonds referred to above are considered to be defeased.

General obligation bond issues outstanding as of June 30, 2009, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2009	Unamortized Premium **	Unamortized Deferred Difference	Carrying Value June 30, 2009
07/01/92 *	1993-10	2.75 - 5.8	$ 273,038,054	$ 5,541,371	$ -	$ -	$ 5,541,371
04/01/99	2000-19	4.0 - 5.0	120,000,000	6,000,000	-	-	6,000,000
01/01/00	2001-20	5.0 - 6.0	130,000,000	13,000,000	-	-	13,000,000
02/01/01	2002-21	4.0 - 5.0	140,000,000	28,000,000	-	-	28,000,000
11/15/01 *	2003-19	3.6 - 5.25	146,375,000	120,470,000	3,254,022	(4,168,533)	119,555,489
02/01/02	2003-22	3.0 - 5.0	160,000,000	48,000,000	717,940	-	48,717,940
11/15/02 *	2005-13	2.75 - 5.25	93,595,000	55,145,000	1,827,115	(1,381,259)	55,590,856
05/01/03	2004-23	1.5 - 4.0	155,000,000	108,500,000	688,584	-	109,188,584
05/01/03*	2004-11	2.0 - 5.0	49,505,000	16,955,000	302,167	(136,393)	17,120,774
03/15/04	2005-24	3.0 - 5.0	154,600,000	115,950,000	5,943,791	-	121,893,791
08/15/04*	2008-17	3.0 - 5.25	97,690,000	93,285,000	3,601,317	(4,409,002)	92,477,315
05/15/05	2006-25	4.0 - 5.0	200,000,000	160,000,000	9,340,971	-	169,340,971
06/01/05*	2005-16	3.781	120,355,000	120,355,000	9,762,231	(8,013,829)	122,103,402
05/01/06	2006-17	3.871	100,000,000	70,000,000	2,662,233	-	72,662,233
05/01/07	2007-27	4.082	250,000,000	225,000,000	15,071,514	-	240,071,514
3/12/08*	2009-15	2.750 - 5.0	70,295,000	60,360,000	2,861,589	(1,256,522)	61,965,067
07/15/08	2009-29	3.0 - 5.0	250,000,000	250,000,000	7,288,877	-	257,288,877
Total			$ 2,510,453,054	$ 1,496,561,371	$ 63,322,351	$ (19,365,538)	$ 1,540,518,184

* Issue represents refunding bonds.

** GAAP require amortization of premiums and issue costs to occur prospectively, beginning with the year of GASB-34 implementation. As a result, unamortized premiums and issue costs for issues prior to FY02, are not reflected above.

Changes in general obligation bonds during FY09 are as follows:

	Balance July 1, 2009	Bonds Issued	Bonds Retired	Bonds Refunded	Balance June 30, 2009
Governmental Activities:					
General County	$ 222,939,148	$ 16,500,000	$ 18,344,504	$ -	$ 221,094,644
Roads and Storm Drainage	318,763,809	73,000,000	28,424,144	-	363,339,665
Parks	49,724,507	7,000,000	4,212,236	-	52,512,271
Public Schools	684,003,495	127,000,000	61,329,010	-	749,674,485
Community College	58,293,032	18,000,000	4,625,521	-	71,667,511
Consolidated Fire Tax District	23,637,217	6,000,000	1,956,994	-	27,680,223
Mass Transit	9,280,718	2,500,000	1,238,019	-	10,542,699
Public Housing	116,128	-	66,255	-	49,873
	$ 1,366,758,054	$ 250,000,000	$ 120,196,683	$ -	$ 1,496,561,371

General obligation bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	General Obligation Bond Requirements		
	Principal	Interest	Total
2010	$ 133,287,086	$ 77,536,602	$ 210,823,688
2011	130,139,285	66,241,352	196,380,637
2012	125,430,000	57,408,906	182,838,906
2013	122,330,000	51,576,425	173,906,425
2014	116,215,000	45,463,256	161,678,256
2015-2019	470,325,000	149,605,280	619,930,280
2020-2024	288,835,000	60,705,502	349,540,502
2025-2029	110,000,000	11,637,500	121,637,500
Total	$ 1,496,561,371	$ 520,174,823	$2,016,736,194

Article 25A, Section 5(P), of the Annotated Code of Maryland, authorizes borrowing of funds and issuance of bonds to a maximum of 6 percent of the assessable base of real property and 15 percent of the assessable base of personal property and operating real property. The legal debt margin as of June 30, 2009 is $8,179,473,770.

General obligation bonds authorized and unissued as of June 30, 2009, are as follows:

Purpose	Authority Chapter	Authority Act	Authority Amount	Amount Unissued
General County, Parks, and Consolidated Fire Tax District	17	2003	$ 63,600,000	$ 3,090,000
	18	2004	31,200,000	31,200,000
	19	2005	44,100,000	44,100,000
	43	2006	92,000,000	92,000,000
	12	2007	51,300,000	51,300,000
	36	2008	68,200,000	68,200,000
			350,400,000	289,890,000
Roads and Storm Drainage	19	2005	53,500,000	19,940,000
	43	2006	66,700,000	66,700,000
	12	2007	45,800,000	45,800,000
	36	2008	36,000,000	36,000,000
			202,000,000	168,440,000
Public Schools and Community College	43	2005	157,100,000	83,368,000
	12	2006	118,900,000	118,900,000
	36	2008	222,500,000	222,500,000
			498,500,000	424,768,000
Mass Transit	17	2001	6,700,000	2,705,000
	21	2002	1,600,000	1,600,000
	17	2003	900,000	900,000
	12	2007	2,400,000	2,400,000
	36	2008	800,000	800,000
			12,400,000	8,405,000
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
			5,630,000	5,570,000
Parking Districts:				
Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
			4,165,000	3,265,000
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	1,050,000	1,050,000
			9,150,000	4,865,000
Total Parking Districts			13,315,000	8,130,000
Total General Obligation Bonds			$1,082,245,000	$905,203,000

Bond authority and related amounts unissued, presented above, include amounts related to variable rate demand obligations (see Note III-F2). In addition to this bond authority, the County has authority under the provisions of Section 56-13 of the 1994 Montgomery County Code, as amended, to issue County bonds within statutory debt limits to finance approved urban renewal projects.

2) Variable Rate Demand Obligations

On June 7, 2006, the County for the first time issued variable rate demand obligations (VRDOs), in the amount of $100 million. These obligations will not mature in total until 2026; however, the County is required by the Note Order to make annual sinking fund payments to retire one-tenth of the notes each year beginning in 2017.

The interest rate on the obligations, which re-sets daily, is established by the remarketing agents, and is payable on the first business day of each month. Other potential modes for the obligations include a Weekly Mode, a Commercial Paper Mode, a Term Rate Mode or a Fixed Rate Mode. Subject to certain terms and conditions in the Note Order, the County may effect a change in Mode with respect to the obligations. The obligations are subject to optional tender and purchase on the demand of the owners thereof, upon certain terms. All such obligations are general obligations of the County to the payment of which the full faith and credit and unlimited taxing power of the County is irrevocably pledged.

In connection with these obligations, the County entered into a standby note purchase agreement on June 7, 2006 with Dexia Credit Local, acting through its New York Branch. Under the agreement, Dexia is obligated to purchase, through the registrar and paying agent, obligations that are tendered by their owners and have not been remarketed by the remarketing agent. The standby note purchase agreement will expire on June 7, 2011. Any principal advances under the line of credit must be repaid in semi-annual installments over five years after the advance occurs. No amounts were advanced against this agreement. Because the County entered into a financing agreement that ensures the VRDOs can be refinanced on a long-term basis, these obligations are classified as noncurrent liabilities at year-end.

VRDOs outstanding as of June 30, 2009, are as follows:

Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2009
06/07/06	2017-26	Variable	$ 50,000,000	$ 50,000,000
06/07/06	2017-26	Variable	50,000,000	50,000,000
Total			$ 100,000,000	$ 100,000,000

For budget and bond authority purposes, VRDO activity is reported with general obligation bonds.

Changes in VRDOs during FY09 are as follows:

	Balance July 1, 2008	VRDOs Issued	VRDOs Retired	Balance June 30, 2009
Governmental Activities:				
General County	$ 2,500,000	$ -	$ -	$ 2,500,000
Roads and Storm Drainage	26,000,000	-	-	26,000,000
Parks	1,000,000	-	-	1,000,000
Public Schools	64,000,000	-	-	64,000,000
Community College	4,000,000	-	-	4,000,000
Consolidated Fire Tax District	2,100,000	-	-	2,100,000
Mass Transit	400,000	-	-	400,000
Total	$ 100,000,000	-	$ -	$ 100,000,000

VRDO requirements to maturity are as follows:

Fiscal Year Ending June 30	Variable Rate Demand Obligation Requirements		
	Principal	Interest*	Total
2010	$ -	$ 315,000	$ 315,000
2011	-	315,000	315,000
2012	-	315,000	315,000
2013	-	315,000	315,000
2014	-	315,000	315,000
2015-2019	30,000,000	1,386,000	31,386,000
2020-2024	50,000,000	630,000	50,630,000
2025-2026	20,000,000	31,500	20,031,500
Total	$ 100,000,000	$ 3,622,500	$ 103,622,500

* Includes interest on VRDOs at estimated rates of .450 percent for Series A and .180 percent for series B respectively, for the June 7, 2006 issue; the interest rate on the notes is calculated daily and due monthly. The estimated rates used for this calculation were based on the rates at year-end.

3) <u>Revenue Bonds Payable</u>

Revenue bonds are authorized, issued, and outstanding to finance specific projects such as parking garages for the Bethesda and Silver Spring Parking Lot Districts and Solid Waste facilities. Net revenues of Bethesda and Silver Spring Parking Lot Districts including parking fees, fines and dedicated property taxes and net revenues of the Solid Waste Disposal fund are pledged against the timely repayment of principal and interest of the outstanding revenue bonds of the respective funds.

In May 2009, the County issued $46.8 million of revenue bonds, secured by Department of Liquor Control revenues. The proceeds will be used to purchase a warehouse facility for the Department, as well as to fund the County's share of an interchange at the intersection of Maryland Route 355 (Rockville Pike) and Montrose Parkway West.

The term of the commitments and approximate amounts of the pledged revenues are as follows:

	Terms of Commitment	Approximate amount of Pledge
Bethesda Parking Lot District	17	$ 45,763,214
Solid Waste Disposal Fund	4	14,847,750
Liquor Control	20	73,155,232
Total		$ 133,766,196

The pledged net revenues recognized during FY09 for the payment of the outstanding principal and interest of the revenue bonds are as follows:

	Net Available Revenue for Debt Service	Debt Service		
		Principal	Interest	Total
Parking Lot District:				
Bethesda Parking Lot District	$ 14,128,734	$ 3,340,000	$ 1,566,585	$ 4,906,585
Silver Spring Parking Lot District	6,945,175	825,000	30,938	855,938
Solid Waste Disposal Fund:	7,794,551	3,255,000	751,750	4,006,750

Revenue bond issues outstanding as of June 30, 2009, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2009	Unamortized Premium/ (Discount)	Unamortized Deferred Difference	Carrying Value June 30, 2009
Parking Revenue 2002A:								
Bethesda Parking Lot District	06/01/02	2003-21	3.00 - 4.75	$ 26,000,000	$ 18,615,000	$ (12,233)	$ -	$ 18,602,767
Solid Waste Refunding 2003A	04/03/03	2004-13	3.00 - 5.00	31,075,000	13,345,000	256,781	(281,121)	13,320,660
Parking Revenue 2005:								
Bethesda Parking Lot District	08/31/05	2007-25	3.62 - 5.00	16,495,000	15,305,000	92,160	-	15,397,160
Liquor Control Revenue 2009:								
Liquor Control & Transportation	05/12/09	2010-29	3.00 - 5.00	46,765,000	46,765,000	2,868,008	-	49,633,008
Total				$ 120,335,000	$ 94,030,000	$ 3,204,716	$ (281,121)	$ 96,953,595

Changes in revenue bond principal during FY09 are as follows:

	Balance July 1, 2008	Bonds Issued	Bonds Retired	Balance June 30, 2009
Bethesda Parking Lot District	$ 37,260,000	$ -	$ 3,340,000	$ 33,920,000
Silver Spring Parking Lot District	825,000	-	825,000	-
Solid Waste Disposal	16,600,000	-	3,255,000	13,345,000
Liquor Control	-	46,765,000	-	46,765,000
Total	$ 54,685,000	$ 46,765,000	$ 7,420,000	$ 94,030,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Bethesda Parking Lot District		Liquor Control	
	Principal	Interest	Principal	Interest
2010	$ 1,840,000	$ 1,429,335	$ 1,745,000	$ 1,914,532
2011	1,915,000	1,355,235	1,550,000	2,108,250
2012	1,995,000	1,278,135	1,605,000	2,051,750
2013	2,085,000	1,194,010	1,670,000	1,987,550
2014	2,180,000	1,105,025	1,735,000	1,920,750
2015-2019	12,450,000	4,058,512	10,060,000	8,234,550
2020-2024	9,065,000	1,321,971	12,560,000	5,728,350
2025-2029	2,390,000	100,991	15,840,000	2,444,500
Total	$33,920,000	$ 11,843,214	$ 46,765,000	$ 26,390,232

Fiscal Year Ending June 30	Solid Waste Disposal		Total Revenue Bond Requirements		
	Principal	Interest	Principal	Interest	Total
2010	$ 3,420,000	$ 589,000	$ 7,005,000	$ 3,932,867	$ 10,937,867
2011	3,550,000	460,750	7,015,000	3,924,235	10,939,235
2012	3,690,000	318,750	7,290,000	3,648,635	10,938,635
2013	2,685,000	134,250	6,440,000	3,315,810	9,755,810
2014	-	-	3,915,000	3,025,775	6,940,775
2015-2019	-	-	22,510,000	12,293,062	34,803,062
2020-2024	-	-	21,625,000	7,050,321	28,675,321
2025-2029	-	-	18,230,000	2,545,491	20,775,491
Total	$13,345,000	$ 1,502,750	$ 94,030,000	$ 39,736,196	$ 133,766,196

Revenue bonds authorized and unissued as of June 30, 2009, are as follows:

Purpose	Resolution Number	Year	Amount Authorized	Amount Unissued
Parking Lot Districts	11-1383	1989	$ 51,163,000	$ 25,593,000
Parking Lot Districts	14-921	2001	35,000,000	9,000,000
Solid Waste Disposal	12-1010	1993	56,935,000	6,255,000
Public Housing	16-675	2008	50,000,000	50,000,000
Liquor & Transportation	16-676	2008	78,000,000	31,235,000
Liquor & Transportation	16-863	2009	60,000,000	60,000,000
Total			$331,098,000	$ 182,083,000

Restricted assets related to these revenue bonds, classified as "Investments" or "Equity in Pooled Cash and Investments" for statement of net asset purposes, include the following:

Purpose	Bethesda Parking Lot District	Silver Spring Parking Lot District	Solid Waste Disposal
Operation and Maintenance Account - Available to pay current expenses	$ 1,267,081	$ 1,691,402	$ -
Debt Service Account - Used to pay debt service on bonds	273,511	-	-
Debt Service Reserve Account - (including accrued interest) - Available to pay debt service on bonds if there is insufficient money available	1,532,854	-	4,064,057
Renewal and Renovation Account - Available for payment of renewals, replacements, renovations, and unusual and extraordinary repairs	1,500,000	1,500,000	4,441,989
Rate Covenant Cash Reserve - Available to fund operating activities for a minimum of three months	-	-	22,928,263
Rate Stabilization Account - In case of short-term extraordinary expenses	-	-	1,294,200
Total	$ 4,573,446	$ 3,191,402	$ 32,728,509

In lieu of Debt Service Reserve Accounts, the 2002 Series Parking Refunding Bonds and the 2002 Series A Parking Revenue Bonds are being secured with a municipal bond insurance policy. The County is in compliance with all significant financial bond covenants.

4) **Bond Anticipation Notes Payable**

Commercial paper bond anticipation notes (BANs) are authorized, issued, and outstanding as financing sources for capital construction and improvements. Changes in BANs during FY09 are as follows:

	Balance July 1, 2008	BANs Issued	BANs Retired	Balance June 30, 2009
BAN Series 2002-K	$ 150,000,000	$ -	$ 150,000,000	$ -
BAN Series 2002-L	150,000,000	-	100,000,000	50,000,000
BAN Series 2002-M	-	150,000,000	-	150,000,000
BAN Series 2002-N	-	100,000,000	-	100,000,000
Total	$ 300,000,000	$ 250,000,000	$ 250,000,000	$ 300,000,000

The interest rate changes based on market conditions; during FY09, the rate of interest varied from .35 to 6.0 percent. Interest earned on BAN proceeds totaled $1,416,608 during FY09, which was accounted for in the Debt Service Fund.

BANs totaling $250 million were issued during FY09 at varying maturities to a maximum of 270 days, under a program whose authority was adopted on June 11, 2002, and was amended on July 16, 2002, July 29, 2003, July 27, 2004, July 26, 2005, November 30, 2006, September 18, 2007, and October 28, 2008 to consolidate additional authority to borrow money and incur indebtedness. The County reissued the notes upon maturity and will continue to do so, until they are replaced with long-term bonds. The County will issue long-term bonds in FY10, and intends to use the proceeds for capital construction and improvements. In connection with these BANs, the County entered into a line of credit agreement on June 15, 2005, with Fortis Bank S.A./N.V., acting through its Connecticut branch, under which the County may borrow, on a revolving basis, up to $300 million to pay the principal on the notes, and up to $22,191,781 to pay the interest. Any principal advances under the line of credit must be repaid in semi-annual installments over five years after the advance occurs. No amounts were advanced against this line of credit. Because the County entered into a financing agreement that ensures the BANs can be refinanced on a long-term basis, these BANs are classified as noncurrent liabilities at year-end.

During FY09, the County passed Resolution No. 16-763 dated October 28, 2008 to increase the County's authority to issue BANS by $327.5 million. Cumulative BANs authorized and unissued as of June 30, 2009, including amounts authorized and unissued from prior years, is $594,803,000.

5) <u>Certificates of Participation</u>

In October 2007, the County issued Certificates of Participation (certificates) for its Equipment Acquisition Program dated October 24, 2007, in the amount of $33.58 million. The certificates represent proportionate interest in a Conditional Purchase Agreement (CPA) between the County, as purchaser and U.S. Bank National Association, as the seller, for acquisition of certain equipment to be used in the fire and rescue program of the County. The CPA requires the County, as purchaser; to make periodic purchase installments in amounts sufficient to pay the scheduled debt service on the certificates until the County pays the entire price necessary to acquire the equipment, which shall be equal to the amount necessary to pay the principal and interest on all outstanding certificates. The ability of the County, as purchaser, to pay the purchase installments due under the CPA depends upon sufficient funds being appropriated each year by the County Council for such purpose. The County Council is under no obligation to make any appropriation with respect to the CPA. The CPA is not a general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or charge against the general credit or taxing powers of the County.

The certificates were issued at interest rates ranging from 4.0 to 5.0 percent and have maturity schedules as follows:

Fiscal Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2010	$ 3,220,000	$ 1,322,000	$ 4,542,000
2011	3,335,000	1,174,225	4,509,225
2012	3,455,000	1,004,475	4,459,475
2013	3,590,000	828,350	4,418,350
2014	3,120,000	660,600	3,780,600
2015 - 2018	13,755,000	1,143,500	14,898,500
Total	$ 30,475,000	$ 6,133,150	$ 36,608,150

6) Master Lease/Equipment Notes

The County has entered into purchase agreements to provide financing for the acquisition of capital asset equipment. The agreements have terms of two to five years with interest rates identified in the agreements. Arrangements provide that proceeds are to be held by a trustee and disbursed to vendors. If assets are acquired prior to the note agreement, the trustee reimburses the County. The following is a schedule by fiscal year for the agreements as of June 30, 2009:

Fiscal Year Ending June 30	Equipment Notes Requirements		
	Principal	Interest	Total
2010	2,939,165	$ 162,321	$ 3,101,486
2011	1,905,237	62,943	1,968,180
2012	264,863	5,041	269,904
Total	$ 5,109,265	$ 230,305	$ 5,339,570

7) WSSC Promissory Note

In April 2007, the County entered into a Purchase and Sale Contract with Washington Suburban Sanitary Commission (WSSC) to acquire property for $10,000,000. On January 15, 2009, the County signed a promissory note evidencing its obligation to fulfill the terms of the Contract. The note has a term of 15 years; interest accrues at a rate of 4.43%, commencing six months after the execution of the promissory note. Under the provisions of the promissory note, the minimum annual payment by the County is $400,000 and is due on July 15, 2009 and annually thereafter. The County must make additional payments equal to the net of proceeds of parcels sold in a given year; payments should be allocated first to interest and then to principal. If in a given year, net proceeds for the sale of parcels equal or exceed the debt service payment, the County will not be required to make a separate debt service payment. The minimum annual loan payment is less than the interest accrued during the fiscal period; the difference between the interest and the debt service paid is added to the total principal amount owed. Consequently, a negative balance is shown on the principal column of the amortization schedule.

The note will mature upon its 15th anniversary when all unpaid principal and accrued interest shall be due and payable by the County or upon the date of the "Payment Event" for the last parcel for which an additional annual payment is due to WSSC.

The following is a schedule by fiscal year for the debt service requirement at 06/30/2009:

Fiscal Year Ending June 30	Promissory Note Requirements Principal	Interest	Total
2010	400,000	$ -	$ 400,000
2011	(25,280)	425,280	400,000
2012	(26,400)	426,400	400,000
2013	(27,569)	427,569	400,000
2014	(28,791)	428,791	400,000
2015 - 2019	(164,254)	2,164,254	2,000,000
2020 - 2024	(204,006)	2,204,006	2,000,000
2025	10,076,300	223,189	10,299,489
Total	$10,000,000	$ 6,299,489	$16,299,489

8) Lease Revenue Bonds

In June 2002, the County issued Lease Revenue Bonds dated June 1, 2002, in the amount of $37.88 million for its Metrorail garage projects. These bonds were issued to finance the costs of the planning, design, construction, and placing into commercial operation, of garages at the Shady Grove and Grosvenor Metrorail Stations. The County has leased these metrorail garage projects to the Washington Metropolitan Area Transit Authority (WMATA). The bonds are payable from and secured by a pledge of revenues from WMATA's lease payments and certain reserve funds. The approximate amount of the pledge is $49,512,638. WMATA's obligation to make payments under the leases is payable solely from amounts held in a Surcharge Reserve Account which is funded by revenues from a surcharge on the parking facilities. WMATA is not obligated to pay the principal or interest on the bonds. In the event that the County's Reserve Subfund of $3,345,040, included in Capital Projects Fund cash with fiscal agents in the accompanying financial statements, is less than the required amount, the County Executive is obligated to include, in the next subsequent appropriation request to the County Council, a request for sufficient resources to reimburse the Reserve Subfund. The Lease Revenue Bonds are not a debt of the County within the meaning of any constitutional, compact, charter or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of the County is pledged to the payment of the bonds.

The County issued $4,745,000 in lease revenue bonds (Metrorail Garage Projects) on September 1, 2004. The bonds were issued due to certain cost increases incurred since the issuance of the Series 2002 Bonds. The County needed an additional $2,100,000 to complete construction of the Shady Grove Metro Garage and an additional $2,110,000 to complete construction of the Grosvenor Metro Garage. The Series 2004 bonds were delivered on September 28, 2004. The lease has a term of 20 years ending in June 1, 2024. In FY09, pledged revenue of $3,295,276 equals the principal and interest on the lease revenue bonds.

Lease revenue bonds outstanding as of June 30, 2009, are as follows:

	Dated Date	Maturity	Interest Rate	Originally Issued	Balance June 30, 2009	Unamortized Premium	Carrying Value June 30, 2009
Lease Revenue Bonds	06/01/02	2005-24	4.6064%	$ 37,880,000	$ 31,180,000	$ 81,885	$ 31,261,885
Lease Revenue Bonds	09/01/04	2005-24	3.7908%	4,745,000	3,845,000	15,806	3,860,806
Total				$ 42,625,000	$ 35,025,000	$ 97,691	$ 35,122,691

Lease revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Lease Revenue Bond Requirements Principal	Interest	Total
2010	$ 1,705,000	$ 1,589,214	$ 3,294,214
2011	1,770,000	1,522,009	3,292,009
2012	1,845,000	1,451,303	3,296,303
2013	1,925,000	1,375,252	3,300,252
2014	2,005,000	1,295,640	3,300,640
2015-2019	11,475,000	5,105,305	16,580,305
2020-2024	14,300,000	2,148,915	16,448,915
Total	$ 35,025,000	$14,487,638	$49,512,638

9) <u>Taxable Term Loans</u>

During FY04, the County entered into two taxable term loan agreements with U.S. Bank. The first term loan of $4,000,000, which commenced on February 2, 2004, was used to finance the purchase of the Kay property in Germantown, which will be used for development of a biotechnology and information technology business park. The repayment period is 5 years, requiring semi-annual payments of principal and interest at 3.24 percent. The second term loan of $1,332,000, which commenced on March 30, 2004, was used to purchase kitchen and audio-visual equipment to be used in the County's conference center project which opened in November 2004. The repayment period is 5 years, requiring semi-annual payments of principal and interest at 2.91 percent. On November 15, 2005, the County borrowed an additional $95,432 for conference center furniture which was combined with the first term loan above. All other terms of the first term loan remain unchanged. In January 2009 the loans were paid in full.

10) <u>HUD Loan</u>

During 2002, the County Council authorized the Department of Housing and Community Affairs (DHCA) to participate in the HUD Section 108 program for the purpose of acquiring twenty-one units at the Chelsea Tower which provides affordable housing for income qualified persons. On July 16, 2003, the County signed a loan agreement with HUD in the amount of $870,000. The County subsequently received approval from the County Council to disburse and re-loan these funds to HOC. HOC will repay the County, through the Housing Initiative Special Revenue Fund, the principal of $870,000 with interest thereon on a semi-annual basis at 4.59 percent over a twenty-year period, which is consistent with the HUD repayment terms. The principal amount payable at June 30, 2009, for this loan is $655,000.

11) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Bonds and Notes Payable:					
General obligation bonds	$ 1,366,758,054	$ 250,000,000	$ (120,196,683)	$ 1,496,561,371	$ 133,287,086
Variable rate demand obligations	100,000,000	-	-	100,000,000	-
Bond anticipation notes	300,000,000	250,000,000	(250,000,000)	300,000,000	300,000,000
Lease revenue bonds	36,670,000	-	(1,645,000)	35,025,000	1,705,000
Equipment notes	8,066,996	-	(2,957,731)	5,109,265	2,939,165
Taxable term loans	1,155,651	-	(1,155,651)	-	-
HUD loan	698,000	-	(43,000)	655,000	43,000
WSSC Promissory Note	-	10,000,000	-	10,000,000	400,000
Revenue Bonds	-	14,463,000	-	14,463,000	539,676
Subtotal	1,813,348,701	524,463,000	(375,998,065)	1,961,813,636	438,913,927
Add remaining original issue premium	65,845,455	8,917,011	(10,455,436)	64,307,030	-
Less deferred amount on refundings	(23,314,730)	-	3,949,192	(19,365,538)	-
Total Bonds and Notes Payable	1,855,879,426	533,380,011	(382,504,309)	2,006,755,128	438,913,927
Other Liabilities:					
Certificates of participation	33,580,000	-	(3,105,000)	30,475,000	3,220,000
Compensated absences	65,022,294	53,424,377	(48,422,908)	70,023,763	52,517,822
Other postemployment benefits	58,598,791	54,936,148	-	113,534,939	-
Capital leases	74,472,783	596,652	(7,140,000)	67,929,435	7,510,000
Claims and judgments	-	1,550,000	-	1,550,000	1,550,000
Total Other Liabilities	231,673,868	110,507,177	(58,667,908)	283,513,137	64,797,822
Governmental Activities Long-Term Liabilities	$ 2,087,553,294	$ 643,887,188	$ (441,172,217)	$ 2,290,268,265	$ 503,711,749
Business-Type Activities					
Revenue Bonds:					
Liquor Control	-	32,302,000	-	32,302,000	1,205,324
Parking revenue bonds	38,085,000	-	(4,165,000)	33,920,000	1,840,000
Solid waste disposal revenue refunding bonds	16,600,000	-	(3,255,000)	13,345,000	3,420,000
Subtotal	54,685,000	32,302,000	(7,420,000)	79,567,000	6,465,324
Add remaining original issue premium	512,742	2,002,009	(184,790)	2,329,961	-
Less remaining original issue discount	(14,090)	-	1,857	(12,233)	-
Less deferred amount on refundings	(460,470)	-	179,349	(281,121)	-
Total General Obligation and Revenue Bonds	54,723,182	34,304,009	(7,423,584)	81,603,607	6,465,324
Other Liabilities:					
Compensated absences	4,911,073	371,875	(7,074)	5,275,874	3,956,906
Equipment notes	724,795	-	(256,918)	467,877	215,267
Landfill closure costs	22,733,923	2,077,000	(4,135,000)	20,675,923	2,150,000
Total Other Liabilities	28,369,791	2,448,875	(4,398,992)	26,419,674	6,322,173
Business-Type Activities Long-Term Liabilities	$ 83,092,973	$ 36,752,884	$ (11,822,576)	$ 108,023,281	$ 12,787,497

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, $1,939,277 ($1,454,458 due within one year and $484,819 due in more than one year) of internal service fund compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences and claims and judgments are generally liquidated by the governmental fund to which the liability relates.

12) Conduit Debt Obligations

Conduit debt obligations refer to certain limited-obligation revenue bonds or similar debt instruments issued by the County for the purpose of providing capital financing for a third party that is not part of the County's reporting entity (see Note I-A). From time to time, the County has issued Industrial Revenue Bonds and Economic Development Revenue Bonds for the purposes of financing or refinancing costs of acquiring facilities for third party facility users or of refunding outstanding bonds. Facility users may be individuals, public or private corporations, or other entities. The bonds are secured by the facilities financed and are payable from the revenues or monies to be received by the County under loan agreements with the facility users and from other monies made available to the County for such purpose. The bonds do not constitute a debt or charge against the general credit or taxing powers of the County, the State, or any political subdivision thereof. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2009, there were 34 issues of Industrial Revenue Bonds and Economic Development Revenue Bonds outstanding. Of these, 16 were issued prior to July 1, 1996. The aggregate principal amount payable at June 30, 2009, for bonds issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled $175,875,000. The principal amount payable at June 30, 2009, for bonds issued after July 1, 1996, totaled $318,785,202.

13) Special Taxing Districts

The County created three development districts: Kingsview Village Center, West Germantown, and Clarksburg Town Center. These development districts were created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The creation of these districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County with high priority for new development or redevelopment.

Pursuant to Chapter 14, special taxes and/or special assessments may be levied to fund the costs of bonds or other obligations issued on behalf of the respective district. Any bond issued under Chapter 14 is not an indebtedness of the County within the meaning of Section 312 of the Charter. Additionally, any bond issued must not pledge the full faith and credit of the County, and must state that the full faith and credit is not pledged to pay its principal, interest, or premium, if any. Any bonds issued are not considered liabilities of the County and are not reported in the County's financial statements.

In December 1999, the County issued $2.4 million in special obligation bonds for the Kingsview Village Center Development District. Special taxes and assessments were levied beginning in FY01 to repay this debt. In April 2002, the County issued two series of special obligation bonds for the West Germantown Development District. The County issued $11.6 million of Senior Series 2002A bonds and $4.3 million of Junior Series 2002B bonds to finance the construction of infrastructure in the development district. Special taxes and assessments were levied beginning in FY03 to repay this debt. Bonds have not yet been issued for the Clarksburg Town Center development district.

COMPONENT UNITS

At June 30, 2009, HOC's noncurrent liabilities are comprised of the following:

	Due within one year	Long-Term	Total
Revenue bonds payable	$ 51,440,530	$617,826,562	$ 669,267,092
Capital leases payable	240,812	20,253,242	20,494,054
Notes payable	20,128,610	165,358,736	185,487,346
Total	$ 71,809,952	$803,438,540	$ 875,248,492

HOC revenue bonds, which are significant in relation to the total component unit long-term debt, are outstanding as follows:

Purpose	
Multi-Family Mortgage Purchase Program Fund	$ 399,106,060
Single Family Mortgage Purchase Program Fund	270,161,032
Total	$ 669,267,092

Interest rates on the HOC Multi-Family and Single Family Mortgage Purchase Program Fund bonds ranged from 4.45 to 9.15 percent and 0.875 to 8.5 percent, respectively, as of June 30, 2009.

Pursuant to Section 2-103 of Article 44A of the Annotated Code of Maryland, the County may, by local law, provide its full faith and credit as guarantee of bonds issued by HOC in principal amount not exceeding $50,000,000. Section 20-32 of the Montgomery County Code provides the method by which the County has implemented the guarantee. The debt service requirements by fiscal year for the HOC debt guaranteed by the Primary Government are as follows:

Fiscal Year	Guaranteed Revenue Bond Requirements		
Ending June 30	Principal	Interest	Total
2010	$33,375,000	$ 1,208,219	$ 34,583,219
2011	340,000	496,022	836,022
2012	355,000	480,555	835,555
2013	370,000	464,057	834,057
2014	385,000	446,500	831,500
2015-2019	405,000	2,100,694	2,505,694
2020-2024	2,880,000	1,587,075	4,467,075
2025-2029	5,430,000	1,233,968	6,663,968
Total	$43,540,000	$ 8,017,090	$ 51,557,090

The total debt service requirements for HOC revenue bonds, which include the portion guaranteed by the Primary Government (presented above), are as follows:

Fiscal Year Ending June 30	Total Revenue Bond Requirements Principal	Interest	Total
2010	$ 51,440,530	$ 26,511,138	$ 77,951,668
2011	16,556,741	25,320,879	41,877,620
2012	17,678,104	24,764,218	42,442,322
2013	17,634,619	24,188,794	41,823,413
2014	18,111,304	23,602,089	41,713,393
2015-2019	81,314,601	109,691,711	191,006,312
2020-2024	74,923,081	97,067,207	171,990,288
2025-2029	103,691,018	81,392,816	185,083,834
2030-2034	141,213,157	39,347,631	180,560,788
2035-2039	87,245,000	17,984,897	105,229,897
2040-2044	49,650,000	6,417,885	56,067,885
2044-2049	10,165,000	557,707	10,722,707
Unamortized Bond Discount	(600,717)	-	(600,717)
Total	$ 669,022,438	$476,846,972	$1,145,869,410

Changes in the HOC revenue bonds during FY09 are as follows:

Purpose	Balance July 1, 2008	Bonds Issued*	Bonds Retired	Balance June 30, 2009
Multi-Family Mortgage Purchase Program Fund	$ 410,272,322	$ 33,178,737	$ 44,345,000	$ 399,106,059
Single Family Mortgage Purchase Program Fund	331,896,799	36,552,986	98,288,752	270,161,033
Total	$ 742,169,121	$ 69,731,723	$ 142,633,752	$ 669,267,092

* Includes accretions and bond discounts.

HOC has issued a number of individual bonds for financing multi-family developments for which HOC has no legal liability for repayment or administration (conduit debt), and accordingly, the bonds are not included in the accompanying financial statements. HOC participates in such issuances in order to increase the availability of affordable housing in the County. The bonds outstanding are summarized below:

Bonds outstanding, July 1, 2008	$ 337,798,905
Issuances during the year	6,600,000
Redemptions during the year	(74,320,239)
Bonds outstanding, June 30, 2009	$ 270,078,666

The County is not liable in any manner for the remaining debt of HOC or any debt of MCPS, MCC, or MCRA. BUPI has no long-term debt.

G) Segment Information

The County has issued revenue bonds to finance activities relating to Solid Waste Disposal operations, including recycling, and the Silver Spring and Bethesda Parking Lot districts (PLDs). The Solid Waste Disposal operations and the Silver Spring and Bethesda PLDs are accounted for within the Solid Waste Activities Fund and the Parking Lot Districts Fund, respectively. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each activity as of and for the year ended June 30, 2009, is presented below:

Condensed Statements of Net Assets

	Solid Waste Disposal *	Silver Spring PLD	Bethesda PLD
ASSETS			
Current assets	$ 33,279,336	$ 6,533,263	$ 16,692,964
Due from component units	55,853	-	376,732
Other assets	32,957,508	3,191,402	5,063,049
Capital assets	43,422,491	87,979,893	81,129,273
Total Assets	109,715,188	97,704,558	103,262,018
LIABILITIES			
Current liabilities	14,375,820	1,547,680	4,346,939
Due to other funds	160,686	22,416	29,258
Long-term liabilities	28,639,751	257,768	32,241,619
Total Liabilities	43,176,257	1,827,864	36,617,816
NET ASSETS			
Invested in capital assets, net of related debt	30,101,831	87,586,467	47,129,346
Restricted for debt service	32,728,509	3,191,402	4,573,446
Unrestricted	3,708,591	5,098,825	14,941,410
Total Net Assets	$ 66,538,931	$ 95,876,694	$ 66,644,202

* Includes Solid Waste Leafing

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Assets

	Solid Waste Disposal *	Silver Spring PLD	Bethesda PLD
OPERATING REVENUES (EXPENSES):			
Operating Revenues:			
Charges for services	$ 93,338,281	$ 8,498,701	$ 9,011,929
Licenses and permits	11,005	-	-
Fines and penalties	86,015	2,303,774	5,490,665
Total Operating Revenues (pledged against bonds)	93,435,301	10,802,475	14,502,594
Depreciation	(2,327,462)	4,485,808	4,386,805
Other operating expenses	92,181,238	9,386,842	7,409,414
Operating Income (Loss)	3,581,525	(3,070,175)	2,706,375
NONOPERATING REVENUES (EXPENSES):			
Property taxes	-	5,181,271	6,152,777
Intergovernmental	8,700	-	-
Gain (loss) on disposal of capital assets	179,653	-	-
Investment income	1,598,383	149,833	443,920
Interest expense	(812,506)	(66,414)	(1,599,175)
Other revenue	98,828	198,438	438,857
Capital contributions	-	596,652	-
Transfers in	305,880	75,297	84,975
Transfers out	(2,074,400)	(4,086,870)	(6,538,065)
Change in Net Assets	2,886,063	(1,021,968)	1,689,664
Beginning Net Assets	63,652,868	96,898,662	64,954,538
Ending Net Assets	$ 66,538,931	$ 95,876,694	$ 66,644,202

Condensed Statements of Cash Flows

	Solid Waste Disposal *	Silver Spring PLD	Bethesda PLD
Net Cash Provided (Used) By:			
Operating activities	$ 7,006,243	$ 1,588,540	$ 8,229,742
Noncapital financing activities	(1,759,820)	1,169,698	(300,313)
Capital and related financing activities	(12,729,305)	(4,053,589)	(9,359,369)
Investing activities	1,249,452	149,833	344,135
Net Increase (Decrease)	(6,233,430)	(1,145,518)	(1,085,805)
Beginning Cash and Cash Equivalents	66,139,133	8,699,033	19,526,023
Ending Cash and Cash Equivalents	$ 59,905,703	$ 7,553,515	$ 18,440,218

* Includes Solid Waste Leafing

H) Fund Equity

1) Designated Fund Balances

Designated fund balances include amounts encumbered at year-end, which are reported separately in the accompanying financial statements. Designated fund balances also include committed amounts which have been appropriated as part of the next year's original budget where the source of funds is the fund balance as of the end of the current year, and amounts appropriated but unexpended in the Capital Projects Fund where the source of funds is current receipts in the governmental funds. Such amounts are as follows at June 30, 2009:

	General	Special Revenue	Total
Designated for next year's budget	$ 2,183,370	$ 23,811,039	$ 25,994,409
Designated for transfers to Capital Projects Fund	49,816,460	11,296,518	61,112,978
Total	$ 51,999,830	$ 35,107,557	$ 87,107,387

Designated fund balance does not include the following commitments, which otherwise meet the criteria for designation, but for which unrestricted fund balance is not available to designate:

	Debt Service	Capital Projects	Special Revenue	Total
Encumbrances *	$ 490,913	$ 230,779,361	$ 7,824,873	$239,095,147
Next year's budget	-	-	4,788,705	4,788,705
Transfers to Capital Projects Fund	-	-	3,682,426	3,682,426
Total	$ 490,913	$ 230,779,361	$16,296,004	$247,566,278

* Encumbrances relating to special revenue funds include $6,490,079 relating to the Grants Fund, where appropriation and spending on Federal and State grants is contingent on receipt of the grant funds. When the expenditure occurs in the subsequent year, revenue will be earned based on the grant agreements, and resources will then be made available.

2) Net Assets Restricted by Enabling Legislation

Net assets restricted by enabling legislation represent legislative restrictions that a party external to the government can compel the government to honor. For the County, such amounts represent primarily accumulated net assets attributed to revenue streams, such as taxes or fees, which are restricted for specified purposes in the County Code. This generally includes Capital Project Fund recordation and impact tax collections on hand for other component unit and municipal governments, ending fund balances of substantially all special revenue funds, and ending unrestricted net assets of the Solid Waste Activities and Parking Lot Districts enterprise funds. Such amounts, which are included with restricted net assets in the government-wide Statement of Net Assets, are as follows at year-end:

Governmental activities	$ 378,115,377
Business-type activities	26,112,848
Total	$ 404,228,225

I) Significant Transactions with Discretely Presented Component Units

1) Operating and Capital Funding

Expenditures incurred for operating and capital funding of discretely presented component units amounted to the following for the year ended June 30, 2009:

	General Fund			Capital	
	Operating	Capital *	Total	Projects	Total
MCPS	$1,515,137,973	$ 12,365,746	$1,527,503,719	$ 170,338,983	$1,697,842,702
MCC	106,776,153	9,363,681	116,139,834	28,980,398	145,120,232
HOC	5,987,120	1,284,392	7,271,512	-	7,271,512
Total	$1,627,901,246	$ 23,013,819	$1,650,915,065	$ 199,319,381	$1,850,234,446

* Represents current receipt and pay-go funding transferred from the General Fund for component units' use towards their capital projects.

For GAAP financial statement reporting purposes, General Fund expenditures incurred for funding of MCPS and MCC are classified as education expenditures; HOC funding is classified under community development and housing.

2) Other Transactions

BUPI charges for services revenue includes $4,132,936 earned under contracts with the County. For capital leases with MCRA, see Note III-E3. For mortgages receivable due from HOC, see Note III-B2.

NOTE IV. OTHER INFORMATION

A) Risk Management

The County, for itself and certain component units and other governments, maintains two self-insurance internal service funds. County management believes it is more economical to manage its risks internally and set aside assets for claim settlements in these internal service funds.

One fund is maintained for Liability and Property Coverage under which participants share the costs of workers' compensation; comprehensive general; automobile and professional liability (errors and omissions); property coverage including fire and theft; and other selected areas which require coverage. Commercial insurance is purchased for claims in excess of coverage provided by the self-insurance fund and for other risks not covered by the fund. In addition to all funds of the County, participants in this program include MCPS, HOC, MCC, MCRA, BUPI, M-NCPPC, the City of Rockville, the independent fire/rescue corporations, the Bethesda-Chevy Chase Rescue Squad, the Rockville Housing Enterprises, the Town of Somerset, the Village of Martin's Additions, the City of Gaithersburg, the Village of Drummond, the City of Takoma Park, and the Village of Friendship Heights. The liability for claims with respect to all participants transfers to the self-insurance fund, except for M-NCPPC which retains ultimate liability for its own claims.

The second fund is maintained for Employee Health Benefits under which participants share medical, prescription, dental, vision, and life insurance. While the majority of coverage is self-insured, certain fully insured plan options, including health maintenance organizations (HMO's), are offered to participants. WSTC, BUPI, Montgomery Community Television, the Strathmore Hall Foundation, Inc., Arts and Humanities Council of Montgomery County, Montgomery County Volunteer Fire & Rescue Association, and certain employees of the State of Maryland in addition to some of the participants in the Liability and Property Coverage Program, participate in this program.

Both internal service funds use the accrual basis of accounting. Payments to the Liability and Property Coverage Self-Insurance Fund by participants and recognition of the fund's liability for unpaid claims including those incurred but not reported are based on actuarial estimates. For the Employee Health Benefits Fund, charges to participants are based on actuarial estimates. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported which incorporate incremental claims adjustment expenses incurred only because of the claim, but do not include nonincremental claims adjustment expenses such as internal salary costs. Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. During the year, there were no significant reductions in commercial insurance coverage in the Liability and Property Coverage Self-Insurance Fund from the prior year. For the past three years, no insurance settlements exceeded commercial insurance coverage in either fund.

Changes in the balances of Claims Payable for the self-insurance funds for FY09 and FY08 are as follows:

	Liability and Property Coverage	Employee Health Benefits
Balance July 1, 2007	$75,499,000	$ 10,573,292
Claims and changes in estimates	31,229,416	74,483,466
Claim payments [1]	(25,897,416)	(78,869,861)
Balance June 30, 2008	80,831,000	6,186,897
Claims and changes in estimates	36,547,713	86,223,421
Claim payments [1]	(29,242,713)	(85,610,110)
Balance June 30, 2009 [2,3]	$88,136,000	$ 6,800,208

1 Includes non-monetary settlements.

2 Includes incurred but not reported (IBNR) claims of $46,446,000 and $6,897,747 for the Liability and Property Coverage and the Employee Health Benefits Self-Insurance Funds, respectively.

3 Life Insurance is covered by a third-party provider, but the County is required to hold a reserve with the provider proportionate to claims incurred. The Life Insurance IBNR of $97,539 is not included in the schedule. Claims payable including Life IBNR is $6,897,747.

B) Significant Commitments and Contingencies

1) Landfill

The County, in its effort to provide for estimated landfill capping and postclosure maintenance costs, accrues such costs and recognizes those costs as expenses as the landfill is utilized. The October 9, 1991 U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Criteria," established closure requirements for all municipal solid waste landfills (MSWLFs) that receive waste after October 9, 1991. The County has been accruing closure expenses since FY91 in an attempt to match the costs of closure against the revenues associated with the use of the landfill. GASB Statement No. 18, issued in August 1993, expanded the items considered in the original EPA calculation of closure costs. The expanded requirements include postclosure care for thirty years for landfills accepting refuse materials after October 1991. The Oaks Landfill closed on October 22, 1997, and the County began using out-of-County waste hauling during FY98. At the time the landfill was closed, total cumulative capacity used was 6,990,437 tons. The total closure and postclosure costs are estimated at $61,997,000, which has been fully accrued through June 30, 2009. Of the total amount accrued, $37,186,077 in actual costs has been paid out in prior years, and $4,135,000 was paid in FY09, resulting in a net liability of $20,675,923 at June 30, 2009. The current and non-current portions of the adjusted liability at year-end are estimated at $2,150,000 and $18,525,923 respectively. These costs are subject to change based on cost differences, changes in technology, or applications of laws and regulations. The County plans to use primarily operating cash to pay for these closure and postclosure costs as they are incurred in the future.

2) Pollution Remediation

As discussed in Note 1E "Accounting Changes", the County has adopted GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement requires that the County disclose in the notes of the financial statements any contingent liability related to a pollution remediation event. The County has a contingent liability with respect to the Gude Landfill. This landfill was used for the disposal of County municipal solid waste from 1965 to 1982. The landfill received approximately 4.8 million tons of municipal waste from 1965 until the site was closed in 1982. A contingent liability currently exists because the Gude Landfill has been identified as a site which will require pollution remediation or additional post-closure costs due to ground water and surface water contamination. The County is still investigating the extent to which this site needs remediation, therefore no reasonable estimable costs can be reported for FY09 and may not be until the latter part of FY10. In light of this determination, GASB 49 dictates that the potential financial liability be disclosed only in the footnote section and not the financial statements.

3) Litigation

In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits arising in the normal course of business. In the opinion of the County Attorney, the estimated liability of the County in the resolution of these cases will not exceed $1,550,000. In accordance with general accepted accounting principles, none of this amount has been reflected as a liability in the accompanying financial statements, as the County's liability on none of the claims are determined to be probable.

4) Grants, Entitlements, and Shared Revenues

The County participates in a number of Federal and State assisted grant, entitlement, and/or reimbursement programs, principal of which are the Community Development Block Grant, the Head Start Grant, Community Mental Health Grant, and the Medical Assistance Grant. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of most of these programs for, or including, the year-ended June 30, 2009, have not yet been completed. In accordance with the provisions of the Single Audit Act of 1984 and Circular A-133, issued by the U.S. Office of Management and Budget, the County participates in single audits of federally assisted programs. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe amounts ultimately disallowed, if any, would be material.

5) Other Commitments

County proprietary funds have entered into contract commitments that remain uncompleted as of year-end. The amounts of outstanding commitments at June 30, 2009, are as follows:

Enterprise Funds:	Operating	Capital	Inventory	Total
Major Funds:				
Liquor	$ 789,491	$ -	$ 3,227,285	$ 4,016,776
Solid Waste Activities:				
Disposal operations	7,411,097	3,814,093	-	11,225,190
Collection operations	-	-	-	-
Parking Lot Districts:				
Silver Spring	247,794	2,573,061	-	2,820,855
Bethesda	221,563	2,109,695	-	2,331,258
Wheaton	41,770	316,042	-	357,812
Montgomery Hills	2,792	-	-	2,792
Subtotal	8,714,507	8,812,891	3,227,285	20,754,683
Nonmajor Funds:				
Permitting Services	341,488	-	-	341,488
Community Use of Public Facilities	-	-	-	-
Subtotal	341,488	-	-	341,488
Total Enterprise Funds	9,055,995	8,812,891	3,227,285	21,096,171
Internal Service Funds:				
Motor Pool	675,208	-	21,774,229	22,449,437
Central Duplicating	218,548	-	-	218,548
Liability and Property Coverage Self-Insurance	61,115	-	-	61,115
Employee Health Benefits Self-Insurance	596,630	-	-	596,630
Total Internal Service Funds	1,551,501	-	21,774,229	23,325,730
Total Proprietary Funds	$ 10,607,496	$ 8,812,891	$ 25,001,514	$ 44,421,901

As of June 30, 2009, the County has $600,000 in outstanding offers of loans and/or grants that have been extended to various companies under its Economic Development Fund programs. To help fund such offers, the designated fund balance of the Economic Development Special Revenue Fund at the end of the year is typically reappropriated in the following year.

Subsequent Events

On July 31, 2009, the County issued two master lease agreements totaling $1,350,446 to purchase fire and rescue equipment. On August 25, 2009, the County issued commercial paper bond anticipation notes (BANS) totaling $200,000,000. On September 15, 2009, the County Council approved legislation to increase the level of authorized general obligation bond principal by $453,900,000. On November 17, 2009, the County issued General Obligation Bonds in the amount of $78,000,000; Build America Bonds totaling $232,000,000; and General Obligation Refunding Bonds amounting to $161,755,000. On December 2, 2009, the County retired BANS totaling $315,000,000; $50,000,000 for 2002 series L, $33,000,000 for 2002 series M, $32,000,000 for 2002 series N, and $200,000,000 for 2009 series A.

C) Joint Ventures

The Primary Government participates in six joint ventures which are not included as part of the reporting entity. The Primary Government does not have a separable financial interest in any of the joint ventures. Therefore, no "Investment in Joint Ventures" is included in the accompanying financial statements. Audited financial statements are available from each of the six organizations. A general description of each joint venture follows:

Maryland-National Capital Park and Planning Commission (M-NCPPC)

M-NCPPC is a body corporate of the State of Maryland established by the Maryland General Assembly in 1927. M-NCPPC is a bi-county agency. The Board of Commissioners consists of ten members, five each from Montgomery and Prince George's Counties. The Montgomery County members are appointed by the County Council with the approval of the County Executive. The counties' oversight of M-NCPPC also includes budget approval over their respective shares of the operating and capital budgets. Each county is also required by law to guarantee the general obligation bonds of M-NCPPC issued for its jurisdiction.

At June 30, 2009, M-NCPPC had outstanding notes payable and bonds payable in the amount of $129,463,651, of which $4,522,821 was self-supporting. Of the total amount payable, $16,504,721 represented debt due within one year. Generally, debt of M-NCPPC is payable from its resources; however, the participating counties must guarantee payment of interest and principal on the debt that is not self-supporting. Montgomery County's contingent liability for non self-supporting M-NCPPC debt at June 30, 2009, is $37,630,367, which represents general obligation bonds outstanding for the Montgomery County jurisdiction at year-end.

Washington Suburban Sanitary Commission (WSSC)

WSSC is a bi-county instrumentality of the State of Maryland created to provide water supply and sewage disposal services for Montgomery and Prince George's Counties. The two participating counties share equal control over WSSC in the selection of the six-member governing body, budgeting authority, and financing responsibility.

At June 30, 2009, WSSC had outstanding notes payable and bonds payable in the amount of $1,351,717,000, of which $1,350,972,000 was self-supporting. Of the total amount payable, $340,581,000 represented debt due within one year. Pursuant to Section 4-101 of Article 29 of the Annotated Code of Maryland, the County must guarantee payment of principal and interest on WSSC bonds, unless WSSC waives such guarantee requirement in accordance with Section 4-103 of Article 29. WSSC has waived such guarantee requirement with respect to all outstanding WSSC bonds. At June 30, 2009, all WSSC debt relating to the County is self-supporting.

Washington Suburban Transit Commission (WSTC)

The Washington Suburban Transit District (WSTD), encompassing Prince George's and Montgomery Counties, Maryland, was chartered by the State of Maryland in 1965 to, among other things, coordinate and participate in the formulation of the transit plan of the Washington Metropolitan Area Transit Authority for WSTD. The WSTD is governed by the WSTC, which is composed of three representatives each from Prince George's and Montgomery Counties and one representative from the Maryland Department of Transportation. One commissioner from each county is appointed by the Governor of the State of Maryland, and the other two commissioners are appointed by the chief executive officer of the organizations they represent. The two participating counties have equal budgetary authority and financial responsibility for WSTC; however, both are required to act in consultation with the State Department of Transportation. WSTC's liabilities are limited to funds payable from the participating counties and the State under outstanding grant agreements and State legislation. Montgomery County made an operating contribution totaling $90,408 to WSTC during FY09. The FY09 WSTC Annual Financial Report was not available when this report was published.

Washington Metropolitan Area Transit Authority (WMATA)

WMATA was created in 1967 by interstate compact among the states of Maryland and Virginia and the District of Columbia. WMATA's primary function is to plan, construct, finance, and operate transit facilities serving the Washington metropolitan area. The governing authority of WMATA is a twelve-member Board of Directors. Maryland, Virginia, and the District of Columbia each appoint four directors. Of Maryland's four directors, two are appointed by the Governor of the State of Maryland, and one each is appointed by the respective county from among its appointees to WSTC. Since WSTC is a joint venture of Montgomery and Prince George's Counties, Montgomery County participates in WMATA through WSTC.

Montgomery County is committed to participation in WMATA and its regional Metro Rail and Metro Bus programs. Pursuant to Section 87-13 of the County Code, the County guarantees its obligations imposed on WSTD by contracts or agreements with WMATA. As a result of State legislation, the State of Maryland is required to fund 100 percent of the County's share of rail and bus operating expenses. In addition, the State is required to fund 100 percent of the annual debt service on revenue bonds issued by WMATA in connection with the construction of the Metro Rail System. The County's share of the cost of construction of the Metro Rail System has been totally assumed by the State. In addition, State legislation mandates, effective in FY00, that the State provides 100 percent of the County's share of WMATA capital equipment replacement costs.

Under State statutes, the State of Maryland is required to cover its related 100 percent of the combined operating deficit of WMATA and County Ride-On operations (that began on or after June 30, 1989) assuming that 35 percent (effective in FY09) of gross operating costs are recovered by revenues.

A summary reflecting WMATA's expenditures incurred for the County's share of WMATA's activities for FY09, which are fully funded by the State and not reflected in the accompanying financial statements, is as follows:

Bus operating subsidy	$ 49,405,915
Rail operating subsidy	25,161,943
Americans with Disabilities Act service	15,863,582
Other operating subsidy	2,142,744
MetroMatters program	30,445,000
Project Development	506,000
Debt service on WMATA revenue bonds	4,867,500
Local bus program	22,089,042
Total	$150,481,726

At June 30, 2009, WMATA had outstanding bonds payable of $418,760,000, of which $41,689,755 represented bonds payable due within one year. All of this debt is payable from resources of WMATA.

Metropolitan Washington Council of Governments (COG)

COG is a multi-governmental regional planning organization in which local governments work together, in partnership with state and federal government agencies, to create and implement solutions to regional issues. The County is a COG member along with other Washington metropolitan area governments. The governing body of COG is a Board of Directors. Each participating governmental unit is allotted a member or members on the Board in accordance with a specified population formula. Budgetary authority rests with the Board. Member dues finance approximately 12 percent of the total funding for COG, with state and Federal grants and private contributions providing the remainder. COG does not utilize debt financing. As a participating government in COG, the County paid FY09 membership dues and fees for services amounting to $743,366.

Northeast Maryland Waste Disposal Authority (NEMWDA)

NEMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. NEMWDA was established to assist the political subdivisions in the Northeast Maryland Region and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. NEMWDA has the following eight member jurisdictions from the State of Maryland: Montgomery County, Baltimore County, Anne Arundel County, Frederick County, Harford County, Howard County, Carroll County, and City of Baltimore. The Maryland Environmental Service is an ex-officio member.

NEMWDA issued bonds in 1993 to fund the construction of the Montgomery County Resource Recovery Project (Project). In April 2003, NEMWDA refinanced $205,078,908 of the 1993 bonds. At June 30, 2009, NEMWDA had outstanding bonds payable in the amount of $180,685,000 of which $19,955,000 represented debt due within one year. Of these amounts, $171,080,000 related to the Project, $18,055,000 of which represented debt due within one year. These bonds are limited obligations of NEMWDA, payable solely from the Project revenues and other sources. Since the Project is owned and operated by NEMWDA, the bonds and related activities are included in the financial statements of NEMWDA.

This Project became operational in August 1995. NEMWDA has entered into a service contract with the County under which the County pays a waste disposal fee calculated in accordance with the agreement. The waste disposal fee is comprised of an amount equal to debt service, facility fees, alternative disposal costs, NEMWDA administrative costs, operating costs, and NEMWDA component revenue. Waste disposal fee expense incurred by the Solid Waste Activities Enterprise Fund during FY09 amounted to $31,109,395.

D) Employee Benefits

1) Deferred Compensation

During FY05, the Montgomery County Council passed legislation enabling the County to establish and maintain one or more additional deferred compensation plans for employees covered by a collective bargaining agreement. County non-represented employees, those County represented employees who elected to participate, and employees who were retired at the time of transfer, continue to participate in the Montgomery County Deferred Compensation Plan administered by the County (the County Plan). County represented employees who did not elect to continue to participate in the County Plan may participate in the newly created Montgomery County Union Employees Deferred Compensation Plan (the Union Plan) administered by the bargaining units. The purpose of these Plans is to extend to employees deferred compensation plans pursuant to Section 457 of the Internal Revenue Code of 1986, as amended.

During FY99, in accordance with Federal legislation, the assets of the County Plan were placed in trust for the sole benefit of participants and their beneficiaries. Trust responsibilities were assigned to the Board of Investment Trustees (Board). The County Plan therefore is accounted for and included in the accompanying financial statements as a pension and other employee benefit trust fund. The assets of the Union Plan are not included in the accompanying financial statements since the County has no fiduciary or other responsibility for the Union Plan except as required by federal law, including any regulation, ruling, or other guidance issued under law.

Under both Plans, contributions are sent to contracted third party administrator investment vendors for different types of investments as selected by participants. A separate account, which reflects the monies deferred, the investment of the monies, and related investment earnings, is maintained for each participant. Withdrawals are made upon retirement, termination of employment, death, and/or in unforeseeable emergencies. Administrative expenses relating to the County Plan, which are not significant to the County Plan, have been paid by the General Fund.

2) Annual, Sick Leave, and Other Compensated Absences

Employees of the County earn annual, compensatory, and sick leave in varying amounts. Employees who are part of the County Management Leadership Service and participate in the Retirement Savings Plan earn only Paid Time Off (PTO) leave. In the event of termination, employees are reimbursed for accumulated annual, PTO (where applicable), and compensatory leave (up to a limit if applicable). Under the Employees' Retirement System of Montgomery County, covered employees are given credited service toward retirement benefits for accumulated sick leave at retirement. Earned but unused annual, PTO, and compensatory leave is accounted for in the proprietary funds as a liability. The liability for unused annual, PTO, and compensatory leave payable from governmental fund types is reflected only at the government-wide level because it will be paid from future periods' resources. Liabilities for compensated absences have not been recorded in governmental funds since the portion expected to be liquidated with expendable available financial resources has been determined to be immaterial. Earned but unused sick leave is not recorded as a liability because upon termination, sick leave is not paid. Sick leave is paid only in the event of employee illness, at which time the payments will be made from current resources.

3) Group Insurance Benefits

The County provides comprehensive group insurance programs to its employees. These benefits include, but are not limited to, medical, dental, and vision benefits, long-term disability, term life, and accidental death and dismemberment insurance. The cost of each insurance program is shared between the employer and the employees. During FY09, the County and its employees contributed $73,142,895 and $25,388,682, respectively. Employees of MCRA, HOC, and BUPI participate in the comprehensive insurance program of the County. Employer contributions totaled $671,459, $3,417,533, and $58,905 for these component units, respectively, for FY09.

E) Pension Plan Obligations

1) Defined Benefit Pension Plan

Plan Description - The Employees' Retirement System of Montgomery County (System) is a cost-sharing multiple-employer defined benefit pension plan sponsored by the County. Other agencies and political subdivisions have the right to elect participation. The Board of Investment Trustees (Board) has the exclusive authority to manage the assets of the System. The Board consists of thirteen trustees and functions as part of the County. A publicly available annual report that includes financial statements and required supplementary information for the System, the Defined Contribution Plan (see Note IV-F2), and the Deferred Compensation Plan (see Note IV-E1), can be accessed on the County's website at http://www.montgomerycountymd.gov/bit, or can be obtained by writing the Board of Investment Trustees, Montgomery County Government, 101 Monroe Street, Rockville, Maryland 20850.

This Plan is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. Substantially all employees hired prior to October 1, 1994, of the County, MCRA, HOC, the independent fire/rescue corporations, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., WSTC, Montgomery County Employees Federal Credit Union, certain employees of the State Department of Assessments and Taxation, and the District Court of Maryland are provided retirement benefits under the System. The System, established under Section 33 of Montgomery County Code, 2001, as amended, is a contributory plan with employees contributing a percentage of their base annual salary, depending on their group classification which determines retirement eligibility.

Benefit provisions are established under the Montgomery County Code beginning with Section 33-35. All benefits vest at five years of service. There are different retirement groups and retirement membership classes within the System. Members enrolled before July 1, 1978, belong to either the optional non-integrated group or the optional integrated group. Members enrolled on or after July 1, 1978, belong to the mandatory integrated group. Within the groups are different retirement membership classes. The retirement class assigned depends upon the job classification of the member (i.e., non public safety, police, fire, sheriffs and correctional staff). Normal and early retirement eligibility, the formula for determining the amount of benefit, and the cost of living adjustment varies depending upon the retirement group and retirement membership class. Normal retirement is a percentage of earnings multiplied by years of credited service. Earnings for optional non-integrated group members and optional integrated group members is defined as the high 12 months and for mandatory integrated group members, the high 36 months. The percentage of earnings, the maximum years of credited service and the cost of living adjustment varies depending upon the retirement membership class and group.

Members who retire early receive normal retirement benefits reduced by a minimum of 2 percent to a maximum of 60 percent depending on the number of years early retirement precedes normal retirement. Disability benefits are contingent upon service-connected or nonservice-connected occurrences and total or partial permanent disablement. Death benefits are contingent upon service-connected or nonservice-connected occurrences. Effective July 1, 1989, when members terminate employment before their retirement date and after completion of five years of credited service, they may elect to leave their member contributions in the System and receive a pension upon reaching their normal retirement date, based on the amount of their normal retirement pension that has accrued to the date of termination. Vested benefits and eligibility requirements are described under Section 33-45 of the Montgomery County Code of 2001, as amended. A member who terminates employment prior to five years of credited service is refunded their accumulated contributions with interest.

Deferred Retirement Option (DROP) Plans, established in FY00, allow any employee who is a member of a specified membership class or bargaining unit, and who meets certain eligibility requirements, to elect to "retire" but continue to work for a specified time period, during which pension payments are deferred. When the member's participation in the DROP Plan ends, the member must stop working for the County, draw a pension benefit based on the member's credited service and earnings as of the date that the member began to participate in the DROP Plan, and receive the value of the DROP Plan payoff.

Funding Policy - Required employee contribution rates varying from 4 to 9.25 percent of regular earnings are fixed and specified under Section 33-39 (a) of the Montgomery County Code of 2001, as amended. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System, using the actuarial basis as specified in Section 33-40 of the Montgomery County Code of 2001, as amended. Under the current procedures, an actuarial valuation is performed to determine the employer contribution rate for the System. The contribution rate developed is a percentage of active member payroll. The dollar amount of each year's employer contribution is determined by applying the contribution rate to the actual payroll for each year. Funding of the System during the period is the sum of the normal costs and amortization of the unfunded accrued liability over a forty-year period.

Annual Pension Cost and Net Pension Obligation - The annual required contributions (ARC) for FY09 were based on an actuarial valuation as of June 30, 2007, the latest valuation available on the date the County Council was required to approve the appropriation resolution. The ARC, or annual pension cost (APC), were the same as contributions actually made.

The APC and the net pension obligation (NPO) of the County and the participating agencies and political subdivisions for FY09 were as follows:

Fiscal Year	APC	Percentage of APC Contributed	NPO
2007	$109,436,001	100 %	$ -
2008	117,686,375	100	-
2009	109,567,014	100	-

Allocated Insurance Contract - On August 1, 1986, the County entered into an agreement with Aetna Life Insurance Company (Aetna) wherein Aetna accepted future responsibility for monthly payments to all members retired prior to January 1, 1986, in exchange for a lump sum payment. The County is liable for cost of living increases effective January 1, 1986, and later. The transactions related to this agreement have not been recognized in the System's financial statements.

2) Defined Contribution Plan

Plan Description - Employees' Retirement Savings Plan (Plan) is a cost-sharing multiple-employer defined contribution plan established by the County under Section 33-114 of the County Code. Other agencies or political subdivisions have the right to elect participation. All non-public safety and certain public safety employees not represented by a collective bargaining agreement and hired on or after October 1, 1994, are covered under this Plan. In addition to the County, other participant agencies include MCRA, HOC, the independent fire/rescue corporations, the Town of Chevy Chase, the Strathmore Hall Foundation, Inc., WSTC, and Montgomery County Employees Federal Credit Union. Employees covered under the defined benefit plan may make an irrevocable decision to move into this Plan, provided they are unrepresented employees, or represented by a collective bargaining agreement that allows for participation in this Plan.

Under Section 33-116 of the Code, the Plan requires employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Section 33-117 of the Code requires the County to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. Employee contributions are always vested under this Plan and employer contributions are vested after 3 years of service or upon death, disability, or retirement age of the employee. Members are fully vested upon reaching normal retirement age (62) regardless of years of service. At separation, a participant's benefit is determined based upon the account balance which includes contributions and investment gains or losses. The Board of Investment Trustees monitors the Plan and offers investment options to the participating employees. Required employer and employee contributions to this Plan for FY09 were $20,625,065 and $11,262,814, respectively.

3) Other

The County contributed $934,919 during FY09 for pension costs for a limited number of employees/retirees who elected to remain in the State plan. This amount includes the current service costs plus an amount sufficient to amortize the prior service cost over a forty-year period ending June 30, 2020.

4) Length of Service Award Program (LOSAP)

Under Section 21-21 of the Montgomery County Code, the County has established a Length of Service Award Program (LOSAP) for the County's Department of Fire and Rescue Service volunteers who meet certain age and service criteria. Benefit expenditures amounting to $1,137,186 in FY09 also include disability and survivor annuities and lump-sum death benefits, and are reported in the Fire Tax District Special Revenue Fund on a "pay-as-you-go" basis. There were 470 recipients comprising former volunteers and their beneficiaries at the end of FY09. Based on the latest available valuation, the unfunded actuarial accrued liability for the LOSAP plan is $20,740,159.

F) Other Postemployment Benefits (OPEB)

Plan Description – During FY08, the Montgomery County Council enacted legislation (Bill No. 28-07) to establish a new trust effective July 1, 2007 to fund certain County retiree benefit plans. The Retiree Health Benefits Trust (Retiree Trust) is a cost-sharing multiple-employer defined benefit healthcare plan sponsored by the County. Other agencies and political subdivisions have the right to elect participation. The Board of Investment Trustees (Board) has the exclusive authority to manage the assets of the Retiree Trust. The Board consists of thirteen trustees and functions as part of the County. Separate financial statements are not issued for the Retiree Trust.

Substantially all retirees of the County, MCRA, HOC, the independent fire/rescue corporations, and WSTC, and certain retirees of the State Department of Assessments and Taxation, are provided postemployment benefits such as medical, life, dental, vision, and prescription coverage under the Montgomery County Group Insurance Plan (Plan). Retirees may also elect coverage for their eligible dependents. A member of the Employees' Retirement System of Montgomery County, who retires under a normal, early, disability or discontinued service retirement, is eligible for group insurance benefits under the Plan. However, the member is not eligible for group insurance benefits if the member leaves County service prior to retirement eligibility with a deferred vested benefit payable upon member's retirement date. A member of the Employees' Retirement Savings Plan is eligible for group insurance upon separation from service based upon the member's age and credited service at the time of separation. Postemployment benefit provisions and eligibility requirements for retirees are described under the Montgomery County Group Insurance Summary Plan Description.

Plan membership at June 30, 2008 consisted of the following:

Retirees and beneficiaries receiving benefits	7,490
Active plan members	9,949
Total	17,439

Condensed FY09 financial statements for the Retiree Health Benefits Trust are as follows:

Condensed Statement of Fiduciary Net Assets

ASSETS	
Cash and investments	$ 31,017,862
Other assets	3,978,472
Total Assets	34,996,334
LIABILITIES	
Claims payable	3,978,471
Other liabilities	9,411
Total Liabilities	3,987,882
NET ASSETS:	
Held in trust for other postemployment benefits	$ 31,008,452

Condensed Statement of Changes in Fiduciary Net Assets

ADDITIONS	
Contributions	$ 71,510,737
Net investment income (loss)	(1,980,135)
Total Additions, net	69,530,602
DEDUCTIONS	
Benefits	48,389,690
Administrative	3,842,017
Total Deductions	52,231,707
Change in Net Assets	17,298,895
Beginning Net Assets	13,709,557
Ending Net Assets	$ 31,008,452

Contributions – The County Council has the authority to establish and amend contribution requirements of the plan members and the County. The Plan is a contributory plan in which the County and the retired members and beneficiaries contribute, based on an actuarial valuation, certain amounts toward the current cost of healthcare benefits. During FY09, plan members and beneficiaries receiving benefits contributed $13,307,885 (approximately 26 percent of current contributions). The County and other contributing entities contributed $58,202,852, including $38,622,982 (approximately 74 percent of current contributions) for current premiums, claims and administrative expenses, and $19,579,870 toward prefunding future benefits.

Funding Status and Funding Progress – As of June 30, 2008, the most recent actuarial valuation, the actuarial accrued liability (AAL) was $1,161,222,000 and there were $35,279,000 actuarial plan assets, therefore the unfunded AAL (UAAL) was $1,125,943,000. The annual covered payroll of active employees covered by the Plan was $667,400,000 and the ratio of the UAAL to covered payroll was 168.7 percent.

The actuarial valuation of the Plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts regarding the funded status of the Plan and the annual required contributions (ARC) of the County and other participating agencies are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

During FY08, the County Council adopted Resolution No. 16-555, expressing its intent to phase in to full funding of the difference between pay-as-you-go contributions and the ARC over eight years. The prefunding contributions reflected in the accompanying financial statements represent the second year of that eight year phase in.

Annual OPEB Cost and Net OPEB Obligation - The ARC, or annual OPEB cost (AOC), for FY09 was based on an actuarial valuation as of June 30, 2007, the latest valuation available on the date the County Council was required to approve the FY09 budget.

The AOC and the net OPEB obligation of the County as of June 30, 2009 were as follows:

Annual required contribution (ARC)	$ 111,677,000
Interest on net OPEB obligation	4,687,903
Adjustment to ARC	(3,225,903)
Annual OPEB cost	113,139,000
Contributions made	58,202,852
Increase in net OPEB obligation	54,936,148
Net OPEB obligation - beginning of year	58,598,791
Net OPEB obligation - end of year	$ 113,534,939

The percentage of AOC contributed in FY09 was 51.4 percent.

Actuarial Methods and Assumptions – The calculations of projected benefits are based on the terms of the Plan in effect at the time of valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liability and the actuarial value of assets.

Actuarial assumptions used in the actuarial valuation were:

Valuation date	June 30, 2008
Actuarial method	Projected unit credit
Amortization method	Level percentage of projected payroll
Amortization period	30 years
Investment rate of return	8.0%
Salary scale	4.25%
Mortality	RP 2000 projected 10 years, separate tables for males and females
Health care cost trend rates:	(initial, ultimate)
Medical (excluding Indemnity plan) pre-65	10.0%, 5.0%
Medical (excluding Indemnity plan) post-65	8.5%, 5.0%
Medical (Indemnity plan)	11.0%, 5.0%
Prescription drugs	10.0%, 5.0%
Dental	6.5%, 4.5%

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APPENDIX B

FORM OF APPROVING OPINION OF SPECIAL COUNSEL

April __, 2010

County Executive and County Council
of Montgomery County, Maryland
Rockville, Maryland

County Executive and Council Members:

In connection with the issuance of $30,400,000 Montgomery County, Maryland, Taxable Limited Obligation Certificates (Facility and Residential Development Projects) Series 2010A (the "Certificates") we have examined:

(i) the Funding Agreement by and between Montgomery County, Maryland (the "County") and U.S. Bank National Association (the "Bank") dated as of April 1, 2010 (the "Funding Agreement");

(ii) the Taxable Limited Obligation Certificate Trust Agreement by and between the County and the Bank, acting as Trustee (the "Trustee") dated as of April 1, 2010 (the "Trust Agreement");

(iii) Resolution No. 16-675 passed by the County Council of the County on July 29, 2008, as amended by Resolution No. 16-1298 passed by the County Council of the County on March 23, 2010;

(iv) Executive Order No. 301-10 executed by the County Executive of the County on April 6, 2010;

(v) form of the Certificates;

(vi) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(vii) other proofs submitted to us relative to the issuance of the Certificates.

The Funding Agreement provides for the payment by the County of contract payments (the "Contract Payments"). Each Contract Payment has a principal portion and an interest portion, in the amounts and on the dates set forth in the Funding Agreement.

The Certificates are in registered form in denominations of $5,000 or any integral multiple thereof. The Certificates bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Trust Agreement.

We have made no investigation of, and are rendering no opinion regarding the title to real or personal property or the priority or perfection of any lien or security interest in real or personal property.

Based upon the foregoing, it is our opinion that:

(a) The County is a validly created and existing body politic and corporate and political subdivision of the State of Maryland.

(b) The Certificates have been duly authorized and issued pursuant to, and are permitted by the terms of, the Trust Agreement, constitute valid and binding obligations evidencing direct and proportionate interests of the owners thereof in principal and interest components of Contract Payments, and are equally and ratably secured under the Trust Agreement. Additional Certificates secured equally and ratably with the Certificates may be issued from time to time under the conditions, limitations and restrictions set forth in the Trust Agreement.

(c) The County's obligation to make Contract Payments is subject to and dependent upon the County Council making annual appropriations for such purpose. Such obligation does not constitute a debt of the County within the meaning of any constitutional or statutory limitation nor a liability of or a lien or charge upon funds or property of the County beyond any fiscal year for which the County Council has appropriated moneys to make such payments.

(d) The Funding Agreement and the Trust Agreement have been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute the valid and binding obligation of the County enforceable against the County in accordance with their terms.

(e) The Funding Agreement, the Trust Agreement and the Certificates are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(f) Under existing law, the Certificates, their transfer, the interest payable on them and any income derived from them, including any profit realized in their sale or exchange, is not exempt from income taxation by the State of Maryland or by any of its political subdivisions.

(g) Interest on the Certificates will be includable in gross income for federal income tax purposes under existing statutes, regulations and decisions.

No opinion is expressed as to the treatment for federal or State of Maryland income tax purposes of any payment made to the Trustee or its assigns from sources other than the Contract Payments paid by the County that may result upon the failure of the County to make an appropriation to provide for the payment of the Contract Payments.

We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof. The opinions expressed herein are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated.

Investors are urged to obtain independent federal income tax advice regarding the Certificates based upon their particular circumstances. Federal income tax advice set forth herein regarding the Certificates was not intended or written to be used, and cannot be used, for purposes of avoiding federal income tax penalties. The advice provided herein was written to support the promotion or marketing of the Certificates. This notice is intended to comply with the provisions of Section 10.35 of the United States Treasury Publication Circular 230.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of April __, 2010 (this "Disclosure Agreement") is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the "County") in connection with the issuance of its Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2010A (the "Certificates"). The County, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners of the Certificates, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. *Definitions.* In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"EMMA" shall mean Electronic Municipal Market Access System maintained by the MSRB. For more information on EMMA, see www.emma.msrb.org.

"MSRB" shall mean the Municipal Securities Rulemaking Board, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Reportable Event" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended or replaced from time to time.

"State" shall mean the State of Maryland.

SECTION 3. *Provision of Annual Financial Information, Operating Data and Audited Information.*

(a) The County shall provide to the MSRB, the following annual financial information and operating data, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ended June 30, 2010:

(i) Statement of Direct and Overlapping Debt;

(ii) General Bonded Debt Ratios;

(iii) Assessed Value of All Taxable Property By Class;

(iv) Property Tax Levies and Collections;

(v) Property Tax Rates and Tax Levies, By Purpose; and

(vi) Schedule of General Fund Revenues, Expenditures and Transfers In (Out).

(b) The County shall provide to the MSRB annual audited financial statements for the County, such information to be made available within 275 days after the end of the County's fiscal year, commencing with the fiscal year ended June 30, 2010, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ended June 30, 2010), the County will provide unaudited financial statements within such time period.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) of this Section shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Certificates.

(d) If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the County shall send in a timely manner a notice of such failure to the MSRB.

(e) The County hereby represents and warrants that it has not failed to comply with any prior disclosure undertaking made pursuant to the Rule.

SECTION 4. *Reporting of Significant Events.*

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Reportable Events with respect to the Certificates, each of which shall constitute a Reportable Event for purposes hereof:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Certificates;

(7) Modifications to rights of owners of the Certificates;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Certificates; or

(11) Rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall as soon as possible determine if such event would constitute material information for owners of the Certificates, in accordance with the applicable "materiality" standard under then-current securities laws.

(c) If the County has determined that a Reportable Event is material, the County shall file in a timely manner a notice of such occurrence with the MSRB.

SECTION 5. *Filing with EMMA.* Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by indentifying information as prescribed by the MSRB.

SECTION 6. *Termination of Reporting Obligations.* The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Certificates either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Certificates within the meaning of the Rule.

SECTION 7. *Amendments.*

(a) The County may provide further or additional assurances that will become part of the County's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion, provided that:

(1) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the County as the obligated person with respect to the Certificates, or type of business conducted by the County;

(2) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment does not materially impair the interests of owners of the Certificates, including beneficial owners, as determined by bond counsel selected by the County or by an approving vote of at least 25% of the outstanding principal amount of the Certificates.

(b) The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of financial information or operating data being provided will be explained in narrative form in information provided with the annual financial information containing the additional or amended financial information or operating data.

SECTION 8. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence of a Reportable Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence of a Reportable Event.

SECTION 9. *Limitation on Remedies and Forum.*

(a) The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to Director of Finance, 15th Floor, Executive Office Building, 101 Monroe Street, Rockville, Maryland 20850, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 3(a) or 3(b) hereof or a notice of occurrence of a Reportable Event.

(b) Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Montgomery County, Maryland.

SECTION 10. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Certificates, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 11. *Relationship to Certificates.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Certificates. Any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Certificates.

SECTION 12. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 13. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in *pari materia* with the Rule.

SECTION 14. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 15. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

MONTGOMERY COUNTY, MARYLAND

[SEAL]

By:__________________________
Jennifer E. Barrett
Director of Finance

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APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not defined in this Official Statement shall have the meanings set forth in the Funding Agreement and the Trust Agreement.

"**Certificate Fund**" means the fund so designated that is established under the provisions of the Trust Agreement for the purpose of accepting and disbursing to the Holders moneys received by the Trustee from the County for the payment of principal, premium, if any, and interest on the Certificates.

"**County Representative**" means the County Executive, the Chief Administrative Officer, or the Director of Finance of the County and any other person authorized by the County to act on its behalf under or with respect to the Funding Agreement and the Trust Agreement by written certificate executed by the Director of Finance of the County and delivered to the Trustee.

"**Holder**" means the person or entity in whose name a certificate is registered on the Certificate register maintained by the Trustee pursuant to the Trust Agreement.

"**Government Obligations**" means direct obligations of, or obligations the full and timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America.

"**Interest Payment Date**" means May 1 and November 1 of each year commencing November 1, 2010.

"**Outstanding**" when used with reference to the Certificates and as of any particular date, means all Certificates theretofore authenticated and delivered except: (a) any Certificate cancelled by the Trustee (or delivered to the Trustee for cancellation) at or before such date, (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the Trust Agreement and (c) any Certificate that is deemed to have been paid pursuant to the provisions of the Trust Agreement.

"**Project Costs**" means the costs of acquisition, construction, rehabilitation and renovation of real property for the purpose of implementing the Program.

"**Revenues**" means (i) all payments to be made by the County to the Bank pursuant to the Funding Agreement, (ii) the proceeds of the Certificates and all amounts from time to time on deposit in the funds and accounts established by the Trust Agreement, and (iii) all other revenues derived from the Funding Agreement or from the exercise of remedies under the Trust Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE FUNDING AGREEMENT

The following is a summary of certain provisions of the Funding Agreement. This summary is not a complete recital of the terms of the Funding Agreement, and reference should be made to the Funding Agreement for a complete statement of its terms.

Term of Agreement (Section 3.02.)

The Funding Agreement will remain in effect until the County has paid all of the Contract Payments and any other sums required to be paid under the provisions of the Funding Agreement to the Bank or until the date on which the Funding Agreement is terminated.

Contract Payments to Be Unconditional (Section 4.03.)

The obligation of the County to make payment of the Contract Payments required under the Funding Agreement and to perform and observe the other covenants and agreements contained therein is absolute and unconditional in all events except as expressly provided in the Funding Agreement. Notwithstanding any dispute between the County and the Bank or any other person, the County agrees to pay all Contract Payments when due and not to withhold any part of any Contract Payments pending final resolution of the dispute. The County agrees that it will not assert any right of set-off, cross-claim, recoupment, or counterclaim against its obligation to make the payments required under the Funding Agreement. The County's obligation to pay Contract Payments during the term of the Funding Agreement will not be abated through accident or unforeseen circumstances.

Continuation of Agreement by the County (Section 4.04.)

The County agrees, subject to the nonappropriation provisions of the Funding Agreement, to pay the Contract Payments due under the Funding Agreement. The County agrees, to the extent permitted by law and subject to applicable public policy, that it will not terminate the Funding Agreement for nonappropriation of funds in any fiscal year for which sufficient funds for the payment of Contract Payments due in that fiscal year are appropriated for such Contract Payments. The County Executive, to the extent permitted by law and subject to applicable public policy, will use best efforts to obtain the authorization and appropriation of such funds, including (without limitation) the inclusion of such funds in the budget of the County to be submitted to the County Council and a request for adequate funds to meet the County's obligations in full in its next fiscal year budget.

Nonappropriation (Section 4.05.)

In the event that sufficient funds are not appropriated for the payment of the Contract Payments, the County may terminate the Funding Agreement at the end of the last fiscal year or earlier date for which an appropriation is available and the County will not be obligated to make payment of the Contract Payments beyond the last date for which an appropriation is available. The County agrees to deliver written notice to the Bank of such termination no later than seven days after the County has knowledge that an appropriation will not be available. The failure to give the notice will not extend the Funding Agreement beyond such fiscal year or affect the termination of the Funding Agreement. Upon termination of the Funding Agreement for nonappropriation, the County will pay to the Bank all proceeds of the Certificates not theretofore expended by the County, if any, or such lesser amount as shall be required to pay the outstanding principal of and interest on the Certificates and all other amounts payable under the Funding Agreement after the application to the payment thereof of amounts on deposit in the funds and accounts created by the Trust Agreement. Upon the payment of such proceeds to the Bank, all obligations of the County under the Funding Agreement requiring the expenditure of money will cease (other than the obligation to pay any Contract Payments and other amounts payable under the Funding Agreement previously appropriated).

Essentiality (Section 4.06.)

The County represents that the Program is essential to the County.

Events of Default and Remedies (Section 6.01., 6.02. and 6.03.)

The following constitute an "Events of Default" under the Funding Agreement, subject to the provisions under the Funding Agreement regarding nonappropriation: (a) failure by the County to pay any Contract Payment at the time specified in the Funding Agreement; or (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of 30 days after written notice to the County by the Bank, specifying such failure and requesting that it be remedied, unless the Bank agrees to an extension of such time; *provided* that if the failure stated on the notice cannot be corrected within 30 days, the Bank will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; or (c) the County files any proceeding under the United States Bankruptcy Code or makes a general assignment for the benefit of creditors or institutes or consents to the filing of any proceeding for any receivership under any other bankruptcy or insolvency laws.

Whenever any Event of Default shall have happened and be continuing, the Bank shall have the right, at its sole option, without any further demand or notice, to terminate the Funding Agreement and require the County to pay to the Bank all proceeds of the Certificates not theretofore expended by the County, if any, or such lesser amount as shall be required to pay the outstanding principal of and interest on the Certificates and all other amounts payable thereunder after the application to the payment thereof of amounts on deposit in the funds and accounts created by the Trust Agreement, holding the County liable for the deficiency, if any, between (i) the amount actually appropriated for the payment of Contract Payments and other amounts payable thereunder and unpaid by the County during the current fiscal year and which is therefore payable by the County thereunder to the end of the current fiscal year of the County and (ii) the sum of the amounts on deposit in the funds and accounts created by the Trust Agreement and the proceeds of the Certificates not theretofore expended by the County, if any, paid to the Bank, after deducting all the Bank's costs and expenses, including (without limitation) reasonable attorneys' fees and expenses incurred in the enforcement of the Funding Agreement.

Whenever an Event of Default shall have occurred and be continuing, the Bank shall have the right, at its sole option, without further demand or notice, to institute appropriate legal proceedings to require the County to cure any such Event of Default by observing, complying with or performing its obligations under the Funding Agreement.

No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy reserved to it in the Funding Agreement, it will not be required to give any notice other than such notice as may be required in the Funding Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary is not a complete recital of the terms of the Trust Agreement, and reference should be made to the Trust Agreement for a complete statement of its terms.

Security (Granting Clauses)

The County and the Bank, in order to provide for the payment of the Certificates and the interest with respect thereto according to their tenor, purport and effect, and the performance and observance by the County and the Bank, respectively, of all the covenants expressed or implied in the Certificates, the

Trust Agreement and the Funding Agreement, do, pursuant and subject to the provisions of the Trust Agreement, thereby grant, bargain, sell, release, convey, transfer and assign unto the Trustee for the benefit of the Holders, their successors and assigns, unconditionally and absolutely, all rights, title and interest of the County and the Bank, respectively, under the Funding Agreement, and all amounts on deposit from time to time in the funds and accounts established by the Trust Agreement.

Establishment and Application of Project Fund (Section 4.02.)

There is established under the Trust Agreement a special fund designated the "Project Fund," which shall be held in trust by the Trustee for the benefit of the Holders and which shall be kept separate and apart from all other funds and moneys held by the Trustee.

Moneys on deposit in the Project Fund shall be paid by the Trustee for the costs of issuance of the Certificates upon receipt from the County of a duly executed requisition.

Moneys on deposit in the Project Fund shall be paid by the Trustee to pay the Project Costs upon receipt from the County of a duly executed requisition. Upon receipt of such requisition, the Trustee shall make payment either directly to the payee named therein, or, if the County can establish that it has already made such payment, to the County as reimbursement.

Upon the earlier of (i) three years from the date of initial authentication and delivery of the Certificates and (ii) the payment of all of the Project Costs, the Trustee shall transfer any moneys remaining in the Project Fund upon the written direction of the County; provided that the proceeds of the sale of the Certificates, including any premium paid for such Certificates in excess of the face amount thereof, together with investment earnings on such proceeds and premium, may be transferred upon the direction of the County from time to time from the Project Fund to the Certificate Fund for the purpose of paying the maturing principal of and interest on the Certificates as they become due.

Establishment and Application of Certificate Fund (Section 4.03.)

There is established under the Trust Agreement a special fund designated the "Certificate Fund," which shall be held in trust by the Trustee for the benefit of the Holders and which shall be kept separate and apart from all other funds and moneys held by the Trustee. Within the Certificate Fund there is established the Interest Account and the Principal Account.

The Trustee shall deposit amounts received by the Trustee under the Funding Agreement, as follows:

FIRST: to the Interest Account, the amount, if any, necessary to make the amount on deposit in the Interest Account equal to the interest to accrue on the Certificates until the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date;

SECOND: to the Principal Account, the amount, if any, necessary to make the amount on deposit therein equal to the principal amount or redemption price of the Certificates due on the earlier of (i) the immediately succeeding May 1 and (ii) any redemption date; and

THIRD: to the Trustee, the accrued fees and expenses of the Trustee invoiced and remaining unpaid for a period of 30 days.

After making the payments required by items FIRST through THIRD above, the Trustee shall deposit any balance of funds held by the Trustee in the Interest Account.

On each Interest Payment Date and redemption date, the Trustee shall pay or cause to be paid out of the Interest Account the interest due on the Certificates on such date and on each May 1 and redemption date, the Trustee shall pay or cause to be paid out of the Principal Account the principal or redemption price due on the Certificates on such date.

Investments (Section 4.04.)

Moneys held by the Trustee under the Trust Agreement shall be invested by the Trustee upon written order of a County Representative. Such investments shall be registered in the name of the Trustee or any authorized nominee of the Trustee and held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Issuance of Additional Certificates (Section 7.10.)

So long as the Funding Agreement is in effect and no Event of Default shall have occurred and be continuing thereunder or under the Trust Agreement, one or more series of Additional Certificates on a parity with the Certificates may be issued for the purpose of providing additional funds necessary to fund the Program. Each series of Additional Certificates shall be issued in such principal amount, mature on such dates, bear interest at such rates and have such provisions for redemption and other terms and conditions not inconsistent with the Trust Agreement as shall be specified in a supplemental trust agreement authorizing such Additional Certificates.

Prior to the issuance of each series of Additional Certificates and the execution and delivery of a supplemental trust agreement in connection therewith, the County and the Trustee shall enter into an amendment to the Funding Agreement which shall provide among other things that, with the consent of the County, the Contract Payments shall be increased and computed so as to amortize in full the principal of and interest on such Additional Certificates and any other costs in connection therewith.

Limitation on Duties (Section 8.05.)

The Trustee shall not have any duty or obligation to manage, control, use, sell or otherwise transfer title to or dispose of or otherwise deal with any part of the assets constituting the Trust Estate, or to otherwise take or refrain from taking any action under or in connection with the Funding Agreement or the Certificates, except as expressly provided by the terms of the Funding Agreement and the Trust Agreement or as expressly provided in written instructions from the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding. Whenever the Trustee is required to give any consent, approval, permission or otherwise act affirmatively under the terms of the Funding Agreement, the Trustee at its discretion may give such consent, approval, permission or otherwise act affirmatively as it may deem appropriate.

Trustee May Deal in Certificates and Take Action as a Holder (Section 8.06.)

The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own and hold any of the Certificates issued under and secured by the Trust Agreement, and may join in the capacity of a Holder in any action which any Holder may be entitled to take with like effect as if it were not the Trustee under the Trust Agreement.

Resignation and Removal of Trustee (Section 8.09. and 8.10.)

The Trustee may resign and thereby become discharged from the trusts thereby created by notice in writing given to the County and the Holders of the Certificates. Such resignation shall take effect immediately upon, but only upon (i) the appointment of a new Trustee, (ii) upon acceptance by the new Trustee of the trusts created and the duties of the Trustee under the Trust Agreement, and (iii) assignment by the Trustee and acceptance and assumption by the new Trustee of all the rights, title and interest, duties and obligations of the Trustee under the Funding Agreement. Upon the occurrence of any such resignation, the Trustee, by appropriate documentation, shall transfer all right, title and interest it may have as Trustee under the Trust Agreement and as Trustee under the Funding Agreement to the successor Trustee.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing executed by the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the County or the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding. Upon any such removal of the Trustee, the Trustee, by appropriate documentation, shall transfer all right, title and interest it may have as Trustee under the Trust Agreement and under the Funding Agreement to the successor Trustee. Removal of the Trustee shall take effect immediately upon (i) the appointment of a new Trustee and (ii) upon acceptance by the new Trustee of the trusts created and the duties of the Trustee under the Trust Agreement and under the Funding Agreement.

Appointment of Successor Trustee; Qualifications of Trustee (Section 8.11.)

If at any time the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as the Trustee shall be taken over by a governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the County shall appoint a successor Trustee to fill such vacancy and shall mail notice of any such appointment to the Trustee and the Holders.

At any time within one year after any such vacancy shall have occurred, the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding, by an instrument or concurrent instruments in writing, executed by such Holders and filed with the County may appoint a successor Trustee, which appointment shall supersede any appointment theretofore made by the County. Copies of each such instrument shall be delivered promptly by the County to the predecessor Trustee and the Trustee so appointed by the Holders.

If no appointment of a successor Trustee shall be made, the Holders of not less than a majority in aggregate principal amount of the Certificates outstanding or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any successor Trustee appointed under the provisions of the Trust Agreement shall (i) be a commercial bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing and having a combined capital and surplus aggregating not less than $50,000,000; and (ii) have, in the opinion of the County, substantial prior experience as a trustee for the benefit of municipal bondholders or certificate holders if such a bank or trust company is available and willing to assume the position of successor Trustee upon reasonable and customary terms. If the Trustee has or shall acquire any conflicting interest, it shall, within ninety (90) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign and thereby become discharged from the trusts thereby created by giving notice as provided in the Trust Agreement, such resignation to become effective immediately upon the appointment of a successor Trustee and such successor Trustee's acceptance of such appointment. The Trustee shall be deemed to have a conflicting interest if such interest is a conflicting interest within the meaning of Section 310(b)(1) to (9), inclusive, of the Trust Indenture Act of 1939, as amended.

Liability of Trustee (Section 8.14.)

Except as expressly provided in the Trust Agreement, the Trustee shall have no obligation or liability to the Holders with respect to the payment of the Contract Payments when due, or with respect to the performance by the County of any other covenant made by the County in the Funding Agreement. The Trustee shall be under no liability to any person for interest earned on any money received by it for deposit in the Certificate Fund. Any money deposited with the Trustee for the payment of the principal, premium (if any) or interest on the Certificates and remaining unclaimed for five (5) years after the Certificate has become due and payable, will be paid by the Trustee to the County, and the Holder of such Certificate shall thereafter look only to the County for payment thereof, and all liability of the Trustee with respect to such moneys shall thereupon cease. The Trustee shall in no event be liable to any Holder or Holders of any Certificate or any other person for any amount due on any Certificate from its own funds.

Limited Liability of the County (Section 8.15.)

The liability of the County is limited solely to its obligations under the Funding Agreement. No recourse shall be had for the payment of the principal or redemption price of and interest on any Certificate or for any claims based thereon, on the Funding Agreement or on the Trust Agreement against any officer, official, council member, employee or agent of Montgomery County, Maryland, all such liability, if any, being expressly waived and released by every Holder of a Certificate by the acceptance of such Certificate.

Supplemental Trust Agreements and Modification to Trust Agreement (Sections 10.01. and 10.02.)

Without the consent of the Holders, the County and the Trustee may from time to time, and at any time, enter into such supplemental trust agreements as shall not be inconsistent with the terms and provisions hereof, which supplemental trust agreements shall thereafter form a part thereof:

(a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Trust Agreement or in any supplemental trust agreement;

(b) to grant to or confer upon the Trustee or the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee or the Holders;

(c) to authorize the issuance of Additional Certificates; or

(d) to make any other change in the Trust Agreement that, in the opinion of the County and the Trustee, shall not prejudice in any material respect the rights of the Holders of Certificates Outstanding at the date as of which such change shall become effective.

Not less than thirty (30) days prior to the execution of any supplemental trust agreement for any of the purposes indicated above, the Trustee shall cause a notice of the proposed execution of such supplemental trust agreement to be mailed, postage prepaid, to all Holders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental trust agreement and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Holders.

Subject to the terms and provisions of the Trust Agreement, Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding shall have the right from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of a supplemental trust agreement for the purpose of modifying, altering, amending, adding to or rescinding, any of the terms or provisions contained in the Trust Agreement or in any supplemental trust agreement; provided, however, that nothing therein contained shall permit or be construed as permitting:

(a) a preference or priority of any Certificate or Certificates over any other Certificate or Certificates;

(b) a change in the interest rates, payment terms or payment dates of any of the Certificates;

(c) a reduction in the aggregate principal amount of the Certificates without the consent of the holders of such Certificates; or

(d) the adoption of a provision in any supplemental trust agreement which increases the obligations of the County under the Funding Agreement.

If the Holders of not less than a majority in aggregate principal amount of the Certificates at the time of the execution of such supplemental trust agreement shall have consented to and approved the execution thereof as therein provided, no Holder shall have any right to object to the execution of such supplemental trust agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof.

Defaults and Remedies (Article XI)

The occurrence of an Event of Default (as such term is defined in the Funding Agreement) under the Funding Agreement constitutes an Event of Default under the Trust Agreement.

The failure by the Trustee to receive from the County sufficient amounts (in funds satisfactory to the Trustee) to pay the principal or redemption price of or interest on the Certificates when due or to redeem Certificates on any date fixed for redemption of Certificates, or the failure by the Trustee to pay (the County having deposited sufficient funds with the Trustee for such payment) to the Holders the interest on or principal of any Certificate when due, are also declared to be and constitute Events of Default under the Trust Agreement.

Upon the occurrence and continuance of an Event of Default, subject to any applicable cure period as set forth in the Funding Agreement, the Trustee may, and shall, upon written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then outstanding, declare the principal amount of and accrued interest on the Certificates due and payable; subject, however, to the condition that after the principal of and accrued interest on the Certificates shall have been so declared to be due and payable, the Trustee may, and shall, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then Outstanding, waive such Event of Default and rescind and annul such declaration and its consequences by written notice to the County; provided that no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon and provided further that an Event of Default based on the nonpayment of interest on or principal of a Certificate may not be waived without the written consent of the Holders of all Certificates then Outstanding.

The Trustee may, in its discretion, enforce each and every right or remedy granted to it, in its capacity as the Bank, pursuant to the Funding Agreement.

Upon the happening of any Event of Default, the Trustee may, and shall, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then Outstanding and receipt of indemnity to its satisfaction: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders and require the County to carry out any agreements with or for the benefit of the Holders and to perform its duties under the Funding Agreement and the Trust Agreement; (b) bring suit against the County upon the Funding Agreement; (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders; (d) intervene in proceedings involving the rights of the Bank, the Trustee or the Holders; or (e) exercise any other rights or remedies now or hereafter existing at law or in equity including, without implied limitation, the rights and remedies of the Trustee as the Bank under the Funding Agreement.

No Holder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust, or any other remedy under the Trust Agreement or on the Certificates, unless (a) such Holder previously shall have given to the Trustee written notice of a continuing Event of Default; (b) the Holders of not less than a majority in aggregate principal amount of the Certificates then outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted, or to institute such action, suit or proceeding in its or their name; (c) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses (including counsel fees) and liabilities to be incurred therein or thereby; and (d) the Trustee shall not have complied with such request within a reasonable time. Such notification, request and offer of indemnity are thereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy; it being understood and intended that no one or more Holders of the Certificates thereby secured shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right under the Trust Agreement or under the Certificates, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, held and maintained in the manner therein provided and for the equal and ratable benefit of all Holders of Outstanding Certificates.

Nothing contained in the Trust Agreement shall, however, affect or impair the right of any Holder of Certificates to enforce the payment of the principal or redemption price of and the interest on any Certificate at and after the maturity thereof.

Defeasance (Article XII)

If the Trustee shall pay or cause to be paid the principal or redemption price of and interest on all of the Certificates, then the pledge of the Trust Estate and all other rights granted under the Trust Agreement to the Trustee or the Holders shall be discharged and satisfied. In such event, upon the request of the County, the Trustee shall execute and deliver to the County all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee, without any request required, shall pay or deliver all moneys, securities and funds held by it pursuant to the Trust Agreement that are not required for the payment or redemption of Certificates not theretofore surrendered for such payment or redemption to the County or to such officer, board or body as may then be entitled by law to receive the same.

A Certificate shall be deemed to have been paid if (i) sufficient money for the payment of the principal or redemption price of and interest on such Certificate shall then be held by the Trustee (through deposit by the County of moneys for such payment or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Certificates or (ii) if the maturity or redemption date of such Certificate shall not then have arrived, provision shall have been made for the payment of the principal or redemption price of and interest on such Certificate on the due dates for such payments, by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide sufficient moneys for such payment and the Trustee shall have given notice, at the expense of the County, by first class mail, postage paid, to all Holders at their addresses as they appear on the registration books maintained by the Trustee, that such moneys are so available for such payment; provided, however, that if any such Certificate is to be redeemed prior to the maturity thereof, provisions shall have been made for the giving of notice of such redemption.

Anything in the Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Certificates that remain unclaimed for five (5) years after the date on which such Certificates became due and payable either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such dates or for five (5) years after the date of deposit of such moneys if deposited with the Trustee after such date, shall, at the written request of the County Representative, be repaid by the Trustee to the County or to such officer, board or body as may then be entitled by law to receive such moneys, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that, before being required to make any such payment, the Trustee may, at the expense of the County, give notice, by first class mail, postage paid, to all Holders at their addresses as they appear on the registration books maintained by the Trustee, that such moneys remain unclaimed and that, after a date named in such notice which date shall be not fewer than forty (40) nor more than ninety (90) days after the date of giving of such notice, the balance of such moneys then unclaimed shall be returned to the County.

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MONTGOMERY COUNTY, MARYLAND • TAXABLE LIMITED OBLIGATION CERTIFICATES (FACILITY AND RESIDENTIAL DEVELOPMENT PROJECTS), SERIES 2010A

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